

## **REPORT FOR RESOLUTION**

**SUBJECT:** Draft Annual Accounts 2009/10

**JOINT REPORT OF:** The Lead Officer

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### **PURPOSE OF REPORT**

To present to the Committee the draft Annual Accounts for the year 2009/10, which are subject to External Audit.

### **RECOMMENDATIONS**

It is recommended that the Joint Committee:

- [i] Notes the outturn position against the 2009/10 revenue budget, as detailed in Table 1.
- [ii] Receives and approves the draft Annual Accounts for 2009/10 (including the Annual Governance Statement for the Patrol Adjudication Joint Committee) as prepared by the Lead Authority and detailed in Appendix 1.
- [iii] Receives and approves the Code of Corporate Governance (Appendix 2)
- [iv] Agrees to the surplus of income over expenditure of £184,514 being added to the Joint Committee's General Reserves.
- [v] Notes that the Auditor's report and the final Annual Accounts for 2009/10 will be submitted to the PATROL Adjudication Joint Committee in September 2010.

### **CONTACT OFFICERS**

Louise Hutchinson, PATROL , Barlow House, Minshull Street, Manchester.  
Tel: 0161 242 5270

## 1.0 INTRODUCTION

- 1.1 The adjudication service is operated on a self-financing basis with income obtained from charges made to member authorities.
- 1.2 At the meeting of Executive Sub-Committee held on 27th January 2009 it was agreed to: adopt the Revenue Budget estimates for 2009/10 set out in Table 1.
- 1.3 At the meeting of the Executive Sub-Committee held on 27th January 2009 the Lead Officer was given authorisation in consultation with the Chair, Vice Chair and Assistant Chair to incur expenditure against the revenue budget in excess of the £2,553,488 set by the Committee should the need arise, provided such expenditure is within the total income for the year.
- 1.4 This report provides details of the draft 2009/10 Annual Accounts for approval by the Joint Committee.

## 2.0 REVENUE ACCOUNTS

- 2.1 The draft Annual Accounts for 2009/10 have been recorded and prepared in accordance with the requirements of the Accounts and Audit Regulations 2003. These regulations were amended by further regulations made from 1<sup>st</sup> April 2006.
- 2.2 During 2009/10 the service received income as follows:

	£
Parking PCN Income	2,712,737
Non PCN Income	7,696
Internal Recharge to Bus Lanes	87,031
Parking PCN Adjustments (financial year) <sup>1</sup>	(22,465)
Parking PCN Adjustments (PCN Audit) <sup>2</sup>	13,527
Bank Interest	3,105
<b>Total</b>	<b>2,801,631</b>

Note 1:

This adjustment ensures that the accounts present income for the financial year. This reflects an adverse adjustment of £22,465

Note 2:

This adjustment reflects the PCN Audit undertaken for 2008/09. This results in a positive adjustment of £13,527.

2.3 During 2009/10, income to the parking account exceeded budget as follows:

Item	Budget £	Actual £	Variance/ (Improvement) £
Parking Income	2,441,432	2,690,272	(248,840)
Previous Year Audit Certification Adjustment	0	13,527	13,527
Non PCN Income	0	7,696	(7,696)
Bus Lane Recharge	62,056	87,031	(24,975)
Interest	0	3,105	(3,105)
Reserves	50,000	0	50,000
Total	2,553,488	2,801,631	(248,143)

- a) The improved variance on parking income of £248,840 is the result of a number of factors including:
- (i) In June 2009, the Joint Committee, based on information available at the time i.e. the actual PCNs at quarter 4 in 2008/09, took the decision to increase the council contribution level from 60 pence to 65 pence per PCN with effect from Quarter 2 in 2009/10 to mitigate against what appeared to be a reducing trend in PCN numbers. This resulted in additional revenue of c £160,000.
  - (ii) Actual PCN numbers issued in 2009/10 were 4,213,897 which exceeded the budget of 4,069,053 by 144,844. This resulted in additional income of c £89,000.
  - (iii) In addition, there were six new councils joining the scheme in 2009/10 and, as in previous years, new councils have not been budgeted for.
- b) Additional income of £7,696 has been received through the sale at cost price of PATROL leaflets to councils who required in excess of the 1000 issued free of charge.
- c) Additional income of £13,527 has been received in relation to the 2008-09 audit certification adjustment.
- d) 2009/10 is the first year of the new PATROL bank account which has attracted interest of £3,105.

