

Report to: Finance Committee
 Agenda item: 8
 Date: 3 June 2014
 Subject: Contingency Reserve
 Sponsor: Interim Finance Director
 For: Noting

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1. Purpose of paper

- 1.1 The purpose of this paper is to apply a value to the strategic risks that are identified on the strategic risk register and then compare the value of the risks to the contingency reserve.
- 1.2 The strategic risk register that lists the risks that are valued in this paper are reviewed on a quarterly basis by the Audit and Risk Committee.
- 1.3 The current value of the contingency reserve is £3,486k.

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 & 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 £4.3m and these are summarised below:

	Assessed Risk Cost		
	Lower range	Mid-point	Upper range
	£m	£m	£m
BTPA	0.4	0.6	0.9
BTP	0.9	2.2	3.4
Total	1.3	2.8	4.3

3.2 No assessment has been made on the risks that are considered as low as reasonably practical (“ALARP”).

3.3 The values associated with the BTP risks have remained stable even with the closure of SR69 – Force Restructure.

3.4 The values associated with BTPA risks have fallen as ASR 56 – LU policing levels has been closed.

3.5 The current level of contingency reserve remains £0.7m lower than the financial mid-point assessed risk cost.

4. Recommendations

Members are asked to note the paper.