
British Transport Police Fund

Statement of Accounts for the year ended 31 March 2014

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*Ordered by the House of Commons to be printed on
19 June 2014*

Statement of Accounts presented to Parliament pursuant to Schedule 4 of the Railways and Transport Safety Act 2003

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Management commentary

Introduction

The British Transport Police Authority (“the Authority”) is an executive non-departmental public body of the Department for Transport (“DfT”), 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.

This Statement of Accounts has been prepared in accordance with the 2013-14 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.

This Statement of Accounts meets the requirements of the Railways and Transport Safety Act 2003. The Statement of comprehensive income for the year is shown on page 58 and the Statement of changes in taxpayers’ equity on page 61. The statement of financial position and statement of cash flows are shown on pages 59 and 60 respectively.

Ordered by the House of Commons to be printed 19 June 2014.

Strategic Report

1. Overview

Principal activities

The Authority is the governing body for British Transport Police (“BTP”), and is 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 DfT, established on 1 July 2004 under the Railways and Transport Safety Act 2003.

It is the Authority’s statutory duty to defray the expenses of BTP and the Authority through contributions from the railway industry. In exercising its statutory duty the Authority consults widely to ensure that the railway community, including the 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 in Scotland 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 the passenger and freight companies operating mainline rail services. BTP also provides policing services to Transport for London services, including London Underground, Docklands Light Railway and Croydon Tramlink Limited, and other metro systems across the UK.

These rail businesses provide a transport service to approximately 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. BTP 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.

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 BTP’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 the Authority's Policing Plan. These objectives serve as the Authority's key performance indicators. Local policing plans are also put in place each year to both support the national objectives and to recognise local initiatives and issues.

Performance

The Authority's 2013-14 national policing plan performance targets together with a comparison against the previous year, where available, are set out below.

National Policing Plan Objectives	Target achieved	2013-14		2012-13
		Performance	Target	Performance
Reduce police-related disruption by at least 3% on the 2012-13 figure	✗	1,242,171	1,136,577	1,171,729
Non-suspicious and unexplained fatalities to be cleared within an average of 90 minutes	✓	76	90	83
Reduce overall notifiable crime (excluding police generated crime) by at least 3% from the 2012-13 level	✓	46,508	48,576	50,081
At least maintain the 2012-13 detection rate for notifiable offences	✓	34%	31%	31%
Increase the overall percentage of the budget to be spent on frontline resources to at least 58% (Year end financial figures TBC; figure shown is provisional)	✓	59%	58%	57%
Overall sickness to be less than the 2012-13 figure of 7.3 days per year	✗	7.34	7.30	7.42
At least 90% of staff on Temporary Duty Restrictions to be on full hours after four weeks	✓	95%	90%	n/a
At least 1,016,267 hours to be worked by NPT and Response officers between 7pm and 3am	✓	1,053,673	1,016,267	1,010,645
Increase the detection rate for notifiable public order offences from the 2012-13 figure	✗	58%	59%	58%

Crime

In 2013-14 recorded crime on the railways has decreased for the tenth consecutive year. In 2013-14 total crimes decreased by 5% compared to 2012-13. Theft of passenger property and robbery decreased by 17% and criminal damage and malicious mischief decreased by 5%.

In 2013-14 theft of live cable offences BTP decreased to 293, from 481 in 2012-13 and 1,369 in 2010-11.

Disruption targets

The Authority stakeholder consultation activities with industry partners have identified reducing disruption as a key priority. This has resulted in reducing disruption being a priority theme in the Strategic Plan.

The 2013-14 Policing Plan included specific targets to reduce Police Related lost minutes (PRLMs) by 3% and for non-suspicious and unexplained fatalities to be cleared within 90 minutes.

There was a 6% increase in PRLMs in 2013-14. Of the 2013-14 PRLMs, 1% of Network Rail incidents caused 41% of the PRLMs, which were mainly suicidal trespassers. It should be noted that there was a 26% reduction in PRLMs in 2012-13 so the 2013-14 result was still a significant improvement on 2011-12.

Unexplained and non-suspicious fatalities on the railway were dealt with in an average of 76 minutes.

BTP's 5 year strategic targets

BTP has three 5 year strategic targets:

- Reduce crime on the railway by 20%;
- Reduce delay minutes lost by 10%;
- Increase passenger confidence by 20%.

Reduce Crime on the railway by 20%

- BTP recorded 3,573 (7%) fewer notifiable offences (excluding police generated) in 2013-14 than in 2012-13, the tenth successive annual reduction in notifiable crime. Over the ten years, recorded notifiable crime has fallen by a total of 38%, from 81,500 offences to 50,800;
- Due to the ongoing success of Operation Magnum theft of passenger property ("ToPP") reduced ToPP offences by 2,874 (17%);
- BTP also achieved reductions in robbery, serious line of route offences and cable theft offences;

- BTP operations to reduce crime, particularly ToPP and cable theft, also led to additional detections. The detection rate for notifiable crimes improved from 31% in 2012-13 to 34% in 2013-14.

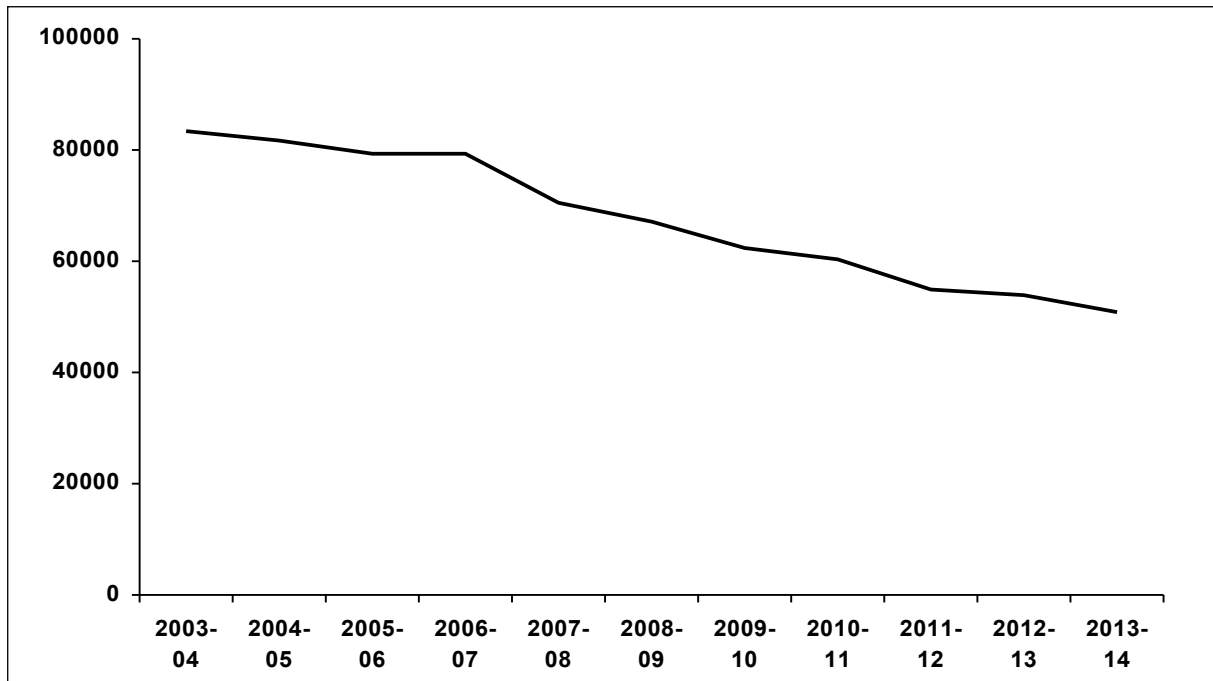


Chart 1 Recorded Notifiable offences, annually since 2003-04

Reduce delay minutes lost by 10%

- There was a 6% increase in PRLMs in 2013-14. Of the 2013-14 PRLMs, 1% of Network Rail incidents caused 41% of the PRLMs, which were mainly suicidal trespassers. It should be noted that there was a 26% reduction in PRLMs in 2012-13 so the 2013-14 result was still a significant improvement on 2011-12;
- BTP has reduced its average clearance time for non-suspicious and unexplained fatalities by 35% since 2010-11;
- Cable PRLMs have decreased by 81% from 365,000 in 2010-11 to 68,000 in 2013-14. This is consistent with the reduction in live cable theft offences recorded by BTP which have decreased from 1,369 in 2010-11 to 293 in 2013-14.

Increase passenger and staff confidence by 20%

- Passenger confidence is measured using passengers’ responses to questions about personal security in Passenger Focus’s National Passenger Survey (NPS) which are completed twice a year in Spring and in Autumn;
- BTP’s most important strategic objective is how passengers rate their personal safety. In the Spring 2013 survey 75.2% of respondents rated their personal security “Good” or “Very good”;
- In the Autumn 2013 survey this rating had improved to 76.1%;

- Results from the Spring 2014 survey are due in June 2014;
- In 2013-14 BTP increased the number of hours the Neighbourhood Policing and Response Teams worked between 7pm and 3am by 43,000 (4%) to 1,054,000;
- 85% of the 4,123 respondents to the 12 Victims of Crime Surveys in 2013-14 were satisfied with BTP's overall performance. Each area achieved a rating of at least 82% with the Scotland area achieving a rating of 92%.

Communications strategy

2013-14 was the fourth year of the Authority's communications strategy, designed to support the delivery of the strategic plan and better engage the Authority's stakeholders.

The Authority has identified seven key stakeholder groups who have been consulted in implementing year 2 of the Authority's new Strategic Plan which runs to 2018-19:

- Police Service Agreement ("PSA") holders, the passenger, freight and infrastructure companies that fund the Authority and the BTP through the annual PSA charges;
- Rail passengers and their representative groups, both national and regional, the key one of these being Passenger Focus;
- Other rail stakeholders including the Rail Delivery Group, the Association of Train Operating Companies, Rail Freight Group, Passenger Transport Executives and the Office of Rail Regulation;
- Police officers and staff and their representatives including British Transport Police Federation, Police Federation, British Transport Police Superintendents Association, Superintendents Association, Transport Salaried Staff Association and other staff support groups;
- Rail staff and their representatives and unions including Transport Salaried Staff Association, RMT and ASLEF;
- Groups involved in policing in the UK including the Home Office, Association of Chief Police Officers, Her Majesty's Inspectorate of Constabulary ("HMIC"), Association of Police and Crime Commissioners, Police and Crime Commissioners, the National Crime Agency and College of Policing;
- Governments (including UK, Scotland and Wales) and government agencies including the DfT and Home Office.

Other key consultation activities during the year included:

- Explaining the proposals of the restructure of BTP to the Authority's stakeholders;
- Explaining the development of year 2 of the operational delivery plan as published in the 2014-15 Policing Plan including agreeing a suite of performance objectives and targets to demonstrate the delivery of the strategic plan;
- The delivery of the Strategic Plan for the policing of the railways given the ongoing work being completed by the rail industry and government, after the McNulty Review;

- The impact on the railway industry of the newly formed Railway Delivery Group;
- Understanding the work being undertaken by the rail industry to describe the supply chain and to develop a systems approach to enable BTP and the Authority to influence and position ourselves within the emerging rail landscape;
- Agreeing the 2014-15 budget for BTP and the Authority;
- Dialogue on the future of BTP's Scottish Area and its engagement with Policing Scotland;
- Developing the passenger voice through new and extended consultation activities;
- Communicating the roll forward of the Medium Term Financial Plan to 2017-18;
- Communications with PSA holders regarding the provisional 2014-15 PSA charges;
- Engaging on the development of strategies and plans for the newly emerging police bodies including National Crime Agency, Police College and the Police ICT Company Limited.

Developments in the rail and policing worlds

The Authority is a member of the Association of Police and Crime Commissioners ("APCC"), and has continued to contribute to national coordination work led by the APCC as well as engaging with individual commissioners on issues affecting their constituencies.

Key activities during 2013-14 included:

- The Authority has been fully engaged in the ongoing work of the Association of Police and Crime Commissioners, in particular to influence the development of programmes of work for the College of Policing and the Police ICT Company;
- A response was provided to the HMIC consultation on its business plan for 2014-15 highlighting those areas of particular importance to the policing of the railway and specifically inspections which would provide evidence of the delivery of our strategic objectives to 2019.

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 Liverpool, London, and Manchester.

Principal risks and uncertainties

The principal risks and uncertainties to the Authority are detailed in the Governance Statement on pages 31 to 43.

Authority Members and Senior Management

During the year there were 5 female (2012-13: 3) and 12 male (2012-13: 11) Authority Members.

During the year there was 1 female (2012-13: 1) and 3 male (2012-13: 2) Senior Management. The Senior Management team includes the two Accounting Officers (the Chief Executive and the Chief Constable of BTP) and the Finance Director.

2. Finance Director's report

Financial performance

The net deficit for the financial year was £43.7m (2012-13: £53.0m), £44.1m of which relates to an IAS 19: *Employee Benefits* pensions ("IAS 19") accounting adjustment. The operating surplus for BTP and BTPA, excluding other amounts that are posted for financial accounts purposes only, is £1.1m.

The Authority has given approval for £0.9m of the surplus to be used to fund the Accelerated Information Strategy Programme and £0.05m has been transferred to the contingency reserve, with the remaining £0.15m to be transferred to the contingency reserve in the 2014-15 financial year.

During the year £1.6m of savings made in the 2012-13 financial year were used to reduce the charges for PSA holders in 2013-14.

Improving efficiency

In March 2014, the Authority approved the 2014-15 Overground Revenue Budget of £205.3m, the BTPA Budget of £1.9m and the London Underground Budget of £59.3m, which amounts to £266.5m in total. This is an increase of 1.1% (£2.8m) compared to the total for 2013-14, of £263.7m, which was less than inflation of 2.7%. In addition, £1.1m of underspend from the 2013-14 financial year was used to reduce the amounts recharged to the PSA holders. This represents a real reduction in the total cost of policing the railways which has been achieved through improved efficiency at BTP and the Authority.

