

AVON AND SOMERSET POLICE AUTHORITY  
Valley Road, Portishead, Bristol BS20 8JJ

Enquiries to: John Smith

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Your Ref:

Our Ref: FOI00211

28 August 2011

## RE: FREEDOM OF INFORMATION REQUEST

**I am writing to confirm that Avon and Somerset Police Authority has now completed its search for the information which you requested on 2 August 2011.**

During a related accounts inspection at Somerset County Council (SCC) and under persistent questioning, the following relevant public information was disclosed by SCC's Head of Accounts:

*"Further to our discussions this morning. I can confirm that in 08/09 we transferred £5m in fixed assets relating to SAP to ASPA as their share of the initial set-up (capital). I immediately impaired the recoverable amount by £2.170m as this amount is only recoverable from "finders fees" should the partners ever attract outside business to SWOne. Considering the lack of potential "joiners" at the time I agreed with the s151 officer that it would be prudent to impair this amount.*

*Therefore in the accounts of 2008/09 the loss on disposal of assets £52.487m includes a potential loss of £2.170m relating to the SAP transfer to ASPA. ASPA will however have entered SAP in their accounts at £5m as this is the value which they received.*

*Note 31 in this years' accounts shows the remaining £2.830m outstanding from ASPA in 08/09 and their subsequent payment to us in 10/11 of £1m leaving the outstanding debt as £1.830m. This is payable over the next 2 years. They pay interest on the outstanding amount at market rate".*

The above information is matched to the MRP payments report (sighted last week in the accounts inspection 28/07/2011), where the Police show what repayments they need to finance debt in the year.

Q1. Can you confirm that SAP is a £5m fixed asset and that this was the agreed amount with SCC in 2008/09? Does SAP remain a £5m asset? If not, please detail the value of SAP with reasons for any revaluation?

ANSWER - SAP is held as two separate assets by the Police Authority at the total of the value paid (and accrued) for our share of the SAP system, which is a shared asset between us, Somerset County Council and Taunton Deane Borough Council.

Asset 1 - SAP: The total historical cost of this asset was £7,552,731 as at 31/03/2011 (being the total of payments made or due to both Southwest One and to SCC). This asset has been subject to depreciation, and the cumulative depreciation as at 31/03/2011 is £1,723,789. Therefore the Net Book Value of the SAP asset as at 31/03/2011 was £5,828,942.

Asset 2 - SAP Software Licences: This asset is held as an intangible asset by the Police Authority. The total historical cost of this asset was £1,000,925 (being the total of payment made or due to Southwest One). This asset has been subject to amortisation (depreciation for intangible assets), and the cumulative amortisation as at 31/03/2011 is £100,093. Therefore the Net Book Value of the SAP Software Licences intangible asset as at 31/03/2011 was £900,832.

Q2. Is the £5m cost of SAP in addition to the £8.4m in the cost of "SAP Transformation" or is it included in that £8.4m figure (already disclosed in another FOI)?

ANSWER - The total historical cost of the two assets set out in Q1 above is £8.55m (not £8.4m as previously reported). This figure includes the £2.83m payable to Somerset County Council.

Q3a. How was the credit of £2.170m from the SCC impairment of the same amount accounted for?

ANSWER - This has not been recognised in the accounts of Avon and Somerset. The liability to pay £2.17m to Somerset County Council and Taunton Deane Borough Council only exists at the point at which Southwest One attracts outside business into Southwest One. This has not yet happened, and therefore we have not recognised the liability to pay Somerset County Council or Taunton Deane Borough Council this amount. At the point at which outside business is attracted to Southwest One we will recognise our share of any finders fees payable, and recognise a corresponding liability to pay this income directly to Somerset County Council and Taunton Deane Borough Council as per the terms of our agreement. Only once finders fees in excess of the £2.17m have been received and paid over to Somerset County Council and Taunton Deane Borough Council, will the Police Authority retain finders fees themselves.

Q3b. What clause in a contract or agreement with SCC did the Police set out the gain/share arrangements that resulted in the impairment of £2.170m by SCC?

ANSWER - There are no gain/share arrangements which have led SCC to make the impairment. The impairment is an accounting treatment taken by SCC as a result of having to produce their financial statements in compliance with the appropriate accounting standards and statement of recommended practice.

Q4. How much interest and at what interest rate will the debt of £2.830m be paid to SCC for this borrowing for SAP?

ANSWER - The interest rate agreed between us and Somerset County Council in relation to this loan was set out 4.18%, and is the subject of annual invoices raised from Somerset County Council to the Police Authority. To date we have paid £236,588 in interest to Somerset County Council, covering interest on the loan in 2009/10 and 2010/11.

Q5a. Was any risk taken by you in the lack of new business/new joiners to SW1?

ANSWER - Failure to introduce new business into Southwest One will not result in any changes to our current costs and accounting methods. Only once new business enters Southwest One do our liabilities to Somerset County Council and Taunton Deane Borough Council crystallize, and these liabilities will be paid out of the finders fees received from the new business to Southwest One.

Q5b. Have you made any provisions or will you be making any provisions as a result of no new business/joiners into SW1?

ANSWER - As per answer to 5a above, failure to introduce new business to Southwest One will not result in any changes to our current costs and accounting methods, which currently include no provision for the liability to pay £2.17m to Somerset County Council or Taunton Deane Borough Council.

Q6. What "gain/share" arrangements did you have with IBM or SCC or any other party in the SW1 joint venture (and with the Chief Constable as a Board Director of SW1, 75% owned by IBM)?

ANSWER - Please could you clarify your question in relation to gain/share arrangements? The Chief Constable does not receive any payment nor is he entitled to any share of profits in relation to his role as a Director of SW1.

**If you have any queries about this letter, please contact me. Please remember to quote the reference number above in any future communications.**

**If you are unhappy about how we have dealt with your request and wish to make a complaint or request a review of our decision, you should write to**

**The Chief Executive  
Avon and Somerset Police Authority  
Valley Road  
Portishead  
Bristol  
BS20 8JJ**

**If you are not content with the outcome your complaint, you may apply directly to the Information Commissioner for a decision. Generally, the ICO cannot make a decision unless you have exhausted the complaints procedure provided by Avon and Somerset Police Authority. The Information Commissioner can be contacted at:**

**The Information Commissioner's Office,  
Wycliffe House,  
Water Lane,  
Wilmslow,  
Cheshire  
SK9 5AF.**

Yours sincerely,

***Freedom of Information Officer***

**Avon and Somerset Police Authority**