

## REPORT FOR RESOLUTION

**SUBJECT:** Reserves Policy Statement 2013/14  
**REPORT OF:** The Lead Officer on behalf of the Advisory Board

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### PURPOSE OF REPORT

To review the reserves policy statement for the Joint Committee for 2013/14.

### RECOMMENDATIONS

It is recommended that the Joint Committee approves:

- [i] The attached Reserves Policy Statement.
- [ii] The reserve level of £ £1,282,895 for 2013/14
- [iii] The balances of £1,811,243 being carried forward from 2011/12 are retained pending an evaluation of the scope of the Reserves Policy Statement during 2013/14.
- [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 enclosed Reserves Policy Statement and make recommendations for 2013/14.

## 2.0 RECOMMENDATION

It is recommended that the Joint Committee approves:

- [i] The attached Reserves Policy Statement.
- [ii] The reserve level of £ £1,282,895 for 2013/14
- [iii] The balances of £1,811,243 being carried forward from 2011/12 are retained pending an evaluation of the scope of the Reserves Policy Statement during 2013/14.
- [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 2013/14**

**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
31 March 2011	£1,115,411
31 March 2012	£1,811,243

**Operational 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

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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 **2013/14** budget

Fixed costs:

Salaried Adjudicators and support staff	£ 1,096,459
Premises	£ 106,900
Transport	£ 13,913
Supplies and Services	£ 383,246
<b>Total Fixed Costs</b>	<b>£ 1,600,517</b>
Variable costs	£ 756,627
<b>Total Income</b>	<b>£ 3,091,564</b>

Assuming income ceased on 1 April 2013 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 2013 and would recommence approximately 1 January 2014 for appeals received after 1 September 2013. For the purposes of this reserve policy, the assumption is made that this would result in variable costs running at approximately 50%.

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

Income reduced by 50% =	£ 1,545,782
Fixed costs =	£ 1,600,517
Variable Costs (50%) =	£ 378,314
Deficit =	£ 433,049

**Summary of Reserves for 2013/14**

1. Operating reserves of £433,049 as detailed above.
2. Property assurance reserves £425,346 (based on five years of lease – rent and service charge, this will taper in subsequent years)
3. IT Reserve of £424,500 retaining the amount set aside for 2012/13.

The total required reserves level for 2013/14 is £1,282,895

**Management of Reserves**

The PATROL Adjudication Joint Committee has approved:

1. The reserve level for PATROL being set at £1,282,895.
2. The Reserves Policy Statement being reviewed on an annual basis with 2013/14.
3. The balances of £1,811,243 being carried forward from 2011/12 are retained pending an evaluation of the scope of the Reserves Policy Statement during 2013/14.
3. Delegated authority to the Chair and Vice Chair for authorizing the withdrawal of funds from reserves to meet budgetary deficits.

**January 2013**