

## **NON-SERVICE AREA BUDGETS - CENTRAL ITEMS**

### **1. SUMMARY**

- 1.1 This Appendix provides details of all other General Fund budgets that are not included within Service Area budgets. These come under the headings of Central Items in the summary budget at Appendix B. It should be read in conjunction with Section 5.

### **2. DETAIL**

- 2.1 Table 1 to this Appendix summarises the budgetary costs to the Council for 2005/2006 and the potential requirement for the next three financial years. The following sections of this Appendix take each of the items in turn.

### **3. AGENCY/THIRD PARTY BUDGETS**

- 3.0 Table 2 sets out the proposed budgets.

#### **3.1 MAGISTRATES COURTS**

- 3.1.1 There were two elements to the budget:-

- (a) Since April 2001, the Greater London Magistrates Courts Authority (GLMCA) has been responsible for running the Magistrates Courts Service for the whole of London. 80% of the GLMCA's budget is met by central government, with the remaining 20% being apportioned to the London boroughs on the basis of council tax base figures. Brent's revenue contribution to the GLMCA in 2004/05 is £549,300.
- (b) There are also debt charges relating to the building and equipping of the Willesden Courthouse, which opened in 1989. The loan charges relating to capital expenditure up to March 1990 are still met by individual boroughs, and 80% grant is received on these costs. The estimated net cost to Brent is £284,000 in 2004/2005.

- 3.1.2 The total costs to Brent in 2004/05, including both elements, are therefore estimated at £833k.

- 3.1.3 However, from 1<sup>st</sup> April 2005 the GLMCA has become part of a new national organisation. There is no requirement to contribute to that budget but the debt charges remain the Council's responsibility and has been transferred to the overall financing charges budget. There is therefore no specific budget provision from 2005/2006.

### 3.2 CORONERS COMMITTEE

- 3.2.1 Brent is one of five boroughs forming the London Northern District Coroners Courts Committee, namely Haringey (the lead borough), Brent, Barnet, Enfield and Harrow. Haringey deals with all the administration, and charges the other boroughs on a population basis. Brent's share for 2004/05 was originally estimated at £139,000, but the revised forecast is £150,700. The increase is largely due to increased costs of body removals.
- 3.2.2 The 2005/06 budget is not yet available and is not expected before the Brent budget is set. It would normally be expected to rise roughly in line with inflation, although in 2003/04 and 2004/05 there were larger increases (16.5% over the two years) due to additional costs relating to the need to update I.T. systems, and increases in costs relating to new contracts for removal of bodies. If the 2005/06 budget were to increase in line with inflation, the charge for 05/06 would rise to approximately £156,000.

### 3.3 LOCAL AUTHORITY ASSOCIATIONS

- 3.3.1 The Council is a member of the Local Government Association (LGA) and the Association of London Government (ALG). The objectives of both organisations are to protect and promote the interests of member authorities, including discussions with central government on legislative issues, and to provide research and statistical information. The ALG concentrates on issues affecting London boroughs.
- 3.3.2 The LGA subscription was £67k in 2004/2005. Annual increases in the subscription are now linked to each class of authority's rise in adjusted overall Formula Spending Share. For London Boroughs this amounts to 1.4% and the subscription will thus rise to £68k in 2005/2006.
- 3.3.3 The ALG subscription covers a number of cross London bodies. The 2005/2006 subscription will be levied as follows:

	<b>2005/06</b>	<b>2004/05</b>
	<b>£'000</b>	<b>£'000</b>
Association of London Government (Core)	144	140
ALG Grants Scheme		
- Admin. Grant	57	57
- Grants to Organisations	903	922
London Housing Unit	41	40
GLPC/Employee and Organisational Development	20	19
Transport and Environment Committee	5	5
<b>Total</b>	<b>1,170</b>	<b>1,183</b>

3.3.4 This budget is only required to fund the core subscription of £144k as the balance for the other elements is held by Service Areas.

### **3.4 LOCAL GOVERNMENT INFORMATION UNIT**

3.4.1 The Council subscribes to the Unit. It is an independent research and information organisation supported by over 140 Councils. The subscription is £19k for 2005/2006.

### **3.5 WLA SUBSCRIPTION**

3.5.1 The West London Alliance is a cross-party partnership between the six west London Local Authorities (Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon and Hounslow), which aims to provide a clear single voice by lobbying on behalf of the area's residents, service providers and business communities. The subscription is £10k for 2005/06.

### **3.6 PARK ROYAL PARTNERSHIP**

3.6.1 The Park Royal Partnership was established in the early 1990's and has been successful in securing grant funding from the Single Regeneration Budget to promote the regeneration of the Estate. Park Royal together with adjacent Wembley has been designated a priority regeneration area for the London Development Agency. Brent provides an annual contribution of £25k of which £10k is met centrally and £15k from other Corporate budgets.