Going concern

After adopting IAS 19: *Employee Benefits*, the opening financial position as at 1 April 2013 shows net pension liabilities of £474.2m. The net liability of the scheme on 31 March 2014 was £356.5m, a decrease of £117.7m in the year.

This decrease is caused by gains on the schemes investments of £80.4m and decreased liabilities principally from a rise in future inflation and lower expected future returns. This liability is accounted for as a negative pension reserve. The DfT, 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"), Enhanced Police Service Agreements and other forms of income to fund its future expected expenditure. 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 government procurement cards for small low risk payments. These are paid immediately to the supplier and are not included in the following results.

The Authority had agreed a performance target for 2013-14 of 90% of invoices paid within 30 days of receipt of invoice. In 2013-14 91.6% (2012-13 89%) were paid within 30 days of receipt of invoice. On average the Authority takes 16 days (2012-13: 15 days) from receipt of invoice to payment.

3. Sustainability Report

Commentary on sustainability performance

The Authority has been mandated as 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:

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

The Authority’s progress towards meeting GGC targets is overseen by the DfT and is monitored by the Cabinet Office and HM Treasury. Best practice ideas are being shared with the DfT 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 to date from the 2009-10 baseline were:

- 3% reduction in carbon emissions from buildings and transport;
- 38% increase in domestic business travel flights;
- 33% reduction in general waste;
- 6% increase in paper consumption;
- 24% reduction in water consumption per full time employee.

Table 1: BTP's Performance against Greening Government Commitment Indicators (data has altered from last year's Annual Report due to better collection systems)

		2009-10	2010-11	2011-12	2012-13	2013-14	Changes from 2009-10 to 2013-14
Energy and Travel*	Greenhouse Gas (GHG) Emissions	10,730 tCO ₂	10,474 tCO ₂	11,092 tCO ₂	10,635 tCO ₂	10,459 tCO ₂	-2%
Electricity**	Energy Emissions	10,926,650 kWh 5,686 tCO ₂	10,941,495 kWh 5,694 tCO ₂	11,413,009 kWh 5,939 tCO ₂	10,895,275 kWh 5,718 tCO ₂	10,711,764 kWh 5,574 tCO ₂	-2%
	Expenditure	£1,214k	£968k	£1,066k	£1,063k	£1,118k	-£83k
Gas**	Energy Emissions	5,160,454 kWh 956 tCO ₂	4,614,645 kWh 855 tCO ₂	4,367,199 kWh 809 tCO ₂	4,160,118 kWh 771 tCO ₂	4,073,847 kWh 755 tCO ₂	-21%
	Expenditure	£183k	£161k	£138k	£126k	£120k	-£40k
Energy***	Total Energy	6,722 tCO ₂	6,576 tCO ₂	6,801 tCO ₂	6,535 tCO ₂	6,431 tCO ₂	-4%
Business Travel and Fleet****	Rail	65 tCO ₂	63 tCO ₂	49 tCO ₂	89 tCO ₂	93 tCO ₂	+44%
	Domestic Air	318 flights 30 tCO ₂	267 flights 24 tCO ₂	142 flights 14 tCO ₂	300 flights 16 tCO ₂	440 flights 32 tCO ₂	+38% +10%
	International Air	24 tCO ₂	12 tCO ₂	16 tCO ₂	14 tCO ₂	12 tCO ₂	-49%
	Business Travel Expenditure	£290k	£260k	£219k	£413k	£384k	+£94k
	Fleet Fuel (Owned & Leased)	1,400,260 litres 3,542 tCO ₂	1,419,281 litres 3,620 tCO ₂	1,556,756 litres 3,984 tCO ₂	1,452,265 litres 3,715 tCO ₂	1,421,805 litres 3,637 tCO ₂	+2% +3%
	Fleet Fuel (Grey Fleet)	78,179 litres 176 tCO ₂	79,068 litres 177 tCO ₂	103,527 litres 232 tCO ₂	119,557 litres 268 tCO ₂	110,845 litres 249 tCO ₂	+41%
	Fuel Expenditure	£1,275k	£1,501k	£1,800k	£1,811k	£1,939k	+£664k +52%
	Total Travel and Fleet	4,011 tCO ₂	3,897 tCO ₂	4,296 tCO ₂	4,103 tCO ₂	3,990 tCO ₂	-0.5%
Waste*****	General Waste to Landfill Weight	453 tonnes	311 tonnes	395 tonnes	406 tonnes	302 tonnes	-33%
	General Waste Expenditure	£68k	£47k	£60k	£62k	£46k	-£22k
	Total Waste Expenditure	£140k	£115k	£141k	£162k	£136k	-£4k
Water*****	Water use Water use/FTE	35,105 m ³ 20.3 m ³ / FTE	28,365 m ³ 17.0 m ³ / FTE	30,455 m ³ 14.8 m ³ / FTE	30,074 m ³ 13.0 m ³ / FTE	35,478 m ³ 15.5 m ³ / FTE	+1% -24%
	Expenditure	£77k	£70k	£79k	£81k	£80k	+£3k
Procurement	Office Paper	25,562 reams	25,562 reams	30,950 reams	24,463 reams	27,061 reams	+6%
	Expenditure	£75k	£75k	£91k	£72k	£79k	+£4k

* Data is not yet available on the volume of refrigerant gases used to top-up leaks in air conditioning systems. These have a very strong global warming effect.

** Occasional missing utility invoices were estimated using a procedure that was internally audited.

*** Energy supplies include electricity, gas and oil. Carbon emissions from oil are included in the totals.

**** No data is available for travel on London Underground, buses, trams or coaches.

***** Waste tonnage data has been estimated using a procedure that is internally audited.

***** Water data includes some estimates of consumption to cover missing invoices.

Energy and water efficiency

The Authority occupies 169 leased properties across England, Wales and Scotland.

There was a 1.7% reduction in electricity use during the year, a 2.1% reduction in gas use, and a 7.6% increase in oil use, resulting in a 1.6% reduction in greenhouse gas emissions for the year from our buildings.

Following a space rationalisation exercise, part of the office space at 140-144 Camden Street, London, was vacated in April 2013, with staff moving into the Force HQ next door. This resulted in a 4% reduction in energy use for the two buildings combined, saving £14,000 a year in energy costs.

Staff in Cardiff were moved from Fitzalan House to Callaghan Square in late 2012. Full year savings of 137,200 kWh of electricity were realised for the first time in 2013-14, worth £15,100 per annum. There was also a reduction in carbon emissions of 71 tonnes CO₂.

LED lighting was introduced at Cowcaddens Road, Glasgow in March 2013, and this reduced site electricity consumption during the year 2013-14 by 22%. This saved £11,700 in annual energy costs with a further £6,000 in maintenance savings expected through fewer LED light bulbs needing to be replaced. Carbon emissions were cut by 38 tonnes CO₂.

A budget of £250k was allocated to introduce energy efficiency projects in the period from January to March 2014. The resulting energy savings will be seen in the 2014-15 financial year.

At Force HQ, 220 recessed low energy lamps were replaced with LEDs, reducing lamp electricity by a third, 35,000 kWh or 1.5% of the building's energy. This has also doubled lighting levels in offices and toilets, improving the working environment. Movement sensors were installed in 12 toilets and 6 stairwell landings and daylight sensors were installed in the lobby.

Similar LED lighting projects took place at several other sites across the UK.

Cold aisles were introduced to the Force HQ server room to reduce the air volume that needs to be chilled to keep the IT servers at optimal temperature. Optimisation of this system is expected in 2014-15 to realise the huge potential energy savings.

Also at Force HQ, upgrades were made to the Building Management System to allow better control over air conditioning and provide live data on electricity consumption of lighting and power floor by floor, and separately for the server room.

The PC replacement programme has continued replacing old desktop computers with newer models at reduced power ratings.

Fleet fuel efficiency

Carbon emissions from vehicles decreased by 3.3% in 2013-14.

The Authority has 570 owned 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.

A single unmarked Vauxhall Ampera, an electric car, was trialled in Glasgow for non-emergency response uses, such as events planning. This vehicle has a range of 300 miles on a fully charged battery and a full tank of petrol. The petrol is used to recharge the battery once it has discharged after about 40 miles. This means there is no mileage restriction on how the vehicle is used. The average fuel efficiency achieved for the Ampera was between 80 and 90 mpg, compared with around 40 mpg for a typical non-response vehicle like the Ford Focus. As well as halving fuel costs, there appears to be a noticeable reduction in maintenance costs and time off the road. A further 5 vehicles have been ordered and will be trialled for a further 6 months in Birmingham, Crewe and Manchester.

Many staff also receive a mileage allowance for use of their own personal vehicles. Use of these vehicles declined 7.3% during the year.

Business travel

Each day BTP polices over 10,000 miles of the national rail system, more than 2,500 national rail stations and approximately 6 million passengers on national rail, London Underground and the Docklands Light Railway. This requires sizeable business travel by rail across England, Wales and Scotland. There was a 31% increase in business travel mileage over the first four years of the GGC programme; however there was an 8% increase this year. International air travel dropped by 48% since 2009-10. Domestic air travel mileage increased by 14%, whilst the number of domestic flights rose by 39% between 2009-10 and 2013-14, reaching 441 flights.

Use of Video Conferencing (“VC”) will be promoted as an alternative to flights and rail travel during 2014-15. A programme began in autumn 2013 to move existing VC equipment into more accessible rooms to allow wider use, and a separate piece of work was carried out into ways to mandate and encourage use of VC. This will help to reduce business travel mileage and cost, whilst saving significant amounts of travel time for staff attending meetings.

Waste

During the year, new data was collected to show that the proportion of waste sent to landfill sites was down to 49%. Specifications have been prepared to help tender out a national waste contract by November 2014 to replace the 50-plus contractors in current use. This would allow compliance with the Waste Regulations to provide recycling collections at all BTP sites and comply with the mandated requirements in GGC to achieve zero waste to landfill.

GGC requires a 25% reduction in paper consumption by 2014-15. Paper consumption has increased by 6% over the first four years of the programme. The introduction of 240 new Multi-Functional Devices (printer/photocopiers) between May and September

2014 is expected to bring down paper use 25% through setting the default to double-sided printing.

Water

The GGC requires an absolute reduction in water consumption. Between 2009-10 and 2012-13, a 22% reduction was achieved, but in 2013-14 water usage rose 18%. The cause was identified at several sites as car washing, and requests to stop this and use official car washes in petrol stations were made.

In 2013-14, there were 9 best practice premises (18%), 4 good practice premises (8%) and 39 poor practice premises (78%). This is an improvement on the baseline data from 2009-10 in 3 premises, and a decline in one premise. Average water efficiency in metered premises was 15.5 m³/FTE (use per full time equivalent staff member) a 24% improvement from 20.3 m³/FTE in 2009-10.

Combined water use for Force HQ and 140-144 Camden Street increased by 28%, costing an extra £2,750. Staff numbers increased in the Force HQ building, resulting in increased water-consumption. However, water use surprisingly remained at the original levels in the vacated premises.

Refrigerant Gases

New air conditioning maintenance contracts were set up during the year to provide compliance with the refrigerant gas legislation. These contracts will provide data on the volume of refrigerant gases used to replace leaks in air conditioning systems. A refrigerant gas register is now available at each site with air conditioning present. Dangerous refrigerant gases have been replaced with compliant equivalents.

Sustainable procurement

A Government Buying Standards-compliant Multi-Functional Device (MFD) contract was awarded to Konica-Minolta. Government Buying Standards requires the MFD parts to be fully recyclable at the end of their life. This did not increase contract costs.

Biodiversity – Wildlife

In May 2013, BTP published a best practice guide for officers dealing with wildlife and environmental-related incidents. BTP is committed to working in partnership to reduce wildlife crime through effective and targeted enforcement, better regulation and improved awareness.

Corporate Social Responsibility

Cycling was promoted to the public at Operation Wiggins events. In June and during Bike Week in July 2013, Oxford officers worked alongside Thames Valley Police to tag cycles, Milton Keynes officers worked alongside Sustrans to give bikes MOTs and secure markings, and Operation Saddle advised the public at Clacton and Chelmsford not to leave bikes at cycle racks for too long without secure-locking equipment.

Governance

At the start of 2013, the Sustainability Manager was relocated from the Corporate Services Support team (Estates & Fleet) to the Corporate Development team, which is focused on business change management for the Corporate Resources Directorate. This has given sustainability a higher profile within BTP and made buy-in for organisational change easier.

The following 4 Key Performance Indicators were reported at the Corporate Resources CompStat meetings each quarter:

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

At one Corporate Resource CompStat meeting, the Head of Corporate Services was assigned development of a programme to reduce waste production through changing staff behaviour.

For 2014-15, sustainability Key Performance Indicator monitoring was moved to the Service Excellence Board reporting into the Force Executive Board, to allow corporate ownership of the sustainability targets. The KPIs being reported on were changed to:

- Carbon emissions from energy, fleet and business travel;
- The percentage of waste we send to landfill.

These amended targets have the greatest impact on costs and achieving legal compliance. They are also aligned with the most important GGC targets.

GGC data covering all of the data in Table 1 is reported to the DfT each quarter.

Future initiatives

Legal compliance will require 100% recycling rates by April 2015. Waste management processes will be changed, through a new facilities management soft services contract in late 2014. Government Buying Standards will be embedded into all relevant procurement contracts and specifications. This is required for compliance with the GGC, and will ensure whole-life-cycle costs are reduced.

