

REPORT FOR RESOLUTION

SUBJECT: Reserves Policy
REPORT OF: The Lead Officer

PURPOSE OF REPORT

To review the reserves policy for the Joint Committee for 2011/12.

RECOMMENDATIONS

It is recommended that the Joint Committee approves:

- [i] The attached Reserves Policy Statement.
- [ii] The reserve level of £1,095,793
- [iii] Reviewing the Reserves Policy Statement in June 2011 in the light of the Premises Option Appraisal and the findings of the Business Processes and IT Review in June 2011.
- [iv] The delegation of authority to the Chair and Vice Chair for authorising the withdrawal of funds from reserves to meet budgetary deficits.

FINANCIAL CONSEQUENCES FOR THE REVENUE BUDGET

The reserves policy statement contributes to the self-financing objectives of the Joint Committee.

CONTACT OFFICER

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1.0 INTRODUCTION

- 1.1 The PATROL Adjudication Joint Committee (PATROL) is principally reliant on a single source of income and aims to be self-financing. PATROL has built up a body of reserves which ensures the continuation of service should there be an unexpected downturn 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 or external sources of funding.
- 1.2 In January 2009 the Executive Sub Committee established a Reserves Policy Statement.
- 1.3 The purpose of this paper is to review the Reserves Policy Statement and make recommendations for 2011/12.

2.0 REVIEW OF RESERVES POLICY STATEMENT

- 2.1 The Reserves Policy Statement indicates the movement of reserves at the end of each financial year.
- 2.2 The basis for the reserves level set out in the Reserves Policy Statement remains fit for its original purpose of providing for general running expenses.
- 2.3 The application of 2011/12 budget figures to calculate the reserves level results in a reduction of reserves required to cover general running expenses to £ 487,793 on account of projected income levels.
- 2.4 During 2011/12, consideration must be given to expanding the remit of the Reserves Policy Statement to take account of:
 - a) The expiry of the lease at Barlow House and the need to provide assurance to the Lead Authority on any penalties arising in the event of early withdrawal from the lease. A report will be presented to the June meeting providing details of the premises option appraisal and the arrangements for providing assurance to the Lead Authority. A provisional amount equivalent to three years' current rent i.e. £408,000 has been added to the £487,793 above.
 - b) Provision for significant capital expenditure thus avoiding the need to approach external sources for funding. A report on the Independent Review of Business Processes and IT will be presented to the June meeting. A provisional figure of £200,000 has been set aside for this and is included in the overall reserves of £1,095,793.

3.0 RECOMMENDATION

It is recommended that the Joint Committee approves:

- [i] The attached Reserves Policy Statement.
- [ii] The reserve level of £1,095,793
- [iii] Reviewing the Reserves Policy Statement in June 2011 in the light of the Premises Option Appraisal and the findings of the Business Processes and IT Review in June 2011.
- [iv] The delegation of authority to the Chair and Vice Chair for authorising the withdrawal of funds from reserves to meet budgetary deficits.

APPENDIX 1:

PATROL ADJUDICATION JOINT COMMITTEE Reserves Policy Statement 2011/12

Background

PATROL is reliant on a single source of income and aims to be self-financing. PATROL has since its inception built up a body of reserves which ensures the continuation of service should there be an unexpected downturn 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 or external sources of financing. The purpose of this policy is to set out arrangements for the management of those reserves.

Revenue Reserves

PATROL 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
31 March 2008	£757,288
31 March 2009	£532,368
31 March 2010	£729,468

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 civil 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 civil 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

The reserve policy calculations are based on 2011/12 budget

Fixed costs:

Salaried Adjudicators and support staff	£ 951,939
Premises	£ 176,348
Transport	£ 14,550
Supplies and Services	£ 411,654
Total Fixed Costs	£1,554,491
Variable costs	£ 348,589
Total Income	£1,415,287

Assuming income ceased on 1 April 2011 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 2011 and would recommence approximately 1 January 2012 for appeals received after 1 September 2011. 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% =	£1,415,287
Fixed costs =	£1,554,491
Variable Costs =	£ 348,589
Deficit =	£ 487,793

Provision is also being requested to provide assurance to the Lead Authority in respect of entering into a new lease which is being provisionally set at £408,000, pending a report to the June 2011 meeting

Provision is also being requested for the Reserves to be used to fund the capital investment, which is being provisionally set at £200,000, pending a report to the June 2011 meeting.

On this basis, the recommended reserve level for the PATROL Adjudication Joint Committee is £1,095,793

This will be achieved through:

- i) Existing reserves level of £729,468
- ii) Anticipated contribution from 2010/11 accounts of £218,181
- iii) Anticipated contribution of £148,144 from the 2011/12 account.

Management of Reserves

The PATROL Adjudication Joint Committee has approved:

1. The reserve level for PATROL being set at £1,095,793 and 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.

January 2012.