

Report to: Audit and Risk Assurance Committee
Agenda item: 6.2
Date: 31 May 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 and Risk Assurance 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 19 March 2013.
- 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 8 May 2013. The register is reviewed and updated regularly. Risk ASR57 - Investment risk in relation to the pension scheme has been merged with risk ASR60 (potential deficit in the police officer pension scheme.)
- 2.3 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.
- 2.4 Since the March 2013 meeting BTP has requested that the risk relating to the wording of the Road Traffic Act (RTA) 1988 be escalated to the Authority's strategic risk register. The risk is concerning the fact that the RTA 1988 specifically denies BTP officers to require registered keepers of vehicles to provide information in relation to driving offences, impacting on their ability to prosecute specific railway related offences including those relating to level crossings.

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 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
- PCC
- EPSA Contracts

Pension risks

(ASR60)

- Valuation of the Police Officer scheme – Draft results have been received and these show a deficit of £80m. The Authority Finance Director has written to the Trustee to notify them of the actual pay increases up to 2017, which are in line with the national pay constraints. The Pensions Sub-Group will be recommending to the June Authority meeting a change in the assumptions made. The management committee will look at de-risking the investments to allow lower returns without increasing the deficit above current levels.

Risks of the post 2013/14 PSA and charging regime

(ASR50, ASR52, ASR56 and ASR62)

- 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 2013 PSA was circulated to all core PSA holders for signature in March'13. The Authority is yet to receive signed PSAs from West Coast. Legal advice has been sought in relation to this and discussions are ongoing with Virgin.
- London Underground Charges and Governance (ASR 56) - The agreement between TfL and BTPA has been with DfT awaiting approval since mid February. The Authority has been in regular contact with the DfT concerning this contract and is still awaiting DfT approval. We are pressing for a meeting with the DfT lawyers to progress this matter.
- The 2013-14 charging model imposes increased charges for some PSA holders who subsequently challenge the model (ASR 62) - The charges for 2013/14 were presented and approved by the March 2013 Authority meeting. These have been distributed all PSA holders along with detailed explanations as to why the reasons for the variations. A number of PSA holders have requested meetings to go through in more detail their charges and to understand the workings of the charging model. After initial delays, the direct debits are up and running.

PCC

(ASR61)

- PCC - Failure of the Authority to influence the PCCs in respect of the Authority and BTPs responsibilities - Both Avon & Somerset and Cambridgeshire PCC have been in contact either directly or through the DfT, and responses have been provided. Also the Authority Finance Director has contacted the PACCTS concerning membership but the charges outweigh the benefit the Authority would see and this will not be taken further.

EPSA Contracts

(ASR63)

- EPSA contracts not signed - There are a number of EPSA agreements currently in place where there no formal signed agreements has fallen with currently on two EPSA agreements awaiting signature by Southern, Draft copies were provided last year and are being chased regularly. Also the EPSA with

HS1 has been extending until 31 July 2013 to allow for required discussions to take place and for the new EPSA to be presented to the HS1 Board in June for agreement. The EPSA for TfL/LU is awaiting agreement by the DfT as it is part of the new TfL/LU contract.

4. Potential new risks

- 4.1 There are a number of potential new risks that need to be highlighted to the Committee for consideration.
- 4.2 The Authority needs to assess and consider what pension strategy it should adopt in light of the Hutton review and the changes being made to the Home Office forces pension schemes. The Authority need to determine what elements of Hutton it wishes to adopt, its impact on the scheme and on future employees. The initial discussions from the Pension Working group will be presented to the Authority in June.
- 4.3 The other potential risk is associated with the implementation of the new strategy and operating model and its impact on business as usual and stakeholders.

5. Recommendation

The Committee is asked to note the attached strategic risks.