A.C. Figures CB CBE

Accounting Officer

Date 12 June 2014

Chief Executive's Report

Structure of the Authority

The membership of the Authority during 2013-14 is set out below:

Urmila Banerjee CBE

Chairman

BTPA responsibilities:

- Police Authority: Chairman
- Strategy and Planning Committee
- Appointments and Remuneration Committee
- Portfolio allocation: Chief Constable
- Authority Lead on Equality and Diversity

Appointments outside BTPA:

- Working Links: Chair
- College of Policing: Non-geographic and Non-elected Police and Crime Commissioner
- Nominet Trust: Chair (resigned 18 February 2014)
- High Sheriff of Greater London (tenure ended 11 April 2013)
- Barts Health NHS Trust: Non-executive director (resigned 7 May 2013)

Brian Phillipott

Deputy Chairman

BTPA responsibilities:

- Police Authority: Deputy Chair
- Audit and Risk Assurance Committee: Chair
- Appointments and Remuneration Committee: Chair
- Strategy and Planning Committee
- Portfolio allocation: Deputy Chief Constable

No commitments outside of BTPA.

Lew Adams OBE

Member with knowledge and experience of rail employee interests

BTPA responsibilities:

- Police Authority
- People and Standards Committee
- Policing Plan Group
- Pension Working Group
- Portfolio allocations: London North area and Lead on Health and Safety

Appointments outside BTPA:

- Brackenbury Manor Owners Limited: Chairman
 - Friends of the National Railway Museum, York: Member
 - Transport Benevolent Fund: Patron
-

Dominic Booth (appointed 1 September 2013)

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Strategy and Planning Committee
- Finance Committee: Chair (from 18 March 2014)
- Policing Plan Group
- Portfolio allocations: London South

Appointments outside BTPA:

- Abellio Group: Managing Director for the UK
-

Patrick Butcher

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Strategy and Planning Committee

Appointments outside BTPA:

- Network Rail: Group Finance Director

Howard Collins (resigned 13 June 2013)

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
 - People and Standards Committee
 - Performance Review Committee
 - Pension Working Group
 - Portfolio allocations: London South area
-

Catherine Crawford OBE (appointed 1 September 2013)

Member with knowledge and experience of passenger interests

BTPA responsibilities:

- Police Authority
- Audit and Risk Assurance Committee
- Appointments and Remuneration Committee
- Performance Review Committee
- Policing Plan Group
- Portfolio allocations: London Underground

Appointments outside BTPA:

- Cambridgeshire: Police and Crime Commissioner and Member Joint Audit Committee
- Maytree Trust: Trustee
- Police Foundation: Trustee
- Internet Watch Foundation: Board Member
- Bell Foundation: Trustee

Elizabeth France CBE

Member with knowledge and experience of passenger interests

BTPA responsibilities:

- Police Authority
- Strategy and Planning Committee
- Performance Review Committee
- People and Standards Committee
- Policing Plan Group
- Portfolio allocations: North Western Area

Appointments outside BTPA:

- Office for Legal Complaints: Chair
- Security Industry Authority: Chair
- Aberystwyth University: Vice-President
- Manchester University General Assembly: Member
- UK Public Affairs Council: Chair (Appointments Committee)

Michael Holden (retired 30 June 2013)

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Audit and Risk Assurance Committee
- Performance Review Committee
- Policing Plan Group
- 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

BTPA responsibilities:

- Police Authority
- Appointments and Remuneration Committee
- Strategy and Planning Committee
- People and Standards Committee: Chair
- Portfolio allocations: North Eastern Area

No commitments outside of BTPA.

Bill Matthews

Member with knowledge and experience of passenger interests in Scotland

BTPA responsibilities:

- Police Authority
- Audit and Risk Assurance Committee
- Finance Committee
- Performance Review Committee
- Policing Plan Group
- Pension Working Group
- Portfolio allocations: Scotland Area and ACC (Scotland)

Appointments outside BTPA:

- Security Industry Authority: Interim Chair
- BBC Trust: Trustee for Scotland
- HubWest Scotland Limited: Chair
- BBC Pension Trust Limited: Chair
- M2M2 Limited: Director

Mark Phillips (appointed 1 September 2013)

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Strategy and Planning Committee
- People and Standards Committee
- Performance and Review Committee
- Policing Plan Group: Chair
- Portfolio allocations: South Division

Appointments outside BTPA:

- National Express plc – Bid Director & Operations Director Rail Development
-

Andrew Pollins (appointed 1 September 2013)

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Audit and Risk Assurance Committee
- Performance and Review Committee
- Pension Working Group: Chair

Appointments outside BTPA:

- London Underground Limited – Finance Director
 - London Underground Limited, Docklands Light Rail Limited, Rail for London Limited, Tramtrack Croydon Limited, TfL Trustee Company Limited – Director
 - Transport for London Pension Fund – Trustee Director
-

Stella Thomas (appointed 1 September 2013)

Member with knowledge and experience of passenger interests in Wales

BTPA responsibilities:

- Police Authority
- Audit and Risk Assurance Committee
- Finance Committee
- People and Standards Committee
- Policing Plan Group
- Portfolio allocations: Wales and Western

No commitments outside of BTPA.

Wendy Towers (retired 30 June 2013)

Member with knowledge and experience of passenger interests in England

BTPA responsibilities:

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

No commitments outside of BTPA.

Anton Valk

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Strategy and Planning Committee: Chair
- Appointments and Remuneration Committee
- Pension Working Group

Appointments outside BTPA:

- Managing Director Valk Management & Advice LTD
-

Jeroen Weimar (resigned 31 January 2014)

Member with knowledge and experience of providing railway services

BTPA responsibilities:

- Police Authority
- Audit and Risk Assurance Committee
- Appointments and Remuneration Committee
- Strategy and Planning Committee
- Finance Committee: Chair
- Portfolio allocations: Assistant Chief Constable (Territorial Policing)

Appointments outside BTPA:

- Chief Operating Officer: UK Bus Operations, First Group plc
-

Chief Executive's Report

Engagement with employees

The following staff associations are recognised by BTP:

- British Transport Police Federation;
- Superintendents Association;
- Transport Salaried Staff Association.

The following support groups operate in BTP:

- Association of Muslim Police;
- Christian Police Association;
- Disability Equality Support Association;
- Lesbian, Gay, Bisexual and Transgender Support Association;
- Support Association for Minority Ethnic staff.

Employees also have access to the 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 by 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.

The Authority, via its Performance Review Committee, has been working closely with BTP during 2013-14 to review its equality objectives and identify priorities that will inform the forthcoming BTP Equality and Diversity Strategy to 2019.

Resource availability

A high level of attendance from officers and staff is essential to BTP's service. The Authority's Performance Review Committee is responsible for monitoring the attendance of police officers and police staff. The 2013-14 Policing Plan set a target of less than 7.34 days of sickness absence per employee, the actual overall number of days sickness per employee was 7.3.

The breakdown of the number of days sickness is as follows:

	2013-14	2012-13
Police officers	6.8	6.9
Police staff	7.9	8.1
Police community support officers ('PCSO')	9.3	8.8
All officers and staff	7.3	7.4

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

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:

- In depth consultation with senior industry stakeholders to understand how BTP is viewed and valued key stakeholder groups;
- Consultation with passengers and rail staff to ensure that their views are taken into account when setting targets and priorities. This year questions on the National Passenger Survey have been refreshed and a new rail staff survey developed with BTP;
- A detailed piece of work, led by BTP with support from the University of Leeds, to describe and quantify the value BTP adds to the operation of the rail network and wider society;
- Identification and sharing of best practice with other police forces and organisations to improve processes and ways of working;
- 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;
- Regular analysis of intelligence and other information to optimise use of resources.

Environmental matters

The following environmental activities have been completed during 2013-14 as part of the Authority's environmental strategy:

- Ensuring that all of the Authority's and BTP's works and projects met legislative requirements;
- Designing energy efficiency into new buildings, equipment and services;

- Reducing material consumption in BTP and Authority operations;
- Ensuring reuse rather than dispose of, whenever possible;
- Promoting recycling and the use of recycled materials within BTP and the Authority.

A detailed Sustainability Report has been included on page 14.

Personal data related incidents

There were 49 (2012-13: 39) incidents involving personal data breaches. Of these none (2012-13: 1) were reported to the Information Commissioner.

Estates

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

Pension arrangements

BTP has adopted IAS 19: *Employee Benefits* which has resulted in the liabilities of the British Transport Police force Superannuation Fund (“BTPFSF”) and the British Transport Section of the Railways Pension Scheme (“RPS”) being recorded on the Statement of Financial Position. Refer to notes 25 and 26 for further disclosure relating to the two pension schemes. Refer to note 1.23 for the Authority’s accounting policy for pensions.

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 2012. It had an asset base of £846m and had a funding level of 98%. A recovery plan to make good the deficit of £18m was agreed with the Trustee of the fund.

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 £116,000 (2012-13: £125,000). The C&AG did not undertake any non-audit work for the BTPA (2012-13: £nil).

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.

Events occurring after the reporting date

On 1 May 2014 Paul Crowther was appointed as Chief Constable of the British Transport Police and Accounting Officer of the British Transport Police Authority.

Other than the appointment mentioned above there have been no events occurring after the reporting date of 31 March 2014 that would have a material impact on this Statement of Accounts.

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 12 June 2014

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.

Governance Statement

Accounting Officer's introduction to corporate governance

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

The Chief Constable is 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 ("Chair") and I, as Chief Executive of the Authority have access to the Secretary of State for the Department for Transport and the ministerial team when required to discuss policing and strategy. The Chief Constable has similar access to discuss operational policing. I, as Chief Officer together with the Chief Constable have regular meetings with DfT officials and the Permanent Secretary. The Authority Finance Director attends meetings with the DfT financial leadership team, including the DfT Finance Director, on a regular basis.

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;
- 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;

- 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 Chair and Members of the Authority (“Members”) are appointed by the Secretary of State. Members are drawn from people who have experience of the rail industry, railway staff, 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 Members have been 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. 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 20 to 26 of the Chief Executives report.

The Authority meets six times a year. At three of these meetings the Authority is required to make specific annual decisions.

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

Member name	Number of full Authority meetings eligible to attend	Number of full Authority meetings attended
Members as at 31 March 2014		
Urmila Banerjee	6	5
Brian Phillipott	6	5
Lew Adams	6	4
Dominic Booth	5	5
Patrick Butcher	6	3
Catherine Crawford	5	5
Elizabeth France	6	6
Len Jackson	6	6
Bill Matthews	6	4
Andrew Pollins	5	5
Mark Phillips	5	5
Stella Thomas	5	5
Anton Valk	6	5
Members who left during the year		
Howard Collins	1	1
Michael Holden	1	1
Wendy Towers	1	1
Jeroen Weimar	5	1

Executive Team

The Authority has an Executive Team of eleven led by myself, Andrew Figgures, 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.

Benjamin Wright serves on the team as Interim Authority Finance Director and 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 Interim Authority Finance Director works closely with BTP's Director of Corporate Resources and BTP's Head of Finance and Procurement 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.

Liz Pike, who served the Authority with distinction for ten years, served as Finance Director until November 2013 when Liz was unable to attend work due to ill health.

Sadly, Liz died on 15 March 2014. Liz was a valued, respected and well liked member of the Executive Team who made a massive contribution to the Authority and she will be sadly missed. The Authority has begun the search for a permanent Authority Finance Director.

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 include:

- Approve a budget, strategy and medium term financial plan in December of each year;
- Approve a policing plan in March;
- Approve annual accounts so that they can be signed off 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.

During the year the Authority completed the following key actions:

- The BTP strategic plan for the period from 2013 to 2019 was approved;

- The overall budget for 2014-15 was approved (an increase of 1.8% compared to 2013-14);
- The Authority approved the use of £1.1m of under spend in 2013-14 to reduce the charges for the train operating companies in 2014-15;
- The Authority approved the use of £0.9m of under spend in 2013-14 to contribute to funding the accelerated IT strategy;
- The assumptions and the results of the valuation of the British Transport Police Force Superannuation Fund and the British Transport Police Section of the Railways 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;
- All train operating companies signed the new Police Service Agreements;
- The Authority started the process of developing a new pensions strategy.

The Authority maintains six standing committees:

- Appointments and Remuneration;
- Audit and Risk Assurance;
- Finance;
- Performance Review;
- People and Standards;
- Strategy and Planning.

Appointments and Remuneration Committee

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.

The Appointments and Remuneration Committee is given the responsibility of reviewing the detail and making recommendations to the Authority on police officer and staff terms and conditions below chief officer ranks and has no delegated powers to approve proposed terms and conditions changes for officers and staff.

The Appointments and Remuneration Committee is responsible for:

- Acting on behalf of the Authority to make the arrangements for and appointment of chief officers and equivalent appointments, including the approval of the recruitment process and contracts of employment for chief officers;
- Acting on behalf of the Authority, working with the Chief Constable, to make chief officer temporary and acting appointments expected to last beyond 6 months;
- Acting on behalf of the Authority, working with the Chief Constable, to agree chief officer secondments to and from the force expected to last beyond 6 months;
- Determining the payment or otherwise, of performance related payments and other remuneration packages to the Chief Constable, Deputy Chief Constable,

- Assistant Chief Constables and equivalents;
- Acting on behalf of the Authority to make the arrangements for and appointment of the Chief Executive and Authority Finance Director;
- Considering and approving the remuneration package for the Chief Executive and Authority Finance Director;
- Considering and approving packages on termination for employees of chief officer rank or equivalent in both BTP and BTPA. For the avoidance of doubt, this includes for example discretionary awards and payments, discretionary pension enhancements and ex gratia payments;
- Considering any relevant matters in respect of Police Negotiating Board, Police Advisory Board, and other national bodies in relation to police officer and police staff terms and conditions and recommend a way forward to the Authority;
- Having due regard, in exercising the Committee's responsibilities, to equal opportunities and the requirements of equalities legislation.

The Appointments and Remuneration Committee meets at least 2 times a year. The Chair of the Committee may convene additional meetings, as they deem necessary. The Appointments and Remuneration Committee will formally report in writing to the Authority after each meeting.

