

**Report to:** Audit Committee  
**Agenda item:** 13.2  
**Date:** 19 March 2013  
**Subject:** BTPA Risk Assurance  
**Sponsor:** Authority Finance Director  
**For:** Noting

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## 1. Purpose of paper

- 1.1 To update Members of the Audit Committee on the progress of the BTPA Strategic Risk Register (SRR) and to provide assurance that the risks identified are being managed appropriately. The SRR was last submitted to the Audit Committee on 4 December 2012.
- 1.2 The Chief Executive, Authority Finance Director and members of the Authority Senior Management Team (SMT) have met and reviewed the existing operational and strategic risks.

## 2. Work completed

- 2.1 The Authority's SRR is detailed in Appendix A.
- 2.2 The risks were last reviewed and updated by the SMT on the 6 March 2013. The register is reviewed and updated regularly.
- 2.3 No risks have currently been escalated by the BTP for inclusion on the BTPA Strategic Risk Register.
- 2.4 A number of the risks can only be managed to a certain level and the Authority highlights those outside of our control to the DfT. We continue to share our strategic risk registers with the DfT at our bi-monthly meetings.
- 2.5 Since the last meeting, three new risks have been added to the Strategic Register. They are:
  - ASR61 - PCC - Failure of the Authority to influence the PCCs in respect of the Authority and BTPs responsibilities.
  - ASR62 - The charges for 2013-14 calculated by means of the charging model impose increased charges for some PSA holders over and above the budgetary increase they may subsequently challenge the model.
  - ASR63 - EPSA contracts not signed.

### 3. Table of strategic risk ratings

The following table indicates the current ratings of all Authority strategic risks.

↑ Probability ↓	Probable and imminent (4)				ASR 60
	Probable (3)			ASR 50 ASR 52	
	Possible (2)		ASR 56 ASR 61	ASR 63	ASR 57 ASR 62
	Remote (1)				
Impact ----->		Minor (1)	Moderate (2)	Significant (3)	Major (4)
* Risks are now considered ALARP					

All the risk ratings remain unchanged since the last Audit Committee.

The risks can be grouped into the following areas:

- Pensions;
- PSA contracts and charging post 2013/14 and
- PCC
- EPSA Contracts

#### **Pension risks**

(ASR57 and ASR60)

- Investment Risk in relation to the pension scheme – A new Investment sub-group has been created as part of the BTPA Management Committee. A strategy has been proposed to RPMI, as agreed by the Authority with the provision that the investment returns are not reduced. The current investment strategy will be reviewed inline with the results of the valuations of the police officer scheme.
- Valuation of the Police Officer scheme – The triennial valuation at 31 December 2012 is due on the 1 April 2013. The assumptions will be reviewed and discussed with the Pensions

sub group which is scheduled to meet in mid April. The benefits of the scheme are also being reviewed in the light of the changes in the Home Office scheme. Any proposals as a result of this review will be presented to the Authority in June 2013.

### **Risks of the post 2013/14 PSA and charging regime**

(ASR50, ASR52, ASR56 and ASR62 (new risk))

- Failure to have a signed PSA in place by April 2013 leads to PSA holders being in breach of licence requirement (ASR50) and successful challenges to the new charging regime post 2013/14 lead to a budget deficit (ASR 52) – The new PSA, agreed by the Secretary of State, has been circulated to operators for signature and are due back at the Authority by 21 March 2013. At the time of writing this report, two have been received. In the event of non signature and therefore non payment, an agreement is in place with the DfT to fund any cashflow by means of an interest bearing loan. The process of accepting payments using direct debits is being progressed in accordance with the rules of the direct debit scheme.
- London Underground Charges and Governance (ASR 56) – The agreement between TfL and BTPA has been with DfT awaiting approval since mid February. Until the Authority receives the approval the PSA cannot be distributed for signature.
- The 2013-14 charging model imposes increased charges for some PSA holders who subsequently challenge the model (ASR 62) – This risk has been added since the last Audit Committee in December 2012. The model is currently being updated with the revised datasets, and the charges will be presented to the Finance Group on the 19 March and then to the Authority on 21 March for approval.

### **PCC – New risk**

(ASR61)

- PCC - Failure of the Authority to influence the PCCs in respect of the Authority and BTPs responsibilities – This risk has been added since the last Audit Committee in December 2012. Protocols have been agreed between ATOC and the Authority on information flows, and contact is being monitored. All member have received guidance on communication with PCC is they are contacted by them.

**EPSA Contracts**

(ASR63)

- EPSA contracts not signed – This risk has been added since the last Audit Committee in December. There are a number of EPSA agreements currently in place where there no formal signed agreements, or the EPSA is due to expire. The Authority has identified the missing agreements and is working to ensure that formal contracts are in place. The EPSA for HS1 is due to expiry on 31 March 2013, and the revised EPSA is currently with the HS1 legal team for review. The EPSA for TfL/LU is awaiting agreement by the DfT.

**4. Potential new risks**

- 4.1 No new risks were identified at the last review meeting of the risk registers, other than those already added.

**5. Recommendation**

The Committee is asked to note the attached strategic risks.