### **3.7 COPYRIGHT LICENSING**

3.7.1 The Copyright Licensing Agency licenses public and private bodies to photocopy and scan material from books, journals and periodicals. The budget for the 2005/2006 subscription is £11k.

### **3.8 EMERGENCY PLANS**

3.8.1 The Government no longer funds this service from specific grant but included it within FSS. It also doubled the level of resources available nationally £169k has now been included within the Environment budget for 2005/2006 rather than as a central item.

### **3.9 EXTERNAL AUDIT**

3.9.1 This budget amounts to £398k and relates to the work undertaken by PricewaterhouseCoopers and excludes the various Inspection regimes which are budgeted for elsewhere. It is the net figures after charges for grant claims to Service Areas.

3.9.2 The Audit Commission has recently published a document setting out its draft operational plan and proposed fees for the next financial year. It has decided to increase its fee scales in line with inflation. However, The Commission has

stated its intention to seek to reduce the burden of regulation on audited and inspected bodies, including less work on grant claims, which will help to reduce overall fees. Brent's CPA rating improvement from "fair" to "good" will assist this process as well. It is currently unclear how much and when this will be reflected in Brent's costs although it is felt that the benefits will accrue after 2005/2006.

### **3.10 CORPORATE INSURANCE**

3.10.1 This encompasses the policies for public liability, fidelity guarantees, employers liability, officials' indemnity and terrorist insurance not linked directly to specific properties and claims handling. Last year premiums rose by up to 15%. Our position within the insurance market is weak with few wishing to be involved with local authorities. However increases will not be as dramatic this year and it is anticipated that the £420k (10%) previously agreed will be sufficient to cover the cost of the policy renewals. Final figures will not be available until March.

## **4. CAPITAL FINANCING CHARGES/NET INTEREST RECEIPTS AND PRUDENTIAL REGIME FINANCING CHARGES**

4.1 These two items are closely linked and influenced by the Treasury Management Strategy included in Section 10 of the main report and prevailing rates of interest.

- (a) Net interest receipts are those which the Council estimates it will receive from positive cash flow and holding reserves during 2005/2006.
- (b) Capital Financing Charges are the principal repayments and interest on the Council's borrowing. It includes two elements:
  - (i) charges for borrowing which are supported and part of the Capital Financing FSS within the Local Government Finance Settlement (see Section 6).
  - (ii) debt charges generated by borrowing for schemes which are unsupported through the prudential regime. (See Section 11)

4.2 The amount of debt attributable to the HRA is a crucial factor in the charge falling on the General Fund. This is governed by a complex set of regulations based around Housing Subsidy. To minimise the net cost to Brent the Council should ensure that the maximum allowable under the rules falls on the HRA as this receives 100% subsidy.

4.3 The budget requirement has reduced reflecting reduced interest rates and successful debt restructuring exercises. However, the Council's expenditure is significantly above the allowance made by the Government through the FSS for capital financing. There are a number of factors contributing towards this.

4.4 The Council is estimated to have £520m of long-term debt outstanding at 31<sup>st</sup> March 2005. This has been taken out over a number of decades for periods

of up to 60 years. The average interest rate payable is around 6.4%. Current long-term rates are averaging slightly below 4.7%. The relatively expensive debt cannot be repaid early without incurring significant premiums. Further details are set out in Section 10 of the report.

- 4.5 In calculating the FSS the Government assumes that local authorities have allocated their borrowing approvals to the HRA and General Fund in line with the annual capital guidelines in place prior to the prudential regime. However in most years a relatively small proportion has been allocated to the HRA in comparison to the Housing ACG. Each £1m diverted to the General Fund will cost around £100k in principal and interest charges in a full year.
- 4.6 The Council agreed in 2004/2005 to utilise the then new prudential borrowing regime. An estimated £12.9m of capital spending will taken place in 2005/2006 which is termed unsupported borrowing. This means that the Government does not allow for this in the calculation of the revenue grant it awards the Council. This therefore has to be funded from other resources and builds up year on year if more unsupported borrowing is agreed. (See Section 11)
- 4.7 The current budget is £22.8m for supported capital financing charges (this includes £1.5m held in the Magistrates Courts and Corporate Landlord Account budgets) offset by £2.2m of net income for interest receipts. The FSS for these items is £14.9m a shortfall of £7.9m.