Audit and Risk Assurance Committee

The purpose of the Audit and Risk Assurance Committee is to review and advise on matters relating to the internal and external audit of the Authority. It also provides an opinion on the effectiveness of the monitoring processes and whether reliance can be placed on the Authority's internal controls. The Audit and Risk Assurance Committee meets four times a year, the Chair may convene additional meetings as they deem necessary, and formally reports in writing to the Authority after each meeting.

The Audit and Risk Assurance Committee will provide the Authority and Accounting Officer with an Annual Report, timed to support finalisation of these financial statements and this Governance Statement, summarising its conclusions from the work it has done during the year.

The Audit and Risk Assurance Committee advises the Authority on:

- The effectiveness of the BTPA and BTP's plans for risk management and business continuity, including disaster recovery, and strategic processes for risk, control and governance and the Governance Statement;
- The accounting policies, the accounts, and the annual report, 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 planned activity and results of both internal and external audit and Her Majesty's Inspectorate of Constabulary;
- The adequacy of management's response to issues identified by audit activity, including external audit's management letter;

- The assurances relating to the corporate governance requirements for the organisation;
- Anti-fraud and corruption and whistleblowing processes;
- Compliance with and performance against statutory duties.

The Audit and Risk Assurance Committee may also approve the internal and external audit strategy.

The Audit and Risk Assurance Committee have delegated responsibility from the Authority for:

- Financial statements and Governance statement (May meeting);
- Annual Health and Safety opinion (May meeting);
- Management Assurance Return (May and September meetings).

The internal audit and the external audit team have free and confidential access to the Chair of the Audit and Risk Assurance Committee. The Committee meets at least four times a year. The Chair may convene additional meetings. The Committee reports in writing to the Authority after each meeting.

Finance Committee

The Finance Committee is responsible for:

- Advising the Authority on the preparation of the annual revenue and capital budget;
- Assessing financial reports and ensuring there is effective review of the Authority's financial performance;
- Reviewing the annual Police Service Authority ("PSA") charges;
- Assessing progress against delivery and spend on capital projects and major revenue schemes approved by the Authority in accordance with the scheme of delegation;
- Examining post completion reports for all capital and major revenue schemes approved by the Authority in accordance with the scheme of delegation;
- Preparing a quarterly summary of spend versus budget to be prepared and sent to the Authority members for review and comment.

The Finance Committee meets at least six times a year, The Chair of the Committee may convene additional meetings, as they deem necessary. The Finance Committee will formally report in writing to the Authority after each meeting.

Performance Review Committee

The Performance Review Committee is responsible for reviewing British Transport Police's recent performance.

The Performance Review Committee is responsible for:

- Monitoring and challenging BTP's operational and organisational performance and efficiency against criteria which are defined and refreshed annually

- to include operational and organisational KPIs and outputs from external inspections;
- Overseeing the deployment of taser and firearms and ensuring the delivery of mandatory training to maintain these capabilities;
- Providing a regular update to the Authority on progress with performance including the key issues and actions arising;
- Requesting and considering information from BTP, BTPA, stakeholders and other sources to support scrutiny activities in terms of internal and external comparison and benchmarking of performance;
- The preparation of the Authority's Annual Performance Report.

The Performance Review Committee meets at least four times a year. The Chair of the Committee may convene additional meetings, as they deem necessary. The Performance Review Committee will formally report in writing to the Authority after each meeting providing a quarterly performance report and highlighting any other significant matters arising.

People and Standards Committee

The People and Standards Committee is responsible for:

- Assessing the measures taken by BTP to ensure police integrity, counter corruption and identifying breaches of regulations;
- Responding to consultations on police integrity and pertaining to professional standards;
- Assessing the impact to the Authority and BTP of proposed changes in the professional standards and police integrity area, making appropriate recommendations to the Authority;
- Satisfying itself as to the operation of the complaints, discipline and grievance processes within BTP;
- Overseeing BTP compliance with legislative requirements and guidance with respect to custody facilities;
- Analysing the output from the independent custody visiting scheme and escalate any issues as appropriate;
- Overseeing BTP's complaints and discipline processes;
- Tracking trends in relation to public complaints, non complaint investigations and investigations into civil claims and internal matters conducted by the Professional Standards Department and make recommendations as appropriate;
- Monitoring the mandatory requirement for referral of cases to the Independent Police Complaints Commission;
- Overseeing the development and maintenance of BTP's capability and representation through the monitoring of key Human Resources data relating to recruitment, retention, progression and management of attendance;
- Assessing counter corruption and integrity practices;
- Overseeing BTP's human resources and the work of the Professional Standards Department.

The People and Standards Committee meet at least 4 times a year. The Chair of the Committee may convene additional meetings, as they deem necessary. The People and Standards Committee will formally report in writing to the Authority updating on any other significant matters arising.

The Strategy and Planning Committee

The Strategy and Planning Committee is responsible for:

- Producing a Strategy and Medium Term Financial Plan (“MTFP”) for consideration by the Authority;
- Preparing the Policing Plan in line with the strategy and stakeholder requirements;
- Ensuring an effective consultation with stakeholders in the preparation of the Strategy, MTFP, and Policing Plan;
- Agreeing performance metrics with BTP;
- Assessing performance against the defined criteria of the Policing and Strategic Plans;
- Requesting and considering other information from BTP, BTPA, stakeholders and other sources to support scrutiny activities;
- Overseeing development of an annual report from the Authority.

The Strategy, Planning and Performance Committee meets at least 4 times a year. The Chair of the Committee may convene additional meetings, as they deem necessary. The Strategy and Planning Committee will formally report in writing to the Authority highlighting progress against the Policing Plan and Strategy development processes and any significant matters arising.

Risk management

Risk management is embedded in the management of the Authority and supported by the Interim Authority Finance Director, a professional risk manager within BTP and the Audit and Risk Assurance Committee.

The 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 by the BTP Senior Management Team, Authority Executive, Audit and Risk Assurance Committee and the Authority.

The BTP management team review both strategic and operational risks on a quarterly basis. The risks are then reviewed each quarter at Audit and Risk Assurance Committee meetings alongside the Authority's strategic risks.

The BTP and Authority risks are then reported to the Authority at the Authority meetings. The BTP and Authority risks are also presented to the DfT sponsorship team and consolidated in to the DfT risk register where the risks are considered to be a significant risk to the DfT.

Strategic risks

Strategic risks are rated as high, medium or low dependant on their impact and likelihood. The Authority has considered the risks and during 2013-14 the major risks faced are summarised in the following table:

Thematic risk	Narrative
Charging of core PSA holders	<p>The Railways and Transport Safety Act 2003 requires that the contribution to policing costs made by all parties approximately reflects the nature and extent of functions undertaken in that financial year.</p> <p>The core PSA holders are charged for policing costs using the Matrix charging model ("the model") which has been developed in consultation with the rail industry. The model was first used to calculate the core PSA Holders provisional PSA charge for the 2013-14 financial year and there were no disputes and all invoices have been paid in full.</p> <p>The charges calculated by the model are dependent on a number of variables including actual costs incurred in each police area, police time recorded by BTP command and control, recorded crimes, station usage, timetabled train kilometres and network access charges. Due to the nature and number of inputs into the model there will be variations to the amounts charged to the PSA holders each year. There is a risk that this could lead to disputes with PSA holders if their PSA charges unexpectedly increase compared to the previous year.</p> <p>At the time of reporting there are ongoing discussions with five of the PSA holders regarding the 2014-15 provisional PSA charge but all of the PSA holders have paid their first instalment of the charge.</p> <p>The Authority will continue to review the methodology used in the model to ensure that it represents the fairest possible way to recharge the core PSA holders. The Authority will liaise with the core PSA holders on an ongoing basis to ensure that they are kept aware of any developments to the charging process to minimise the risk of disputes in the future.</p>

Thematic risk	Narrative
New Pension Strategy	<p>The cost of providing a defined benefit pension to police officers and police staff continues to escalate due to the increased life expectancy of current and future pensioners, increases in the cost of living and the potential poor performance of investments.</p> <p>The combined deficit of the British Transport Police Force Superannuation Fund and the British Transport Police Section of the Railways Pension Scheme at 31 March 2014 was £356.5m.</p> <p>To manage the future costs, the Authority is in the process of developing a new pension strategy with the intention of lowering pension costs in the future.</p> <p>Developing and implementing a new pension strategy may be a difficult process due to the sensitive nature of changing defined benefit pensions schemes. Any delays to implementing the new pension strategy will result in delays in the benefits from this programme. The sensitive nature of changing defined benefit pension schemes could impact the morale of police officers and police staff.</p> <p>The Authority has informed the trustees and the pensions working group of the intention to develop a new strategy to ensure that there is effective communication of the new pension strategy. The Authority has also engaged external consultants to provide advice on the pension's strategy to ensure that the process for implementing the new strategy is as effective as possible.</p>
Scotland Act	<p>The Scottish Government has issued its blueprint for an independent Scotland which states that if Scotland is granted independence then the policing of railways in Scotland would become the responsibility of the Police Service of Scotland. This would result in a reduction in BTP's role in policing the railways of the United Kingdom and a decrease in funding to BTP.</p>
Legislative anomalies	<p>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. An example of this would be the power to require registered owners of vehicles to provide information under the Road Traffic Act.</p> <p>The Authority has recognised that there is a need to address this and has met with the Home Office to address these anomalies. The Home Office agreed to address a number of these anomalies but due to time constraints in the Parliamentary timetable these sections of the bill did not get passed in Parliament. The Home Office have advised that these sections of the bill have widespread support and will get passed in Parliament as soon as possible.</p>

Thematic risk	Narrative
Enhanced Police Service Agreement (“EPSAs”)	<p>When an EPSA is signed BTP will go and recruit the required number of police offices to complete the required work. The EPSA contracts will generally be for a period of one year.</p> <p>If a number of parties decided to not renew their EPSA agreements at the same time it could result in BTP losing funding for a number of police offices at the same time.</p> <p>A report listing has been prepared that lists the EPSAs, value of the agreements and number of police officers that are employed and this is monitored on an ongoing basis to ensure that BTPA is not exposed to a significant decrease in revenue.</p>

Commentary on internal control

The Authority’s internal auditors, from the DfT, take a risk based approach to the internal audit. The annual internal audit plan was agreed by the Authority and the planned work for 2013-14 has been completed. All control weaknesses that have been identified are being addressed through management action plans.

There is a requirement for the Authority to complete and return the DfT Management Assurance Return twice a year. 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 achieved 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 Interim 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 2013-14 annual internal audit report has stated that during the financial year the internal controls around the corporate governance, Authority charging model, management assurance and aspects of human resources had strengthened. The annual internal audit report noted that there is some risk in some of the processes in the cash and banking, IT disaster recovery and procurement areas. The internal auditor report noted while the weaknesses in the controls were significant in aggregate there have been no systematic control failures within operational systems that have been reported to the Audit and Risk Assurance Committee or as part of the Management Assurance Process. For that reason the internal auditors were able to provide reasonable assurance on the adequacy and effectiveness of the governance, risk and internal control arrangements of the Authority.

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 2013-14 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 2013-14.

A.C. Figgures CB CBE

Accounting Officer

Date 12 June 2014

Remuneration report

The Appointment of the Members of the Authority

The constitution of the Authority is set by the Railways and Transport Safety Act, which determines that the Authority must include:

- At least four persons who have knowledge of and experience in relation to the interests of persons travelling by railway;
- At least four persons who have knowledge of and experience in relation to the interests of persons providing railway services;
- At least one person who has knowledge of experience in relation to the interests of employees of persons providing railway services.

Members of the Authority are appointed by the Secretary of State for Transport, with the intention that the Authority is representative of the community it serves and is informed of the views and interests of these groups.

Accordingly the current composition of the Authority is as follows:

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

The Members of the Authority

The following table provides details of all Members who served during the 2013-14 financial year:

Members (date appointed, retired or resigned)	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
Dominic Booth (appointed 1 September 2013)	01-09-2013	31-08-2017	3 months	Knowledge of Industry
Patrick Butcher	01-09-2011	31-08-2015	3 months	Knowledge of Industry
Howard Collins (resigned 13 June 2013)	01-09-2009	13-06-2013	3 months	Knowledge of Industry
Catherine Crawford (appointed 1 September 2013)	01-09-2013	31-08-3017	3 months	Passenger Interests
Elizabeth France	01-07-2010	30-06-2014	3 months	Passenger Interests
Michael Holden (retired 30 June 2013)	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
Mark Phillips (appointed 1 September 2013)	01-09-2013	31-08-2017	3 months	Knowledge of Industry
Andrew Pollins	01-09-2013	31-08-2017	3 months	Knowledge of Industry
Stella Thomas	01-09-2013	31-08-2017	3 months	Passenger Interests and Wales

Members (date appointed, retired or resigned)	Commencement of contract (date last renewed)	Term expiry date	Notice period required	Main role
Wendy Towers <i>(retired 30 June 2013)</i>	01-07-2004 <i>(01-07-2012)</i>	30-06-2013	3 months	Passenger Interests and England
Anton Valk	01-09-2011	31-08-2015	3 months	Knowledge of Industry
Jeroen Weimar <i>(resigned 31 January 2014)</i>	01-07-2006 <i>(01-07-2010)</i>	30-01-2014	3 months	Knowledge of Industry

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

The Members of the Authority and their roles and interests are detailed in the Structure of the Authority on pages 20 to 26.

The responsibility and purpose of the Authority is detailed in the Governance Statement from pages 31 to 43.

The Authority Officers

The following table provides details of the Authority Officers who served during the 2013-14 financial year:

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	15-03-2014	6 months	Authority Finance Director
Benjamin Wright	19-02-2014	22-08-14 Contingent Labour	1 month	Interim Authority Finance Director

The BTP Strategic Command Team

The following table provides details of the BTP Strategic Command Team who served during the 2013-14 financial year:

BTP Strategic Command Team	Commencement of Contract	Term expiry date as at 31 March 2014	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	Assistant Chief Constable (Force Restructure)
Stephen Thomas	01-07-2007	Permanent appointment	3 months	Assistant Chief Constable (Territorial Policing and Crime)
David McCall	08-03-2004	Permanent appointment	3 months	Assistant Chief Constable (Scotland)
Mark Newton	07-05-2012	31-03-2014	3 months	Temporary Director of Corporate Resources

From 1 January 2014 to 28 March 2014 Andrew Trotter was working at the College of Policing as Deputy Director of the Strategic Command Course. During this period Paul Crowther was Temporary Chief Constable and David McCall was Temporary Deputy Chief Constable.

