



Report to: Cabinet

Subject: Financial Impact of the Termination of the Highways Agency

Date: 12 May 2005

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1. BACKGROUND

Following a decision by the County Council to review the terms of its Highways Agency Agreement and work undertaken by this Council to place more focus into achieving its own priority outcomes, a report was prepared by the Director of Community Services on behalf of Councillor I S Gollop and Councillor R J Nicholson, which was debated by Cabinet on 6 November 2003.

The agreed recommendations from this meeting included giving notice to terminate the Highways Agency will effect from 31 March 2005 and this subsequently took place. This report identified that, due to the complicated processes involved, an accurate financial impact could not yet be determined, as TUPE arrangements, future structures and accommodation/support issues, all required further discussion and decision making. The expected impact in the medium to longer term was that savings in the region of £75,000 to £150,000 could be achieved. In the short term savings of up to £45,000 per annum could also be expected. The report also recognised that capacity in support services would be better able to be diverted towards achieving the Council's priorities.

2. IMPACT

Since the decision to terminate the Highways Agency was taken Cabinet and Committees have received various reports concerning the following issues:

- Disestablishment of the Engineering and Property Services Department

- Revised staffing structures for
 - Direct Services
 - Legal and Democratic Services
 - Finance
- Confirmation of TUPE transfers and other operational issues.

Again, these reports were part of an ongoing process and at no point could the final impact of the decisions be calculated, although these reports did confirm that proposals were in accordance with the likely outcomes identified in the 6 November 2003 report.

Finally after confirmation of revised insurance premiums, agreed on 31 March 2005, the budgeted impact for 2005/2006 and beyond can be determined. In determining the impact detailed below, judgements have to be made about what future costs could have arisen if the agency had not been terminated, eg the impact of rising insurance premiums. Where these judgements have been made they have been carried out with reference to increases contained in previous Medium Term Financial Strategies.

Resource Implications

Highways Agency Budget Impact	2005/2006	Medium Term	Long Term
	£	£	£
Unrecovered Support Costs	31,400	31,400	31,400
Net staffing changes	(154,800)	(154,800)	(154,800)
Redundancy/Pension Costs	142,700	5,400	0
Net change in income (non agency)	(-29,800)	(-29,500)	0
Vehicle Costs	93,400	19,900	0
Net Insurance Reductions	(70,800)	(74,300)	(78,100)
Net (Savings)/Costs	12,100	(202,200)	(201,500)

The above table shows that, as a result of the decision to terminate the Highways Agency, costs in 2005/2006 have risen by £12,100 and that medium and long term savings in excess of £200,000 per annum will be achieved.

The cost in 2005/2006 is above that estimated in November 2003, however, since this date, accounting treatment for pension strain has changed. Full costs of £97,500 are now shown in 2005/2006. In 2003, these costs will have been spread over 3 years and without this technical change savings of £52,900 would have been achieved, although medium term savings in years 2 and 3 would have been lower by some £32,500.

Analysis of the impact from the ending of the Highways Agency shows savings above with those originally anticipated.

3. RECOMMENDATIONS

It is recommended that:

- i) Members note the report
- ii) The report is forwarded to the next meeting of the Resources and Management Scrutiny Committee.