- e) The bus lane recharge was higher than budgeted due to the number of bus lane appeals increasing by 36%.

2.4 Expenditure during 2009/10 was budgeted as £2,553,488. Expenditure exceeded the budget by £63,629, totalling £2,617,117.

Expenditure during 2009/10 can be summarised as follows:

a) Adjudicators

The overall budget for adjudicators was set as £868,632. Expenditure of £1,039,924 was incurred, giving an adverse variance of £171,292. The main reasons for this are as follows:

- External Adjudication Advice actual costs totalled £91,180 compared to a small budget of £7,000, giving an overspend of £84,180. The actual costs were inflated during 2009/10 due to costs associated with Judicial Reviews which has traditionally not been budgeted for.
- Part-time Fee-Paid Adjudicator Costs were budgeted at £437,050. These variable costs were affected by the number of appeals increasing to 14,279 (parking) and 633 (bus lanes) representing a rise of 14% and 36% respectively. The outturn shows a total of £526,079 for part-time adjudicator fees reflecting an increase of £89,029.
- An accounting error in the calculation of the budgeted costs of hearing venues resulted in a £20,000 shortfall.

b) Employees

The Employee budget of £742,567 was exceeded by £17,253. Some areas of expenditure were higher than anticipated. The basic pay budget figure was affected by an accounting error of approximately £17,000. Higher than average sickness levels resulted agency costs exceeding budget. These increases were mitigated by lower than budgeted pension expenditure and the variable costs of hearing centre supervisors falling £6,000 under budget.

c) Premises/Accommodation

There is a favourable variance of £3,278 for premises arising from actual costs for rates, water and office maintenance being lower than budget.

d) Transport

A favourable variance of £6,492 with particular savings in relation to hearing centre supervisor travel.

e) Supplies and Services

Lower than anticipated equipment hire and telephone charges have contributed to a favourable variance of £18,398. This together with savings in a range of services has mitigated against higher than anticipated postage and courier costs.

f) Information Technology

The Information Technology budget of £328,440 relates to general IT costs and is accounted for separately from adjudicator IT costs. Expenditure has been contained at £278,012 and the favourable variance of £50,428 reflects lower than anticipated expenditure for scanning, infrastructure, hardware, disaster recovery and appeal on line costs. These savings have mitigated against higher than anticipated expenditure to introduce increased automation to the case management process.

g) Service Management and Support

A favourable variance of £13,405 reflects the reduction in services required from the Lead Authority by the Joint Committee in 2009/10.

h) Audit Fee

Members were advised of the potential for two external audit fees being accounted for in one year. Initially it had been thought that the two fees related to 2008/09 and 2009/10 and further work was undertaken to assure the Joint Committee that the necessary accruals had been made to facilitate the payment of one external audit fee in one year. However it has since come to light that no external audit fee payment was made for 2007/08 and this had not been accounted for in the 2007/08 accounts. In summary the audit expenditure for 2009/10 consists of:

	£
External Audit 2007/08	10,500
Additional External Audit 2008/09	3,360
External Audit 2009/10	12,500
Internal Audit 2009/10	<u>3,225</u>
TOTAL	29,585

This results in an adverse variance of £17,085

i) Contingency

A contingency of £50,000 was not drawn upon during 2009/10.

## **Summary**

Whilst total expenditure at £2,617,117 reflects an increase of £63,629 against the budget for 2009/10 and includes over £80,000 of unanticipated legal costs associated with Judicial Reviews, it also represents a reduction of £19,763 on the expenditure outturn for 2008/09 despite a significant increase in appeals during 2009/10.

This containment of costs and the additional income received will enable the Joint Committee to use the surplus of £184,514 to replenish its reserves above the level of £647,262 approved at the January 2010 meeting. The reserves at March 2009 stood at £532,368. The £69,620 in excess of the approved reserves level will be available in January 2011 in setting the new reserves level and agreeing the budget for 2011/12.

### **3.0 OTHER STATEMENTS**

- 3.1 A number of other statements are included and explained in the accounts to satisfy Regulations.
- 3.2 Notes to the accounts and a statement of the accounting principles used in their preparation are also included.
- 3.3 The Joint Committee is recommended to receive and approve the accounts set out in Appendix 1.