Remuneration of Members, Authority Officers and the Strategic Command Team

The remuneration policy for Authority Members is determined by the Department for Transport.

The remuneration policy for Senior Officers of the Authority and the BTP Strategic Control Team is determined by the Appointments and Remuneration Committee.

The policy on remuneration is determined by both general factors and factors that are specific to the transport, policing or security industries.

The general factors taken into consideration are:

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

The specific factors relate to policies and guidelines from the Police Negotiating Board which 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.

The Members of the Authority receive non-pensionable allowances. Members are also entitled to claim expenses for travel, accommodation and subsistence when on Authority business.

The Members' salary and allowances are set by the Secretary of State following consultation with the Authority.

The following table provides the remuneration of the Members (audited):

	2013-14				2012-13			
	Salary	Bonus	Benefits in kind (to nearest £100)	Total (£000)	Salary	Bonus	Benefits in kind (to nearest £100)	Total
Members	£000	£000	£	£000	£000	£000	£	£000
Urmila Banerjee	30-35	–	–	30-35	30-35	–	–	30-35
Brian Phillpott	25-30	–	–	25-30	25-30	–	–	25-30
Lew Adams	15-20	–	–	15-20	15-20	–	–	15-20
Dominic Booth	5-10	–	–	5-10	n/a	–	–	n/a
Patrick Butcher	* –	–	–	–	* –	–	–	–
Howard Collins	# 0-5	–	–	0-5	15-20	–	–	15-20
Catherine Crawford	5-10	–	–	5-10	n/a	–	–	n/a
Colin Foxall	N/A	–	–	N/A	# 10-15	–	–	10-15
Elizabeth France	15-20	–	–	15-20	15-20	–	–	15-20
David Franks	N/A	–	–	N/A	# 10-15	–	–	10-15
Michael Holden	# 0-5	–	–	0-5	15-20	–	–	15-20
Len Jackson	15-20	–	–	15-20	# 10-15	–	–	10-15
Bill Matthews	15-20	–	–	15-20	# 5-10	–	–	5-10
Andrew Pollins	# 5-10	–	–	5-10	n/a	–	–	n/a
Mark Phillips	# 5-10	–	–	5-10	n/a	–	–	n/a
Stella Thomas	# 5-10	–	–	5-10	n/a	–	–	n/a
Wendy Towers	# 0-5	–	–	0-5	15-20	–	–	15-20
Anton Valk	15-20	–	–	15-20	15-20	–	–	15-20
Jeroen Weimar	# 0-15	–	–	10-15	15-20	–	–	15-20
* No salary taken								
# Full year equivalent £15k-20k								

The following table provides the remuneration of the Authority Officers and Strategic Command Team (audited):

	2013-14				2012-13				
	Salary	Benefits in kind (to nearest £100)	Pension benefits (£'000)	Total	Salary	Bonus	Benefits in kind (to nearest £100)	Pension benefits (£'000)	Total
	£'000	£	£	£'000	£'000	£'000	£	£	£'000
Authority Officers									
Andrew Figgures	95-100	19,800	28,000	145-150	100-105	–	12,300	21,000	135-140
Elizabeth Pike	100-105	21,500	–	120-125	100-105	–	15,100	–	115-120
Benjamin Wright*	–	–	–	–	–	–	–	–	–
Strategic Command Team									
Andrew Trotter	165-170	35,100	79,000	280-285	165-170	10-15	35,500	60,000	275-280
Paul Crowther	160-165	8,400	–	165-170	145-150	10-15	8,700	–	165-170
David McCall	125-130	4,000	–	130-135	110-115	5-10	11,200	–	125-130
Mark Newton	95-100	11,800	24,000	130-135	85-90	0-5	12,100	21,000	120-125
Alan Pacey	120-125	4,200	–	125-130	115-120	10-15	10,400	–	135-140
Stephen Thomas	110-115	4,900	–	115-120	105-110	5-10	9,800	–	125-130

* Benjamin Wright's services were obtained through Stanley Road Consulting Ltd. The cost for 2013-14 was £18,800 (which includes VAT of £3,135).

Salary

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

Bonus payments

The Authority's Appointments and Remuneration Committee took the decision to abolish the Senior Officer bonus scheme from 1 April 2013. This is in accordance with recommendation 89 from the March 2012 Independent Review of Police Officer and Staff Remuneration and Conditions, conducted by Tom Winsor.

The bonuses paid in 2012-13 relate to performance in 2011-12. Bonuses were based on performance levels attained and made as part of the appraisal process.

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 include healthcare, use of vehicle and other travel benefits. Pension's contributions made by the employer are treated as a benefit in kind

The amount paid by the employer under the pension salary sacrifice scheme is shown as a benefit in kind.

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. The only opportunity for performance related pay progression is for assistant chief constables (and civilian equivalents), who progress through a salary scale when their performance is assessed as satisfactory or exceptional. The Chief and Deputy Chief Constables receive a salary on a set rate.

Median pay (audited)

	2013-14	2012-13
	£000	£000
Band of highest paid senior officer (including bonus and benefits in kind)	£200k-£205k	£215k-£220k
Median total remuneration	£35,253	£35,763
Ratio	5.8	6.1

The Authority 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 2013-14 financial year was £200k-£205k (2012-13: £215k-£220k). This is the Chief Constable who is not the Accounting Officer for the Authority, but is an Additional Accounting Officer for Authority. This was 5.8 times (2012-13: 6.1 times) the median remuneration of the workforce, which was £35,253 (2012-13: £35,763).

In 2013-14 no employees (2012-13: no employees) received remuneration in excess of the highest paid Senior Officer. The remuneration of employees ranged from £15,336 to £169,769 (2012-13: £14,862 to £168,849).

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind and severance payments. It does not include benefits in kind relating

to safeguarded travel as this only 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 2012-13 to 2013-14 is caused by employees on higher grades leaving BTP and being replaced by employees on lower equivalent pay grades. The number of employees increased by 77 in the period from 1 April 2013 to 31 March 2014, these new employees started at the bottom of the pay grade which would also result in a decrease to the median. The pay award for officers and staff was 1%.

Pension benefits

Railways pension scheme – Authority and BTP 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 or widower pensions.

British Transport Police Force Superannuation Fund – 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 who joined 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

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 31/03/14		Real increase values at pension age		CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV
	Pension	Lump sum	Pension	Lump sum			
	£000	£000	£000	£000	£000	£000	£000
Authority officers							
Andrew Figgures	5-10	5-10	0-2.5	0-2.5	123	91	32
Elizabeth Pike	Death in Service 15-03-2014						
Strategic Command Team							
Andrew Trotter	30-35	20-25	2.5-5.0	2.5-5.0	592	524	68
Mark Newton	45-50	70-75	0-2.5	2.5-5.0	781	711	70
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						

A.C. Figgures CB CBE

Accounting Officer

Date 12 June 2014

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

I certify that I have audited the financial statements of the British Transport Police Fund for the year ended 31 March 2014 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are 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 Management Commentary to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

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 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 expenditure and income 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 the British Transport Police Fund's affairs as at 31 March 2014 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 13 June 2014

Statement of comprehensive income

for the year ending 31 March 2014

	Note	2013-14 £000	Restated 2012-13 £000
Income			
Police Service Agreement income	3	202,362	193,458
Other income	3	78,362	74,489
		<u>280,724</u>	<u>267,947</u>
Expenditure			
Staff costs	4	(245,254)	(238,703)
Depreciation and amortisation	5	(11,659)	(12,060)
Other expenditure	5	(47,734)	(55,835)
		<u>(304,647)</u>	<u>(306,598)</u>
Operating deficit		(23,923)	(38,651)
Net interest receivable		142	198
Net interest payable for pension schemes	25	(19,890)	(14,530)
		<u>(43,671)</u>	<u>(52,983)</u>
Net deficit for the financial year			
Other comprehensive income			
Items that will not be reclassified to net operating costs:			
Net gain/(loss) on revaluation of property, plant and equipment		(14)	4,027
Actuarial gains/(losses) on defined benefit pension schemes	26	161,780	(137,690)
		<u>161,766</u>	<u>(133,663)</u>
Total comprehensive surplus/(deficit) for the year ended 31 March 2014		<u>118,095</u>	<u>(186,646)</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 operating deficit (above) can be found in the management commentary.

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

Accounting policies and notes forming part of these accounts are on pages 62 to 104.

Statement of financial position

as at 31 March 2014

	Note	2014 £000	Restated 2013 £000	£000
Non-current assets				
Property, plant and equipment	6	52,187	51,773	
Intangible assets	7	4,370	6,161	
Other receivables	10	89	96	
Total non-current assets:				58,030
Current assets				
Inventories	9	1,209	786	
Trade and other receivables	10	14,770	20,605	
Cash and cash equivalents	11	37,259	29,650	
Total current assets:				51,041
Total assets				109,071
Current liabilities				
Trade and other payables	12	(33,143)	(32,433)	
Provisions for liabilities and charges	13	(1,120)	(1,266)	
Total current liabilities				(33,699)
Non-current assets plus net current assets				75,372
Non-current liabilities				
Pension liabilities	25	(356,470)	(474,180)	
Other payables	12	(923)	(1,028)	
Total non-current liabilities				(475,208)
Assets less liabilities				(399,836)
Taxpayers' equity				
Income and expenditure reserve	24	69,695	68,839	
Revaluation reserve		5,003	5,505	
Pension reserve	25	(356,470)	(474,180)	
				(399,836)
				(399,836)

The financial statements on pages 58 to 104 were approved by the Authority on 12/06/14 and were signed on its behalf by:

Signed A.C. Figgures

Accounting Officer

Date 12 June 2014

Accounting policies and notes forming part of these accounts are on pages 62 to 104.

Statement of cashflows

for the year ending 31 March 2014

	Note	2013-14 £000	2012-13 £000	Restated 2012-13 £000
Cash flows from operating activities				
Net deficit for the financial year		(43,671)	(52,983)	
Loss on disposal of non-current assets	5	681	299	
Decrease in trade and other receivables	10	5,842	3,357	
Increase in inventories	9	(423)	(101)	
Increase in trade payables	12	605	1,280	
Use of provisions	13	(146)	637	
Depreciation charges	6	9,530	9,705	
Amortisation charges	7	2,129	2,355	
MHCA revaluation adjustment	5	560	2,493	
Pension charges	26	24,180	15,690	
Net interest payable for pension schemes	26	19,890	14,530	
Net cash flow from operating activities		19,177	(2,738)	
Cash flows from investing activities				
Purchase of property, plant and equipment	6	(12,968)	(9,297)	
Increase/(decrease) in property, plant and equipment accruals - non cash additions	6	1,841	(871)	
Purchase of intangible non-current assets	7	(795)	(1,347)	
Decrease in intangible asset accruals – non cash additions	7	(8)	(16)	
Proceeds of disposal of property, plant and equipment		393	186	
Net cash flow from investing activities		(11,537)	(11,345)	
Cash flows from financing activities				
Grants from sponsoring department		0	20,141	
Amounts repayable to the DfT		(31)	0	
Net financing		(31)	20,141	
Net increase in cash and cash equivalents in the period		7,609	6,058	
Cash and cash equivalents at the beginning of the period	11	29,650	23,592	
Cash and cash equivalents at the end of the period	11	37,259	29,650	
	11	(7,609)	(6,058)	

Accounting policies and notes forming part of these accounts are on pages 62 to 104.

Statement of changes in taxpayers' equity

for the year ending 31 March 2014

	Note	Restated Income and expenditure reserve £000	Revaluation reserve £000	Pension reserve £000	Restated Total reserve £000
Balance at 31 March 2012		68,670	4,269	(306,270)	(233,331)
Changes in taxpayers' equity 2012-13					
Net gain/(loss) 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		(52,983)	0	0	(52,983)
Total recognised income and expense for 2012-13		(23,362)	1,236	(167,910)	(190,036)
Grants from sponsoring entity					
Revenue grant in aid received		20,141	0	0	20,141
Amounts repaid to the DfT		0	0	0	0
Total grants received / (repaid)		20,141	0	0	20,141
Balance at 31 March 2013		65,449	5,505	(474,180)	(403,226)
Changes in accounting policy	27	3,390	0	0	3,390
Restated balance at 01 April 2013		68,839	5,505	(474,180)	(399,836)
Changes in taxpayers' equity 2013-14					
Net gain/(loss) on revaluation of property, plant and equipment and motor vehicles		0	(14)	0	(14)
Pension movement		0	0	161,780	161,780
Transfer between reserves		44,558	(488)	(44,070)	0
Comprehensive income for the year		(43,671)	0	0	(43,671)
Total recognised income and expense for 2013-14		887	(502)	117,710	118,095
Grants from sponsoring entity					
Revenue grant in aid received		0	0	0	0
Amounts repaid to the DfT		(31)	0	0	(31)
Total grants received/(repaid)		(31)	0	0	(31)
Balance at 31 March 2014		69,695	5,003	(356,470)	(281,772)

Accounting policies and notes forming part of these accounts are on pages 62 to 104.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2013-14 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 2013-14 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 2013-14 Government Financial Reporting Manual.

The opening financial position as at 1 April 2013 shows net pension liabilities of £474.2m. 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 2014 was £356.5m, an decrease of £117.7m in the year. This decrease was caused by a higher discount rate, lower inflation and related assumptions and lower salary increases assumptions as well as asset returns in excess of those assumed at the beginning of the year. 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 and from service income) 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 2013 and 2014 were issued. These include:

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. The changes in the Authority's financial statements are reflected in note 27.

