



Meeting           **CABINET**

Date               **7 JUNE 2006**

agenda item number

## **REPORT OF THE CABINET MEMBER FOR FINANCE AND PROPERTY**

### **ALLOCATION FROM THE CONTINGENCY 2006/7**

#### **1. Purpose of the Report**

- 1.1 To approve allocations from the contingency to cover expenditure that cannot be met from portfolio budgets in 2006/7

#### **2. Information and Advice**

- 2.1 The approved budget for 2006/7 included a contingency of £6 million, which is larger than provided in previous years in recognition that the Council's planned budget reductions of £21 million will need to be phased in over a 2 year period.
- 2.2 The contingency was described in the Budget report as needing to cover items like:
- Redundancy costs
  - Invest to save measures
  - Life cycle maintenance on new buildings
  - Childrens Act preparatory costs, for which Cabinet have previously approved an allocation of £390,000 for 2006/7 for staffing costs.
  - Any other appropriate items.
- 2.3 It is already apparent that some of the planned budget savings for 2006/7 are not fully achievable this year, because of timing issues linked to statutory notice requirements. In particular, some staffing reductions cannot take place until later in the year, and so there is a temporary shortfall in the planned saving that needs contingency allocation, viz

<u>Department</u>	£000
Childrens - formerly Education	164
Communities - formerly Environment	57
- formerly Culture and Community	64
	<u>285</u>

- 2.4 There are other planned savings where timing issues require covering by a contingency allocation in 2006/7. These are in the new Communities department viz

	£000
Statutory notice period on bus services	68
Contractual commitments on property leases etc	79
	<u>147</u>

- 2.5 The County Council has now determined the new management structure, including the integration of all resources activities under the Director of Resources. This is intended to produce savings of £4.6 million when it is fully implemented. Project plans have been prepared that will deliver the expected savings, but this will take longer than originally assumed. The latest estimates are that the 2006/7 targeted savings of £3.1 million will fall short by about £0.7 million, because of the need to consult on new structures and provide statutory notice periods to those staff who may be leaving the Council. Vacancy control arrangements have been in place for several months to minimise the impact on existing staff. In addition, a sum of £260,000 is required for project management costs and for the costs involved in re-evaluating the appropriate grading for posts at Principal Officer level and above, because the job content of many of these will change significantly in the new management structures.

- 2.6 Members will be aware of the significant increases in energy costs that have been taking place in recent months. The latest estimates show that an extra £281,000 is required in 2006/7 for street lighting and other fuel costs. It is proposed to meet this by a contingency allocation, so that reductions to bus services and highway maintenance can be avoided within the Environment portfolio.

- 2.7 The proposed allocations previously approved and set out in this report are:

	£000
Childrens Act preparatory costs	390
Budget savings – timing issues - staffing	285
- other	147
Management restructuring – timing issues and preparatory costs	960
Energy costs	<u>281</u>
	<u>2063</u>

This leaves an unallocated balance of £3.937 million in the contingency. However, it is expected that this sum will be needed to meet redundancy costs and, the phased costs of associated pension strain in 2006/7 and other requirements.

### **3. Statutory and Policy Implications**

- 3.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder, Human Rights and those using the relevant service. Where such implications are material, they have been described in the text of the report.

### **4. Recommendation**

- 4.1 Contingency allocations be approved for the purposes set out in the report.

**CLLR CHRIS BARON  
CABINET MEMBER FOR FINANCE & PROPERTY**

#### **Background Papers Available for Inspection**

Nil

#### **Legal Comments (HD 16/5/2006)**

The contingency is set by Council as part of the budget framework approved each year. Cabinet has the Constitutional delegation to make the decision to allocate monies from the contingency in accordance with the budget framework set by Council.