### **4.0 ANNUAL GOVERNANCE STATEMENT**

- 4.1 The CIPFA/SOLACE governance framework “Delivering Good Governance in Local Government” brings together an underlying set of legislative requirements, governance principles and management processes. Where these apply to the functions of the Joint Committee, the framework has been used to review the governance arrangements for the PATROL Adjudication Joint Committee for the period 2009/10.
- 4.2 It is a requirement under the Accounts and Audit (Amendment) (England) Regulations 2006 – SI564/2006 to publish an annual statement on the effectiveness of their internal control framework with the PATROLAJC’s financial statements. Circular 03/2006 clears the way for the Annual Governance Statement (the part of the new CIPFA/SOLACE governance framework that subsumes the Statement of Internal Control or SIC) to be assigned proper practice status and therefore have statutory backing.
- 4.3 The Annual Governance Statement reflects how the organisation conducts its business internally and in its dealings with others. It takes a more holistic approach, providing a statement on the PATROLAJC’s key governance arrangements, within which assurance on internal control is a key element. There is also a greater emphasis on risk management arrangements.

4.4 The Annual Governance Statement covering the period April 2009 to March 2010 is presented at Appendix 1 of this report and, once approved, will be contained within the Annual Statement of Accounts as required by the Accounts and Audit Regulations 2003.

4.5 The Statement includes the following:

- An introduction setting out an explanation of Corporate Governance and the purpose of the Annual Governance Statement.
- A description of the review work within the Joint Committee to provide assurance on the internal control environment
- A summary of internal and external audit opinions
- A summary of the areas where the Joint Committee will focus its efforts over the coming year.

### **RECOMMENDATIONS**

To note the findings of the review of internal control and the actions proposed to further develop or strengthen elements of the control environment during 2009/10 and approve the Annual Governance Statement.

## **5. AUDITOR'S REPORT**

5.1 The Joint Committee is required to adopt the accounts before the auditor produces his report. There is a requirement for a public notice for the rights of electors to inspect the accounts and this inspection period has to be 20 working days and can only commence after the Joint Committee has adopted the accounts. The auditor is required to provide an annual governance report and value for money report.

5.2 After consultation with Grant Thornton, a programme in respect of accounts for the financial year 2009/10 has been agreed that meets these requirements and is set out below.

**2009/10 ACCOUNTS AND AUDIT PROGRAMME**

<b>Stage</b>	<b>2009/10</b>
Accounts prepared and certified by the Treasurer	By 30 <sup>th</sup> June – PATROLAJC meeting 29 <sup>th</sup> June 2010
Accounts submitted to PATROLAJC for approval	By 30 <sup>th</sup> June – PATROLAJC meeting 29 <sup>th</sup> June 2010
Advertisement of Public Notice for Exercise of Public Rights for electors to inspect the accounts	15 <sup>th</sup> June 2010
Period for exercise of right of inspection.	5 <sup>th</sup> July to 30 <sup>th</sup> July 2010
Date after which the Auditor may be questioned about or make objections to the accounts	2 <sup>nd</sup> August 2010
Grant Thornton present report to Joint Committee and Accounts and Auditor's Letter published	21 <sup>st</sup> September 2010



**TABLE 1 DRAFT OUTTURN POSITION AT 31 MARCH 2010**

<b>Expenditure</b>	<b>Budget 2009/10</b>	<b>Outturn 2009/10</b>	<b>Variance</b>
Adjudicators	868,632	1,039,924	171,292
Staff	742,657	759,910	17,253
Premises / Accommodation	173,106	169,828	(3,278)
Transport	38,150	31,658	(6,492)
Supplies and services	286,958	268,560	(18,398)
ICT	328,440	278,012	(50,428)
Service Management and Support	53,045	39,640	(13,405)
Audit Fee	12,500	29,585	17,085
Contingency	50,000	0	(50,000)
<b>Total Expenditure</b>	<b>2,553,488</b>	<b>2,617,117</b>	<b>63,629</b>
<b>Income</b>			
Contingency	50,000	0	(50,000)
Penalty Charge Notices	2,441,432	2,712,737	271,305
Other non PCN Income		7,696	7,696
Parking PCN Adjustments		(22,465)	(22,465)
Parking PCN Audit Adjustments		13,527	13,527
Recharge for Bus Lane Adjudication Costs	62,056	87,031	24,975
Bank Interest		3,105	3,105
<b>Total Income</b>	<b>2,553,488</b>	<b>2,801,631</b>	<b>248,143</b>
<b>Surplus</b>	<b>0</b>	<b>184,514</b>	<b>184,514</b>