As at 31 March 2014, the following Standards and Interpretations have been issued but are not yet effective (and in some cases not yet adopted by the EU):

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 intended to improve and simplify the reporting of financial instruments. It simplifies the classification of financial assets, which determines how they are measured.

IFRS 13 Fair Value Measurement: effective for annuals period beginning on or after 1 January 2013 although not yet included in the FReM. IFRS 13 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.

During the current financial year, the revised version of IAS 19 has been applied retrospectively, changing the amounts recognised as interest income and expenditure, and the amounts recognised through reserves.

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. 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. These non-current assets are recognised initially at cost, which comprises purchase price (including non-recoverable VAT) and any costs of bringing assets to the location and condition necessary for them to be capable of operating in the manner intended and 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.

From 01 April 2014 internal staff costs that can be attributed directly to the construction of an asset, including capital renewal schemes, are capitalised. This includes staff on the Authority's payroll who have been bought in with the specific intention of working on capital projects.

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.

Expenditure falling below these values is charged as an expense in the statement of comprehensive income.

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 earlier of the start of the period following acquisition and the date the asset is deemed to be 'in use'.

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 3 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

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are capitalised if it is probable that the expected future benefits attributable to them will flow to the Department and if their cost can be measured reliably. 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 an 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 as described in Note 3.

Core PSA and Enhanced PSA income is statutory and therefore exempt from value added tax.

1.11 Leases

A lease is an agreement whereby the lessor conveys the right to use an asset for an agreed period in return for payments. At their inception, leases are classified as operating or finance leases. If a lease conveys substantially all the risks and rewards of ownership to the lessee (such as transfer of title, the lease term covering the major part of the asset's life, or the lease payments are substantially all of the fair value of the leased asset), it is classified as a finance lease. Otherwise, it is classified as an operating lease. Where a lease covers the right to use both land and buildings, the risks and rewards of the land and the buildings are considered separately. Land is assumed to be held under an operating lease unless the title transfers to the Authority at the end of the lease. The assessment is made at the inception of the lease, except in the case of leases pre-existing the transition to IFRS, when the assessment is made as at that date.

Arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease. Transactions involving the legal form of a lease, such as sale and leaseback arrangements, are accounted for according to their economic substance.

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 2014 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 1 July 2004 all past and present employees were covered either by the British Transport Police Force Superannuation Fund (BTPFSF) for police officers, which was established by deed; or the Railway Pension Scheme (RPS), a scheme set up by the Railway Pension Scheme Order (1994) for other staff.

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

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).

These defined benefit schemes are accounted for in accordance with IAS19. Current service costs and a single interest cost on the schemes' net liabilities are recognised in the statement of comprehensive income, and remeasurements are recognised in equity, as required by the Financial Reporting Manual (FRM).

In accordance with IAS19, the Scheme Managers/trustees are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions was used in preparing the sensitivity analyses.

To help people save more for their retirement the Government has introduced the requirement for employers to enrol their workers into a workplace pension scheme. This new legislation is called Automatic Enrolment. It is a legal requirement which began for BTPA on the 1 May 2013. At BTPA's discretion, most employees are automatically enrolled through their contract of employment into one of two occupational pension schemes. As a result most BTPA employees will be unaffected.

Under the new law all current employees who are not members of the BTPFSF or RPS were enrolled into the RPS under an automatic enrolment entitlement. This took effect from 7 July 2013 and included those who have, in the past, opted out of the BTPFSF or the RPS, who have already drawn their pension or who have previously been barred from pension scheme membership, particularly of the BTPFSF.

On 7 July 2013 all Officers and Staff who are not already in a pension scheme with annual earnings above £9,440 and who are aged between 22 and State Pension Age were auto enrolled into the RPS pension scheme. All other employees can also request to join the pension scheme. All Officers or Staff who wished to join the scheme prior to 7 July 2013 could do so by using the Opt In Notice Form from the 1 May 2013.

New and existing BTP employees will continue to have a contractual entitlement to membership of the scheme appropriate to their Police Officer or Police Staff status, subject to their eligibility and compliance with their Fund's rules. Eligible employees can apply to join at any time.

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, as well as the use of actuarial estimates regarding the longevity of current and deferred pensioners and long-term rates of inflation to determine the value of the liabilities for pension scheme to which IAS19 applies.

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

The Authority occasionally faces legal claims and challenges, which may result in the possible outflow of economic benefits. 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. Where items of plant and equipment are installed within properties, their useful lives may be curtailed by the useful life of the property. In determining their useful lives, the Authority reflects its intention to remain in its leasehold properties until the end of the lease.

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 consistent with the Railways and Transport Safety Act 2003. PSA holders consist of Network Rail, Train Operating Companies, Open Access Operators, Freight Companies, Transport for London (TfL) 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 charging 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.

	2013-14	2012-13
	£000	£000
Police Service Agreement income	202,362	193,458
<u>Other income</u>		
London Underground income	53,313	52,108
Enhanced Police Service Agreement income	17,035	16,659
Recoveries in respect of outward secondments	945	1,007
Other income	7,069	4,715
	<u>78,362</u>	<u>74,489</u>
Total	<u>280,724</u>	<u>267,947</u>

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

4 Staff numbers and related costs

Total staff costs consist of:

	2013-14	Permanently Employed Staff	Other	Restated 2012-13
	Total	Total	Total	Total
	£000	£000	£000	£000
Salaries and Wages	177,769	176,678	1,091	179,340
Social Security Costs	13,672	13,672	0	14,448
Other Pension Costs	53,813	53,813	0	44,915
	<u>245,254</u>	<u>244,163</u>	<u>1,091</u>	<u>238,703</u>
Sub-total	245,254	244,163	1,091	238,703
Less recoveries in respect of outward secondments	(945)	(945)	0	(1,007)
	<u>244,309</u>	<u>243,218</u>	<u>1,091</u>	<u>237,696</u>
Total net costs	<u>244,309</u>	<u>243,218</u>	<u>1,091</u>	<u>237,696</u>

Between 01 April 2013 and 31 March 2014, contributions of £30.9m (£28.7m for the year ended 31 March 2013) 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 £30.9m mentioned above (£28.7m on 2012-13)). The contributions for 2013-14 were £5.3m (£5.1m in 2012-13), of which £1.1m was funded by London Underground Limited (£1.0m in 2012-13). 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	2013-14	2012-13
	Total			Total	Total
Permanently Employed Staff	2,885	370	1,483	4,738	4,620
Other	0	0	20	20	22
Staff engaged on capital projects	0	0	3	3	0
	2,885	370	1,506	4,761	4,642

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
< £10,000	14 (9)	7 (0)	21 (9)
£10,000 – £25,000	12 (5)	5 (1)	17 (6)
£25,000 – £50,000	8 (2)	5 (1)	13 (3)
£50,000 – £100,000	1 (0)	1 (0)	2 (0)
£100,000 – £150,000	-	2 (0)	2 (0)
£150,000 – £200,000	-	-	-
Total number of exit packages	35 (16)	20 (2)	55 (18)
Total resource cost	£619,531 (£204,102)	£636,910 (£56,746)	£1,256,441 (£260,848)

There was 35 compulsory redundancies in the period (16 in 2012-13). 20 officers and staff left under the terms of a Voluntary Severance Scheme in 2013-14 (nil in 2012-13). Compensation payments totalling £636,910 were received in 2013-14 in relation to the Voluntary Severance Scheme (£nil in 2012-13). There were no exit packages relating to senior members of staff (2 in 2012-13).

Redundancy and other departure costs have been paid in accordance with the contractual obligations of the employee contracts.

5 Other expenditure

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

	Note	2013-14 £000	2012-13 £000
Supplies and services: other staff costs		6,398	6,718
Supplies and services: communications and computers		11,177	12,843
Supplies and services: other		9,264	12,061
Rentals under operating leases		7,589	7,357
Premises (excluding rentals under operating leases)		7,692	9,047
Transport costs		4,382	4,662
<u>Non-cash items</u>			
Depreciation of property, plant and equipment	6	9,530	9,705
Amortisation of intangible assets	7	2,129	2,355
MHCA Revaluation		560	2,493
Loss on disposal of property, plant and equipment		681	299
Provision provided/(released) for in year	13	205	20
Bad debt write offs/(write backs)		(214)	335
Total		59,393	67,895

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 £116,000 for auditors remuneration for audit work related to 2013-14.

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 2013	40,237	17,748	12,988	2,149	2,994	3,034	22,843	101,993
Additions	4,831	1,046	2,598	(465)	(1,151)	495	3,773	11,127
Disposals	(208)	(1,804)	(3,024)	0	0	(101)	(4,580)	(9,717)
Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Revaluations	159	44	36	0	0	6	(394)	(149)
At 31 March 2014	45,019	17,034	12,598	1,684	1,843	3,434	21,642	103,254
Depreciation								
At 1 April 2013	12,821	10,186	8,025	0	0	2,428	16,760	50,220
Charged in year	2,350	2,155	2,111	0	0	266	2,648	9,530
Disposals	(125)	(1,639)	(2,936)	0	0	(101)	(4,308)	(9,109)
Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Revaluations	58	215	66	0	0	38	49	426
At 31 March 2014	15,104	10,917	7,266	0	0	2,631	15,149	51,067
Carrying amount at 31 March 2014	29,915	6,117	5,332	1,684	1,843	803	6,493	52,187
Carrying amount at 31 March 2013	27,416	7,562	4,963	2,149	2,994	606	6,083	51,773
Asset Financing:								
Owned	29,915	6,117	5,332	1,684	1,843	803	6,493	52,187
Carrying amount at 31 March 2014	29,915	6,117	5,332	1,684	1,843	803	6,493	52,187

	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

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.

7 Intangible assets

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

	Licences £000	Software £000	Wide area network £000	Websites £000	Assets under construction £000	Total £000
Cost						
At 1 April 2013	4,685	4,226	4,675	58	1	13,645
Additions	475	246	5	78	(1)	803
Disposals	(519)	(2,189)	0	0	0	(2,708)
Impairments	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
At 31 March 2014	4,641	2,283	4,680	136	0	11,740
Amortisation						
At 1 April 2013	3,231	2,820	1,421	12	0	7,484
(Charged in year)	641	529	936	23	0	2,129
Disposals	(488)	(1,755)	0	0	0	(2,243)
Impairments	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
At 31 March 2014	3,384	1,594	2,357	35	0	7,370
Carrying amount at 31 March 2014	1,257	689	2,323	101	0	4,370
Carrying amount at 31 March 2013	1,454	1,406	3,254	46	1	6,161
Asset Financing:						
Owned	1,257	689	2,323	101	0	4,370
Carrying amount at 31 March 2014	1,257	689	2,323	101	0	4,370

	Licences £000	Software £000	Wide area network £000	Websites £000	Assets under construction £000	Total Restated £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

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 2014.

Primary financial instruments:

	Book Value £000	Fair Value £000
Financial assets:		
Cash at bank	37,259	37,259
Trade receivables	7,676	7,676
	<u>44,935</u>	<u>44,935</u>
Financial liabilities:		
VAT payable	505	505
Other taxation & social security payables	3,951	3,951
Trade payables	3,109	3,109
	<u>7,565</u>	<u>7,565</u>

9 Inventories

	31 March 2014	31 March 2013
	£000	£000
Uniforms		
Opening balance	499	611
Additions	944	744
Utilisations	(356)	(856)
Closing balance	<u>1,087</u>	<u>499</u>
Other	£000	£000
Opening balance	287	74
Additions	122	287
Utilisations	(287)	(74)
Closing balance	<u>122</u>	<u>287</u>
Total inventories	<u>1,209</u>	<u>786</u>

10 Trade receivables and other current assets

	31 March 2014	31 March 2013
	£000	£000
Amounts falling due within one year:		
Trade receivables	7,676	11,650
VAT receivable	0	49
Other receivables	1,039	1,603
Prepayments and accrued income	6,177	7,638
Less: Provision for bad and doubtful debts	(122)	(335)
Total	14,770	20,605

	31 March 2014	31 March 2013
	£000	£000
Amounts falling due after more than one year:		
Prepayments and accrued income	89	96
	89	96

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

	31 March 2014	31 March 2013
	£000	£000
Other central government bodies	16	121
Local authorities	6,239	4,578
Intra-government debtors	6,255	4,699
Bodies external to government	8,604	16,002
	14,859	20,701

11 Cash and cash equivalents

	31 March 2014	31 March 2013
	£000	£000
Balance at 01 April	29,650	23,592
Net change in cash and cash equivalent balances	7,609	6,058
Balance at 31 March	37,259	29,650
The following balances at 31 March were held at:		
Government banking service	109	293
Commercial banks and cash in hand	37,150	29,357
Balance at 31 March	37,259	29,650

12 Trade payables and other current liabilities

	31 March 2014	31 March 2013
	£000	£000
Amounts falling due within one year:		
VAT payable	505	0
Other taxation & social security payables	3,951	4,134
Trade payables	3,109	285
Other payables	399	3,459
Accruals & deferred income	25,179	24,555
Total	33,143	32,433
Amounts falling due after more than one year		
Other payables, accruals and deferred income	923	1,028
	923	1,028
Amounts in the above figures due to other entities included in the Whole of Government Account		
	31 March 2014	31 March 2013
	£000	£000
Other central government bodies	4,770	4,423
Local authorities	2,418	621
Intra-government payables and liabilities	7,188	5,044
Bodies external to government	26,878	28,417
	34,066	33,461

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 2014.

	Claims against the Authority £'000	Employment tribunals £'000	Dilapidations £'000	Other provisions £'000	Total £'000
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 1 April 2013	340	0	250	676	1,266
Provided in the year	357	0	0	12	369
Provisions not required written back	(152)	0	0	0	(152)
Provisions utilised during the year	(188)	0	0	(175)	(363)
Balance at 31 March 2014	357	0	250	513	1,120

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

This provision includes an estimate of costs in relation to redundancies and the re-employment of retired police officers that were in breach of tax legislation as well as a provision in relation to costs for the force restructure voluntary severance scheme.

