

## REPORT FOR RESOLUTION

**DATE:** 26<sup>th</sup> January 2010

**SUBJECT:** Reserves Policy

**REPORT OF:** The Lead Officer  
On behalf of the Advisory Board

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### PURPOSE OF REPORT

To review the reserves policy for the Joint Committee.

### RECOMMENDATIONS

It is recommended that the Joint Committee approve:

- [i] The attached Reserves Policy Statement for 2010/11.
- [ii] The reserve level being set at £647,262 and, where required, surplus 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.

### 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 (see Appendix 1).
- 1.3 The purpose of this paper is to review the existing Reserves Policy and make recommendations for 2010/11.

## 2.0 REVIEW OF RESERVES POLICY STATEMENT

- 2.1 It is recommended that the Joint Committee adopts the 2009/10 statement (see Appendix 1) for 2010/11 for the following reasons
- a) The outturn for 2008/09 resulted in reserves level at 31 March 2009 reducing from £757,288 (the level at 31 March 2008) to £532,368.
  - b) Despite the increase in income resulting from the increased contribution from member authorities during 2009/10, it would not be possible at this stage to refresh to the level of reserves required by a re-calculation based on the 2009/10 budget.
  - c) By retaining the reserve level approved in 2009, it is possible to replenish the reserves to this level with a contingency in the event of any underachievement of income.
  - d) The statement will be reviewed in the light of the outturn for 2009/10.

## 3.0 RECOMMENDATION

It is recommended that the Joint Committee approves:

- [i] The attached Reserves Policy Statement for 2010/11.
- [ii] The reserve level being set at £647,262 and, where required, surplus 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.

**APPENDIX 1: RESERVES POLICY STATEMENT APPROVED IN JANUARY 2009**

**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

**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

The reserve policy calculations are based on 2008/09 budget

#### Fixed costs:

Salaried Adjudicators and support staff	£822,726
Premises	£150,715
Transport	£ 30,000
Supplies and Services	£ 441,150
<b>Total Fixed Costs</b>	<b>£1,444,591</b>
<b>Variable costs</b>	<b>£1,069,940</b>
<b>Total Income</b>	<b>£2,514,532</b>

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 £1,444,591

Assuming income ceased on 1 April 2008 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 2008 and would recommence approximately 1 January 2009 for appeals received after 1 September 2008. 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% =	£1,332,299
Fixed costs =	£1,444,591
Variable Costs =	£ 534,970
Deficit =	£ 647,262

On this basis, the recommended reserve level for the PATROL Adjudication Joint Committee is £540,000.

### **Management of Reserves**

The PATROL Adjudication Joint Committee has approved:

1. The reserve level for NPAS being set at £540,000 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.

**January 2009**