

Report to: Finance Committee
Agenda item: 7
Date: 18 March 2014
Subject: Contingency Reserve
Sponsor: Interim Finance Director
For: Noting

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1. Purpose of paper

- 1.1 An approach in valuing the strategic risks for the both the Authority and BTP has been agreed. 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 note the relative exposure and the current level of the contingency reserve.
- 1.3 Members are reminded that the contingency reserve is currently £3,486k. This reserve is not intended to cover L Area as the reserve is generated from the overground budget. L Area is subject to separate cover

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 £2.2m to £6.6m and these are summarised below:

	Assessed Risk Cost		
	Lower range	Mid-point	Upper range
	£m	£m	£m
BTPA	1.3	2.2	3.2
BTP	0.9	2.2	3.4
Total	2.2	4.4	6.6

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

3.3 The values associated with the BTP risks have increased since the last report. This is due to two new risks being added to the register with SR72 - Accelerated Technology programme whose mid-point cost is £150k. The estimated costs arising for the remaining BTP risks have not changed since the last quarter. The largest cost remains the contractual dispute with a mid-point value of £1.1m.

3.4 The values associated with BTPA risks have fallen as a number of risks have been closed and one is considered ALARP.

3.5 The current level of contingency reserve remains £0.9m lower than the financial mid-point assessed risk cost.

4. **Recommendations**

Members are asked to note the paper.