14 Capital commitments

As at 31 March 2014 there were no Capital Commitments relating to work yet to be started on properties (£459k at 31 March 2013).

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 2014	Restated 31 March 2013
	£000	£000
Buildings:		
Not later than one year	7,630	7,447
Later than one year but not later than five years	25,671	26,088
Later than 5 years	37,109	33,896
Total operating lease obligations	70,410	67,431

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 2013-14 (Nil in 2012-13 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 and police staff who work in the London Underground Area of the Force. This arrangement is embodied within a formal written agreement between the British Transport Police Authority and Transport for London (TfL) entitled Pan-London Police Services Agreement, dated 27 January 2014. It remains in force until terminated at any time by either party requiring three years notice of the intention to do so.

The agreement stipulates that TfL 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 with TfL 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 TfL on a periodic basis. In addition the agreement provides for the recovery of an appropriate share of the Authority's centrally organised services.

In 2013-14 staff costs relating to London Underground Ltd (LUL) were £45.6m (£45.2m for the year ended 31 March 2013). The average number of police officers and police staff employed on London Underground during 2013-14 was 1,010 (998 for the year ended 31 March 2013).

LUL was invoiced by the Authority £13,788,035 in 2013-14 for non staff related costs (£12,040,165 in 2012-13) and as at 31 March 2014 £2,380,208 was outstanding (£819,011 at 31 March 2013).

19 Related party transactions – other

The Department for Transport as the Authority's sponsor is a related party. The Authority did not raise any invoices to the DfT in 2013-14 (£nil in 2012-13) and as at 31 March 2014 there was nothing outstanding (£nil at 31 March 2013). The Authority received no grant-in-aid in 2013-14 (£20,141,053 in 2012-13). The Authority returned unspent grant-in-aid totalling £31,099 to the DfT in 2013-14 (£nil in 2012-13).

Network Rail with whom the Authority has a Police Service Agreement is also a related party. Network Rail was invoiced by the Authority £83,010,128 in 2013-14 (£75,188,117 in 2012-13) and as at 31 March 2014 £2,823,710 was outstanding (£5,680,050 at 31 March 2013).

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, five 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 Chief Executive's report.

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 2013 £000	Gross Inflows £000	Gross Outflows £000	31 March 2014 £000
British Transport Police Authority Property Act fund account	43	16	(16)	43
British Transport Police cash seizures account	624	460	(449)	635
Total third party assets	667	476	(465)	678

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 or safety deposit box, 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 were calculated by using two different models for different PSA holders, depending on the contract that the PSA holder has in place. When the charges were calculated using the two different models, the charges did not recover 100% of the Authority's net expenditure. A formal agreement was in place with the DfT who funded this gap. This agreement came to an end at 31 March 2013. From 01 April 2014 the new charging model came into effect resulting in there no longer being a gap (£5,388,342 in 2012-13).

22 Losses and special payments

There were no special payments made during 2013-14 (£nil in 2012-13).

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

	31 March 2014	31 March 2013
	£000	£000
Actual payments in year	0	217
Amounts accrued at year end	0	155
Amounts provided for at year end	0	835
	<hr/>	<hr/>
	0	1,207
	<hr/>	<hr/>

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 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 2012	(28,042)	48,419	38,508	6,500	3,285	68,670
Prior year adjustment – changes in accounting policy	0	0	0	0	0	0
Restated balance at 01 April 2012	(28,042)	48,419	38,508	6,500	3,285	68,670
Comprehensive income for the year	(52,983)	0	0	0	0	(52,983)
Transfer between reserves	43,107	(13,796)	0	0	310	29,621
Revenue grant received	0	20,141	0	0	0	20,141
Amounts repaid to the DfT	0	0	0	0	0	0
Balance at 31 March 2013	(37,918)	54,764	38,508	6,500	3,595	65,449
Prior year adjustment – changes in accounting policy	3,390	0	0	0	0	3,390
Prior year as restated	(34,528)	54,764	38,508	6,500	3,595	68,839
Comprehensive income for the year	(43,671)	0	0	0	0	(43,671)
Transfer between reserves	99,241	(54,733)	0	0	50	44,558
Revenue grant received	0	0	0	0	0	0
Amounts repaid to the DfT	0	(31)	0	0	0	(31)
Closing balance at 31 March 2014	<u>21,042</u>	<u>0</u>	<u>38,508</u>	<u>6,500</u>	<u>3,645</u>	<u>69,695</u>

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 did not recover 100% of the Authority's net expenditure. There was a formal agreement with the DfT to fund this gap. The Authority 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. All revenue financing has now been released to the distributable reserve to offset against expenditure incurred.

Capital financing reserve

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

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 £53.8m (£44.9m in 2012-13). In addition there was a net interest on the pension fund of £19.9m (£14.5m in 2012-13), leaving a net debit in relation of pensions for the year of £73.7m (£59.0m in 2012-13). The total pension liabilities for all staff, past and present, are shown in the statement of financial position. These amount to £356.5m (£474.2m in 2012-13). 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. In addition, Railways Pension Investments Limited (RPMI) have a role in relation to the management and administration of the scheme. 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 past and present employees, and aim to be fully funded.

The position of the schemes at 31 March 2014 were as follows:

	31 March 2014	31 March 2013
	£000	£000
Pension liabilities		
British Transport Police Force Superannuation Fund (BTPFSF)	(321,210)	(424,970)
British Transport Police Section of the Railways Pension Scheme (RPS)	(35,260)	(49,210)
	<u>(356,470)</u>	<u>(474,180)</u>

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

	31 March 2014	31 March 2013
	£000	£000
Pension costs reflected in the statement of comprehensive income		
Current Service Cost – BTPFSF	43,370	37,020
Current Service Cost – RPS	9,690	6,970
Less: Government Support Payments*	(1,610)	(1,710)
	<u>51,450</u>	<u>42,280</u>
Timing Differences**	2,363	2,635
	<u>53,813</u>	<u>44,915</u>

	31 March 2014	31 March 2013
	£000	£000
IAS19 interest reflected in the statement of comprehensive income		
Net Interest – BTPFSF	17,900	13,310
Net Interest – RPS	1,990	1,220
	<u>19,890</u>	<u>14,530</u>
Total amount recognised in the statement of comprehensive income	<u>73,703</u>	<u>59,445</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 30 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 were appointed by the Trustee of the BTPFSF to conduct the triennial actuarial valuation as at 31 December 2012. The results were finalised on 27 February 2014 and indicate that no changes are required, at present, to the current level of contributions or the deficit recovery plan. The Authority uses Mercer Limited to provide the annual IAS19 valuation.

As this pension scheme is a defined benefit scheme there is a risk that changes in discount rate, price inflation or life expectancy assumptions could lead to a materially higher IAS 19 deficit. Given the long term time horizon of the pension plan cashflows, the assumptions used are uncertain. The assumptions can also be volatile from year to year due to changes in investment market conditions.

A higher pension deficit may lead to additional funding requirements when these are next reviewed by the Trustee in 2016. Any further deficit relative to the funding target agreed with the Trustees, which may differ from the funding position under IAS 19, will be financed over a period that ensures the contributions are reasonably affordable to the BTP.

There is also a risk that the change in the asset value of each plan from one year to the next can be volatile. The plans invest primarily in equity, debt instruments and property and hence are exposed to a crash in any one of those markets. Such instances could lead to a materially higher IAS 19 deficit.

	31 March 2014	Restated 31 March 2013
	£000	£000
The employer's pension contributions as a percentage of salaries	17.86%	15.18%

Change in defined benefit obligation

	31 March 2014	Restated 31 March 2013
	£000	£000
Defined benefit obligation at end of the prior year	1,356,170	1,140,720
Current service cost	43,370	37,020
Interest expense	58,720	57,160
Cash flows		
– Benefits payments from plan	(43,050)	(39,890)
– Participant contributions	11,670	11,950
Remeasurements		
– Effect on changes in demographic assumptions	10,000	0
– Effect of changes in financial assumptions	(105,000)	150,000
– Effect of experience adjustments	(46,170)	(790)
Defined benefit obligation at end of year	1,285,710	1,356,170

Changes in fair value of plan assets

	31 March 2014	Restated 31 March 2013
	£000	£000
Fair value of plan assets at end of the prior year	931,200	861,650
Interest Income	40,820	43,850
Cash flows		
– Employer contributions	24,490	24,400
– Government support payments	1,610	1,710
– Participant contributions	11,670	11,950
– Benefits payments from plan	(43,050)	(39,890)
– Administrative expenses paid from plan assets	(1,670)	(1,680)
Return on plan assets (excluding interest income)	(570)	29,210
Fair value of plan assets at end of year	964,500	931,200

Amounts recognised in the statement of financial position

	31 March 2014	31 March 2013
	£000	£000
Defined benefit obligation	1,285,710	1,356,170
Fair value of plan assets	964,500	931,200
	<hr/>	<hr/>
Net liability	321,210	424,970
	<hr/>	<hr/>

Components of defined benefit cost

	31 March 2014	Restated
	£000	31 March 2013
		£000
Service Cost		
– Current service cost	43,370	37,020
	<hr/>	<hr/>
Total service cost	43,370	37,020
Net interest cost		
– interest expense on defined benefit obligation	58,720	57,160
– interest (income) on plan assets	(40,820)	(43,850)
	<hr/>	<hr/>
Total net interest cost	17,900	13,310
Administrative expenses and taxes	1,670	1,680
	<hr/>	<hr/>
Defined benefit cost included in the statement of comprehensive income	62,940	52,010
Remeasurements (recognised in other comprehensive income)		
– Effect on changes in demographic assumptions	10,000	0
– Effect of changes in financial assumptions	(105,000)	150,000
– Effect of experience adjustments	(46,170)	(790)
– (Return) on plan assets (excluding interest income)*	570	(29,210)
	<hr/>	<hr/>
Total remeasurements included in other comprehensive income	(140,600)	120,000
Total defined benefit cost recognised in statement of comprehensive income and other comprehensive income	(77,660)	172,010

The Authority expects to contribute around £26.8m to this pension scheme in the year ending 31 March 2015 (£27.0m in the year ended 31 March 2014).

Net defined benefit liability (asset) reconciliation

	31 March 2014	31 March 2013
	£000	£000
Net defined benefit liability (asset)	424,970	279,070
Defined benefit cost included in the statement of comprehensive income	62,940	52,010
Total remeasurements included in other comprehensive income	(140,600)	120,000
Employer contributions	(26,100)	(26,110)
	<hr/>	<hr/>
Net defined benefit liability (asset) as of end of year	321,210	424,970

Defined benefit obligation

	31 March 2014	31 March 2013
	£000	£000
Defined benefit obligation by participant status		
– Actives	619,700	850,120
– Vested deferreds	68,610	81,380
– Retirees	597,400	424,670
	<hr/>	<hr/>
Total	1,285,710	1,356,170

Plan assets

	31 March 2014	31 March 2013
	£000	£000
Fair value of plan assets		
– Cash and cash equivalents	94,240	112,890
– Equity instruments	488,220	501,220
– Debt instruments	236,810	153,830
– Real estate	79,110	86,230
– Investment funds	23,680	33,060
– Other	42,440	43,970
	<hr/>	<hr/>
Total	964,500	931,200
Fair value of plan assets with a quoted market price		
– Cash and cash equivalents	94,240	112,890
– Equity instruments	488,220	501,220
– Debt instruments	236,810	153,830
– Real estate	79,110	86,230
– Investment funds	23,680	33,060
– Other	28,330	29,690
	<hr/>	<hr/>
Total	950,390	916,920

Significant actuarial assumptionsWeighted average assumptions to determine benefit obligations

	31 March 2014	31 March 2013
Discount rate	4.50%	4.40%
Rate of salary increase	3.40%*	4.50%**
Rate of price inflation	3.40%	3.50%
Rate of pension increases	2.40%	2.50%

* allowance has been made for short term pay increases of 1%, 1%, 2% and 2% in years 1, 2, 3 and 4 after the measurement date respectively. Then increases of 3.4% pa thereafter.

** allowance was made for a pay freeze until 2014, then increases of 1% pa for 3 years and then increases of 4.5% pa thereafter.

Weighted average assumptions to determine defined benefit cost

	31 March 2014	31 March 2013
Discount rate	4.40%	5.10%
Rate of salary increase	4.50%**	4.40%***
Rate of price inflation	3.50%	3.40%
Rate of pension increases	2.50%	2.40%

**allowance was made for a pay freeze until 2014, 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.

Assumed life expectations on retirement at age 65

	31 March 2014	31 March 2013
Retiring today (male member age 65)	23.3	21.7
Retiring today (female member age 65)	25.8	24.5
Retiring in 20 years (male member age 45 today)	25.1	24.0
Retiring in 20 years (female member age 45 today)	27.7	26.9

The actuarial update as at 31 March 2014 showed a decrease in the shortfall from £424,780,000 to £321,210,000.

