

PATROL ADJUDICATION JOINT COMMITTEE

REPORT FOR RESOLUTION

SUBJECT: Reserves Policy Statement 2012/13

REPORT OF: The Lead Officer

PURPOSE OF REPORT

To review the reserves policy statement for the Joint Committee.

RECOMMENDATIONS

It is recommended that the Joint Committee approves:

- [i] The attached Reserves Policy Statement for 2012/13.
- [ii] The total required reserve level of £1,459,252
- [iii] The delegation of authority to the Chair and Vice Chair for authorizing 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 PATROL is principally 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.
- 1.2 In January 2009 the Executive Sub Committee established a reserves policy statement. The purpose of this paper is to undertake the annual review the Reserves Policy Statement and make recommendations for 2012/13

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 in terms of providing for general running expenses. The application of 2012/13 budget figures to calculate the reserves level results in a reserve figure of £626,752 for operational reserves.
- 2.3 The scope of the Reserves Policy Statement will continue to include: operational reserves, property assurance reserves and reserves to meet the cost of the new case management system and web portal.
- 2.4 A fundamental review of the scope of the Reserves Policy Statement will be undertaken during 2012/13 in the light of Risk Management Strategy and change in Lead Authority arrangements.

3.0 RECOMMENDATION

It is recommended that the Joint Committee approve:

- [i] The attached Reserves Policy Statement.
- [ii] The total required reserve level of £1,459,252
- [iii] The delegation of authority to the Chair and Vice Chair for authorizing the withdrawal of funds from reserves to meet budgetary deficits.

APPENDIX 1:**PATROL ADJUDICATION JOINT COMMITTEE
Reserves Policy Statement****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 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

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

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 enforcement 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
5. Transport

The reserve policy calculations are based on 2012/13 budget

Fixed costs:

Salaried Adjudicators and support staff	£1,067,383
Premises	£ 176,200
Supplies and Services	£ 537,655
Total Fixed Costs	£ 1,781,238
Variable costs	£ 340,177
Total Income	£ 2,989,327

Assuming income ceased on 1 April 2012 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 2012 and would recommence approximately 1 January 2013 for appeals received after 1 September 2012. 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% =	£1,494,663
Fixed costs =	£1,781,238
Variable Costs =	£ 340,177
Deficit =	£ 626,752

On this basis, the recommended operating reserve level for the PATROL Adjudication Joint Committee is £626,752.

Summary of Reserves for 2012/13

1. Operating reserves of **£626,752** as detailed above.
2. Property Assurance reserve of **£408,000**
3. IT Reserve is increased from £200,000 to **£424,500** to include the estimated¹ costs of introducing a new case management system and web portal.

Note 1 The procurement process is still in progress and these costs were as detailed in the June 2011 report with the addition of £25,000 in respect of project management during the development and implementation phase..

The total required reserves level for 2012/13 is **£1, 459,252**. The outcome of the tender process and progress will be reported to the June 2012 meeting.

This will be achieved by utilising £1,115,411 reserves at 31 March 2011 and the £245,801 contribution to reserves in 2011/12. The balance of £98,040 will be derived from the anticipated surplus for 2011/12.

Management of Reserves

The PATROL Adjudication Joint Committee has approved:

1. The reserve level for PATROL being set at £1,459,252 and any surplus from the revenue account being used to meet 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.

January 2012.