

**NATIONAL PARKING ADJUDICATION SERVICE JOINT COMMITTEE
EXECUTIVE SUB COMMITTEE**

REPORT FOR RESOLUTION

DATE: 29th January 2008
AGENDA ITEM Number 9
SUBJECT: Reserves Policy
REPORT OF: The Lead Authority
On behalf of the Advisory Board

PURPOSE OF REPORT

To establish a reserves policy for the Joint Committee.

RECOMMENDATIONS

It is recommended that the Joint Committee adopt:

- [i] The attached Reserves Policy.
- [ii] The reserve level for NPAS being set at £525,000 and, where required, surplus from the revenue account being used to maintain that level of reserves.
- [iii] The Reserves Policy Statement being reviewed on an annual basis.
- [iv] Delegated authority to the Chair and Vice Chair for authorizing the withdrawal of funds from reserves to meet budgetary deficits.
- [v] The use of surpluses which exceed the approved reserve level being taken into account in calculating subsequent budgets for Joint Committee approval.

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BACKGROUND DOCUMENTS

Minutes of the NPASJC Executive Sub Committee meeting held 29 January 2007

1.0 INTRODUCTION

- 1.1 NPAS is reliant on a single source of income and aims to be self-financing. NPAS has since its inception built up a body of reserves which ensures the continuation of service should there be an unexpected down turn of income or unforeseen expenditure. The availability of reserves is central to maintaining this ability to self-finance and reducing the likelihood of having to call on additional local authority resources mid-year.
- 1.2 The purpose of this paper is to establish a Reserves Policy which sets out arrangements for the management of those reserves.

National Parking Adjudication Service Reserves Policy Statement

Background

NPAS is reliant on a single source of income and aims to be self-financing. NPAS has since its inception built up a body of reserves which ensures the continuation of service should there be an unexpected down turn of income or unforeseen expenditure. The availability of reserves is central to maintaining this ability to self-finance and reducing the likelihood of having to call on additional local authority resources mid-year. The purpose of this policy is to set out arrangements for the management of those reserves.

Revenue Reserves

NPAS has built up the following reserves since inception:

31 March 2000	Surplus of £4,651
31 March 2001	£108,925
31 March 2002	£153,211
31 March 2003	£240,382
1 April 2004	£336,890
1 April 2005	£528,696
31 March 2006	£546,844
31 March 2007	£579,462

Operational Risks

The Joint Committee is aware of the work which is underway in respect of measuring and monitoring risks. The relevant financial risks may be summarized as follows:

- a) Reduction in income as a result of individual local authority issues.
- b) Reduction in income as a result of issues affecting decriminalised parking across all or a majority of local authorities.
- c) Unanticipated costs associated with legal action.
- d) Unanticipated expenditure due to unforeseen circumstances.
- e) Overrun on expenditure
- f) Reliance upon a single source of income

The risk with the most significant impact would be (b) and in planning the appropriate level of reserves to cover any of the above eventualities, this scenario has been used to forecast an appropriate level of reserves. By way of example, should there be a period of six months without income based upon the service charge to local authorities operating decriminalised parking enforcement, the following expenditure could be estimated:

Fixed Costs

1. Maintain premises and associated services/developments
2. Employ salaried staff

Variable Costs

The timelag for appeals resulting from the issue of PCN would mean that there would continue to be a period of handling appeals beyond the time that PCNs are no longer issued. This would affect:

1. Fee paid adjudicator costs
2. Hearing Centre Supervisor costs
3. Hearing Venue Costs
4. Telephone conference calls

Based on 2007/08 budget

Fixed costs:

Salaried Adjudicators and support staff	£834,000
Premises	£120,000
Transport	£ 30,000
Supplies and Services	£760,000
Total Fixed Costs	£1,744,000
Variable costs	£ 708,276
Total Income	£2,452,276

Fixed costs remain during the year, although it is anticipated that there would be a 20% associated reduction in consumables and general running costs giving a total fixed cost of £1,395,200.

Assuming income ceased on 1 April 2007 for six months, variable costs would be expended to manage appeals arising from PCNs issued prior to 1 April during the period 1 April to 31 August 2007 and would recommence approximately 1 January 2008 for appeals received after 1 September 2007. For the purposes of this reserve policy, the assumption is made that this would result in variable costs running at approximately 50%.

In a scenario where no income is received for six months, the following would apply.

Income reduced by 50% =	£1,226,138
Fixed costs =	£1,395,200
Variable Costs =	£ 354,138
Deficit =	£ 523,200

On this basis, the recommended reserve level for the NPASJC is £525,000

Management of Reserves

The National Parking Adjudication Service Joint Committee has approved:

1. The reserve level for NPAS being set at £525,000 and any surplus from the revenue account being used to maintain that level of reserves.
2. The Reserves Policy Statement being reviewed on an annual basis.
3. Delegated authority to the Chair and Vice Chair for authorizing the withdrawal of funds from reserves to meet budgetary deficits.
4. The use of surpluses which exceed the approved reserve level being taken into account in calculating subsequent budgets for Joint Committee approval.

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