Sensitivity analysis

	31 March 2014	31 March 2013
	£m	£m
Discount rate		
– Discount rate – 25 basis points	1,351.94	1,431.49
– Assumption	4.25%	4.15%
– Weighted average duration of defined benefit obligation (in years)	20	22
– Discount rate + 25 basis points	1,224.10	1,286.25
– Assumption	4.75%	4.65%
– Weighted average duration of defined benefit obligation (in years)	20	21
Inflation rate		
– Inflation rate – 25 basis points	1,226.91	1,294.71
– Assumption	3.15%	3.25%
– Inflation rate + 25 basis points	1,347.94	1,427.81
– Assumption	3.65%	3.75%
Mortality		
– Mortality	1,309.84	1,381.75
– Assumption	-1 year age rating	-1 year age rating

Further details on sensitivity can be found in the table below:

Analysis of net statement of financial position	GBP £m		Sensitivities from Base FY 2014 (one item changed with all other things held constant)				
	FY 2013	Base FY 2014	Minus 0.25% discount rate	Plus 0.25% discount rate	Minus 0.25% inflation rate	Plus 0.25% inflation rate	Mortality sensitivity
Fair value of plan assets	931.20	964.50	964.50	964.50	964.50	964.50	964.50
Present value of benefit obligation	1,356.17	1,285.71	1,351.94	1,224.10	1,226.91	1,347.94	1,309.84
Net liability (asset), excluding any affect of asset limit	424.97	321.21	387.44	259.60	262.41	383.44	345.34
Analysis of projected pension cost		Sensitivities from Base FY 2015 (one item changed with all other things held constant)					
Current service cost	43.37	31.14	34.41	28.15	28.43	34.02	31.79
Interest cost	58.72	56.86	56.52	57.10	54.22	59.66	57.95
Expected return on plan assets	(40.82)	(43.24)	(40.84)	(45.64)	(43.24)	(43.24)	(43.24)
Administrative expenses and taxes	1.67	1.72	1.72	1.72	1.72	1.72	1.72
Total pension cost before asset limits	62.94	46.48	51.81	41.33	41.13	52.16	48.22

Actuarial assumptions	FY 2013		Base FY 2014		Minus 0.25% discount rate		Plus 0.25% discount rate		Minus 0.25% inflation rate		Plus 0.25% inflation rate		Mortality sensitivity
	Discount rate	Rate of RPI assumption	Rate of CPI assumption	Rate of salary increase*	Mortality								
Discount rate	4.40%	4.50%	4.25%	4.50%	4.75%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Rate of RPI assumption	3.50%	3.40%	3.40%	3.40%	3.40%	3.15%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.40%
Rate of CPI assumption	2.50%	2.40%	2.40%	2.40%	2.40%	2.15%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.40%
Rate of salary increase*	4.50%	3.40%	3.40%	3.40%	3.40%	3.15%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.40%
Mortality Table	In line with the actuarial valuation as at 31 December 2009	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012	In line with the actuarial valuation as at 31 December 2012 less one year age adjustment	In line with the actuarial valuation as at 31 December 2012 less one year age adjustment

*For the FY 2013 allowance was made for a pay freeze until 2014 and then three successive years of increases of 1% and then increases of 4.5% p.a. thereafter. For 2013-14 allowance has been made for increases of 1%, 1%, 2%, 2% in the four years after the measurement date followed by annual increases as shown above thereafter.

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.

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.

Punter Southall have been appointed by the Trustee of the BTPFSF to conduct the triennial actuarial valuation as at 31 December 2013. The results are not due to be finalised until 31 March 2015. The Authority uses Mercer Limited to provide the annual IAS19 valuation.

As this pension scheme is a defined benefit scheme there is a risk that changes in discount rate, price inflation or life expectancy assumptions could lead to a materially higher IAS 19 deficit. Given the long term time horizon of the pension plan cashflows, the assumptions used are uncertain. The assumptions can also be volatile from year to year due to changes in investment market conditions.

A higher pension deficit may lead to additional funding requirements when these are next reviewed by the Trustee in 2015. Any deficit relative to the funding target agreed with the Trustees, which may differ from the funding position under IAS 19, will be financed over a period that ensures the contributions are reasonably affordable to the BTP.

There is also a risk that the change in the asset value of each plan from one year to the next can be volatile. The plans invest primarily in equity, debt instruments and property and hence are exposed to a crash in any one of those markets. Such instances could lead to a materially higher IAS 19 deficit.

	31 March 2014	Restated 31 March 2013
	£000	£000
The employer's pension contributions as a percentage of salaries	4.09%	3.09%

Change in defined benefit obligation

	31 March 2014	Restated 31 March 2013
	£000	£000
Defined benefit obligation at end of the prior year	125,490	92,600
Current service cost	9,690	6,970
Interest expense	5,460	4,680
Cash flows		
– Benefits payments from plan	(2,600)	(1,840)
– Participant contributions	3,140	2,830
Remeasurements		
– Effect on changes in demographic assumptions	0	0
– Effect of changes in financial assumptions	(20,850)	20,370
– Effect of experience adjustments	40	(120)
	<hr/>	<hr/>
Defined benefit obligation at end of year	120,370	125,490

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

	31 March 2014	Restated 31 March 2013
	£000	£000
Fair value of plan assets at end of the prior year	76,280	65,390
Interest Income	3,470	3,460
Cash flows		
– Employer contribution (including BRASS matching)	4,830	4,330
– Participant contributions	3,140	2,830
– Benefits payments from plan	(2,600)	(1,840)
– Administrative expenses paid from plan assets	(380)	(460)
Return on plan assets (excluding interest income)	370	2,570
	<hr/>	<hr/>
Fair value of plan assets at end of year	85,110	76,280

Amounts recognised in the statement of financial position

	31 March 2014	31 March 2013
	£000	£000
Defined benefit obligation	120,370	125,490
Fair value of plan assets	(85,110)	(76,280)
	<hr/>	<hr/>
Net liability	35,260	49,210
	<hr/>	<hr/>

Components of defined benefit cost

	31 March 2014	Restated
	£000	31 March 2013
		£000
Service Cost		
Current service cost	9,690	6,970
	<hr/>	<hr/>
Total service cost	9,690	6,970
Net interest cost		
– interest expense on defined benefit obligation	5,460	4,680
– interest (income) on plan assets	(3,470)	(3,460)
	<hr/>	<hr/>
Total net interest cost	1,990	1,220
Administrative expenses and taxes	380	460
	<hr/>	<hr/>
Defined benefit cost included in the statement of comprehensive income	12,060	8,650
Remeasurements (recognised in other comprehensive income)		
– Effect of changes in financial assumptions	(20,850)	20,370
– Effect of experience adjustments	40	(120)
– (Return) on plan assets (excluding interest income)*	(370)	(2,570)
	<hr/>	<hr/>
Total remeasurements included in other comprehensive income	(21,180)	17,680
Total defined benefit cost recognised in statement of comprehensive income and other comprehensive income	(9,120)	26,330

The Authority expects to contribute around £5.0m to this pension scheme in the year ending 31 March 2015 (£4.4m in the year ended 31 March 2014).

Net defined benefit liability (asset) reconciliation

	31 March 2014	31 March 2013
	£000	£000
Net defined benefit liability (asset)	49,210	27,210
Effect of changes in demographic assumptions	12,060	8,650
Total defined benefit cost recognised in the SoCl and OCI	(21,180)	17,680
Employer contributions	(4,830)	(4,330)
	<hr/>	<hr/>
Net defined benefit liability (asset) as of end of year	35,260	49,210

Defined benefit obligation

	31 March 2014	31 March 2013
	£000	£000
Defined benefit obligation by participant status		
– Actives	83,500	86,630
– Vested deferreds	26,380	27,500
– Retirees	10,490	11,360
	<hr/>	<hr/>
Total	120,370	125,490

Plan assets

	31 March 2014	31 March 2013
	£000	£000
Fair value of plan assets		
– Cash and cash equivalents	7,730	10,500
– Equity instruments	50,200	40,480
– Debt instruments	13,940	13,220
– real estate	8,210	6,780
– Investment funds	2,460	2,600
– Other	2,570	2,700
	<hr/>	<hr/>
Total	85,110	76,280
Fair value of plan assets with a quoted market price		
– Cash and cash equivalents	7,730	10,500
– Equity instruments	50,200	40,480
– Debt instruments	13,940	13,220
– real estate	8,210	6,780
– Investment funds	2,460	2,600
– Other	2,570	2,700
	<hr/>	<hr/>
Total	85,110	76,280

Significant actuarial assumptionsWeighted average assumptions to determine benefit obligations

	31 March 2014	31 March 2013
Discount rate	4.50%	4.40%
Rate of salary increase	3.40%*	4.50%**
Rate of price inflation	3.40%	3.50%
Rate of pension increases	2.40%	2.50%

*allowance has been made for short term pay increases of 1%, 1%, 2% and 2% in years 1, 2, 3 and 4 after the measurement date respectively. Then increases of 3.4% pa thereafter.

**allowance was made for a pay freeze until 2014, then increases of 1% pa for 3 years and then increases of 4.5% pa thereafter.

Weighted average assumptions to determine defined benefit cost

	31 March 2014	31 March 2013
Discount rate	4.40%	5.10%
Rate of compensation increase	4.50%**	4.40%***
Rate of price inflation	3.50%	3.40%
Rate of pension increases	2.50%	2.40%

**allowance was made for a pay freeze until 2014, 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.

Assumed life expectations on retirement at age 65

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 2013 and 31 March 2014 are described in the draft valuation results paper on the actuarial valuation as at 31 December 2010 dated 23 August 2011.

The actuarial update as at 31 March 2014 showed a increase in the shortfall from £49,210,000 to £35,260,000

Sensitivity analysis

	31 March 2014	31 March 2013
	£m	£m
Discount rate		
– Discount rate – 25 basis points	129.83	135.55
– Assumption	4.25%	4.15%
– Weighted average duration of defined benefit obligation (in years)	30	30
– Discount rate + 25 basis points	111.71	116.30
– Assumption	4.75%	4.65%
– Weighted average duration of defined benefit obligation (in years)	30	30
Inflation rate		
– Inflation rate – 25 basis points	112.25	116.91
– Assumption	3.15%	3.25%
– Inflation rate + 25 basis points	129.03	134.66
– Assumption	3.65%	3.75%
Mortality		
– Mortality	122.60	127.91
– Assumption	-1 year age rating	-1 year age rating

Further details on sensitivity can be found in the table below:

Sensitivity analysis

<u>Analysis of net statement of financial position</u>	Sensitivities from Base FY 2014 (one item changed with all other things held constant)						
	GBP £m	FY 2013	Base FY 2014	Minus 0.25% discount rate	Plus 0.25% discount rate	Plus 0.25% inflation rate	Mortality sensitivity
Fair value of plan assets	76.28	85.11	85.11	85.11	85.11	85.11	85.11
Present value of benefit obligation	125.49	120.37	129.83	111.71	112.25	129.03	122.60
Net liability (asset), excluding any affect of asset limit	49.21	35.26	44.72	26.60	27.14	43.92	37.49

<u>Analysis of projected pension cost</u>	Sensitivities from Base FY 2015 (one item changed with all other things held constant)						
	GBP £m	Actual FY 2014	Base FY 2015	Minus 0.25% discount rate	Plus 0.25% discount rate	Plus 0.25% inflation rate	Mortality sensitivity
Current service cost	9.69	7.37	8.27	6.54	6.61	8.17	7.56
Interest cost	5.46	5.36	5.46	5.24	4.99	5.75	5.46
Expected return on plan assets	(3.47)	(3.95)	(3.73)	(4.17)	(3.95)	(3.95)	(3.95)
Administrative expenses and taxes	0.38	0.39	0.39	0.39	0.39	0.39	0.39
Total pension cost before asset limits	12.06	9.17	10.39	8.00	8.04	10.36	9.46

<u>Actuarial assumptions</u>	Sensitivities from Base FY 2014 (one item changed with all other things held constant)						
	FY 2013	Base FY 2014	Minus 0.25% discount rate	Plus 0.25% discount rate	Minus 0.25% inflation rate	Plus 0.25% inflation rate	Mortality sensitivity
Discount rate	4.40%	4.50%	4.25%	4.75%	4.50%	4.50%	4.50%
Rate of RPI assumption	3.50%	3.40%	3.40%	3.40%	3.15%	3.65%	3.40%
Rate of CPI assumption	2.50%	2.40%	2.40%	2.40%	2.15%	2.65%	2.40%
Rate of salary increase*	4.50%	3.40%	3.40%	3.40%	3.15%	3.65%	3.40%
Mortality Table	In line with the actuarial valuation as at 31 December 2010	In line with the actuarial valuation as at 31 December 2010	In line with the actuarial valuation as at 31 December 2010	In line with the actuarial valuation as at 31 December 2010	In line with the actuarial valuation as at 31 December 2010	In line with the actuarial valuation as at 31 December 2010 less one year age adjustment	In line with the actuarial valuation as at 31 December 2010

*For the FY 2013 allowance was made for a pay freeze until 2014 and then three successive years of increases of 1% and then increases of 4.5% p.a. thereafter. For 2013-14 allowance has been made for increases of 1%, 1%, 2%, 2% in the four years after the measurement date followed by annual increases as shown above thereafter.

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.

27 Prior Year Adjustment – IAS19 Amendment

The International Accounting Standards Board issued an amended version of IAS 19 Employee Benefits in June 2011. The amended standard makes significant changes to the recognition and measurement of defined benefit pension expense. The amended standard is effective for annual periods beginning on or after 1 January 2013. This amendment is to be applied retrospectively resulting in a prior year adjustment being required.

This amendment required the interest to be calculated on the net position of the pension scheme using the interest rate relevant for this position. Previously the interest was calculated separately on the fair value of the plan assets and the present value of the defined benefit obligation. This required adjustments to the prior year accounts relating to the recognition of the amounts charged to the statement of comprehensive income as well as the net position of the scheme in the statement of financial position and the statement of changes in taxpayers' equity. These changes were as follows:

	31 March 2013	Adjustments	01 April 2013
Income & Expenditure Reserve			
Restated opening balance	68,670	0	68,670
Transfers between reserves	29,621	0	29,621
Comprehensive income for the year	(49,593)	(3,390)	(52,983)
Total grants received in the year	20,141	0	20,141
Prior year adjustment – changes in accounting policy	0	3,390	3,390
	<hr/>	<hr/>	<hr/>
Revised income & expenditure reserve	68,839	0	68,839
Revaluation reserve	5,505	0	5,505
Pension reserve	(474,180)	0	(474,180)
	<hr/>	<hr/>	<hr/>
Taxpayers' equity	(399,836)	0	(399,836)
	<hr/>	<hr/>	<hr/>

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