

Report to: Finance Committee
Agenda item: 8
Date: 31 May 2013
Subject: Contingency Reserve
Sponsor: Authority Finance Director
For: Noting

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1. Purpose of paper

- 1.1 An agreed approach in valuing the strategic risks for the both the Authority and BTP has been agreed. It was agreed that a quarterly update would be provided to the Finance group once the updated strategic risk registers had been presented to the quarterly Audit and Risk Committee.
- 1.2 Members of the finance committee are asked to discuss the relative exposure and the current level of the contingency reserve.
- 1.3 Members are reminded that the contingency reserve is currently £3,285k, before year end adjustments.

2. Financial Assessment of Risks

- 2.1 When the initial risks are assessed and entered onto the risk register, each one of them is assessed for probability and impact. The impact is measured across four different criteria which are reputation, financial, safety and performance and service. The financial impact used in the assessment of the original risk has been used. Once the financial impact, if any, of the risk has been established, this will be assessed as having an impact on the Police Force, which is categorised as minor, moderate, significant and major. A percentage range has been applied to these impact categorisations; this is in line with the ranges applied in the risk model used by the Authority and BTP. A **mid-point** has been added to the percentages applied as a further development of this approach to assigning costs to risks.

2.2 These are set out below:

	Assigned Percentage Range		
	Lower range	Mid-point	Upper range
Minor	0.1%	2.5%	5.0%
Moderate	5.1%	7.5%	10.0%
Significant	10.1%	17.5%	25.0%
Major	25.1%	62.5%	100.0%

2.3 These percentages have then been applied to the risk of the event occurring to give a range of financial impact. This is set out in appendix A.

3. Adequacy of Level of Contingency Reserve

3.1 The outcome ranges for BTPA and BTP are from £1.3m to £3.2m and is summarised below:

	Assessed Risk Cost		
	Lower range	Mid-point	Upper range
	£m	£m	£m
BTPA	1.1	1.9	2.8
BTP	0.2	0.3	0.4
Total	1.3	2.2	3.2

3.2 No assessment has been made on the risks that are considered ALARP.

3.3 The values associated with the BTP risks have reduced since quarter 3 report. This is due to risks SR61 (potential terrorist attack) and SR62 (Scotland) being considered ALARP.

3.4 The current level of contingency is £1.1m lower than the current level of the reserve when compared to the mid-point value.

3.5 Prudently because of 2012/13 under spends the Authority have been able to increase the reserves by £201k following the end of the financial year.

3.6 At the March 2013 Audit Committee it was agreed that a BTP strategic risk concerning the wording of the Road Traffic Act 1988 would be escalated to the Authority's risk register. This

will be included in the next update to the Finance Committee in July.

4. Recommendations

Members are asked to:

4.1 Note the contents of the paper.