## 5. ASYLUM SEEKERS

- 5.1 This budget covers expenditure incurred supporting destitute asylum seekers falling under the categories of Single Adults and Children with Families. Unaccompanied Minors are included within a different grant regime and are part of the Social Services budget.
- 5.2 This remains an area of high risk due to the continuing uncertainties involved.
- 5.3 On the 24<sup>th</sup> October 2003 the Home Secretary announced that 15,000 asylum seeking families with children that claimed asylum before 2<sup>nd</sup> October 2000 would on request be granted Indefinite Leave to Remain (ILR).
- 5.4 Families once accepted will transfer from the Asylum Seekers Grant regime and will be eligible to apply for other support if appropriate to their circumstances. The programme aims to enable asylum seekers to remain in their own accommodation ensuring continuity of schooling and other contacts. This potentially will add additional costs to other Council budgets.
- 5.5 It was stated that the programme would take 6 months to implement. However, this has not proved to be the case. The Home Office has now indicated that it will ask Parliament to approve regulations enabling the Home Office to grant aid to local government for an extended interim scheme for 2005/2006. Current numbers are shown below:

<b>Asylum Seekers Numbers at 31<sup>st</sup> January 2005</b>	<b>Total</b>
Children and Families	129
NASS (being managed by Brent)	8
Singles	36

- 5.6 The Council will remain responsible for those not covered by the ILR scheme until a decision is taken on their status. There are a number of issues:
- (i) The grant regime has yet to be announced for 2005/2006.
  - (ii) As numbers decline the Council's fixed costs have to be absorbed from a lower total level of grant as it is calculated based on the numbers supported. This will be difficult to manage as we have no indication as to when and at what rate numbers will decline from the ILR scheme.
- 5.7 A budget of £250k is included for 2005/2006 and Members are advised that this is considered the minimum given the risks involved.

## **6. LEVYING BODIES**

- 6.1 Levying bodies are defined by statute. They have an absolute right to demand payment from the Council and that payment must be met from the General Fund.
- 6.2 Levies are estimated to total £6,800k for 2005/2006 as shown below. However, formal notification has not yet been received from all of the bodies so the figures below could be subject to change.

	<b>2004/2005 Actual £'000</b>	<b>2005/2006 Latest Estimate £'000</b>	<b>% Increase/ (Decrease)</b>
Lee Valley Regional Park	257	270	5.1
London Pensions Fund Authority	243	249	2.5
Environment Agency	158	172	8.9
West London Waste Authority	5,683	6,109	7.5
	<b>6,341</b>	<b>6,800</b>	<b>7.2</b>

- 6.3 At the Council Meeting on 31<sup>st</sup> January a Council taxbase of 92,879 was agreed. All the levies are calculated on each authority's relative taxbase. This means that increases in levies paid by Brent may not be exactly the same as increases in the budgets of the levying bodies.

#### 6.4 Lee Valley Regional Park Authority (LVRPA)

The LVRPA have increased their overall budget by 5.6%. The Authority was set up in 1966. They have stated that their purpose is to “*regenerate, develop and manage some 10,000 acres of Lee Valley which had become largely derelict and transform it into a unique leisure and nature conservation resource for the benefit of the whole community.*” LVRPA is funded by a levy on all London Boroughs, Essex and Hertfordshire County Councils and Thurrock Unitary Authority.

#### 6.5 London Pensions Fund Authority (LPFA)

The LPFA levy is to meet expenditure on premature retirement compensation relating to former employees of the Greater London Council as this cannot be charged to the Brent Pension Fund. Their levy is split between all London Boroughs but Inner London Boroughs bear significantly higher charges. They increased their levy by 3% compared to 2004/2005. A decision was made on the total LPFA levy on 3<sup>rd</sup> February.

#### 6.6 Environment Agency

For 2005/2006 most expenditure will again be funded directly by the Environment Agency. As last year, a small element remains payable relating to regional schemes, many of them to improve flood defences. For Brent this is £172k. A decision on the total levy was made on Friday 14<sup>th</sup> January.

#### 6.7 West London Waste Authority (WLWA)

WLWA was established by statute in 1986. It is responsible for the waste disposal of six boroughs. These boroughs are Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-upon-Thames. The boroughs are responsible for the collection of waste in their areas.

6.8 WLWA’s budget will be increased due to a rise in the cost of Landfill Tax (£3.00 per metric tonne) and increased recycling credit payments to the boroughs. The increase will partly be offset by the use of balances.

6.9 WLWA’s budget meeting was held on 2nd February. A levy increase of 2.85% was agreed. However, the amount Brent will pay rose by slightly less since other boroughs’ taxbases increased by more than Brent’s taxbase. In addition, the GLA have revised their estimates of household numbers downwards. This affects the S52(9) formula and will lead to significantly extra costs for Brent next year (see para. 6.12 below).

6.10 The dispute between Brent and WLWA relating to 2003/2004 Section 52(9) charges which has previously been reported still has not been resolved. However, this does not affect our payments for 2004/2005 and 2005/2006. Brent has provided for the amount in dispute, £224k, in case a payment is

required in future. It is believed that WLWA have also made a full provision in case Brent don't pay this amount.

- 6.11 WLWA now has a dispute with Richmond about this year's Section 52(9) charges which could also affect next year's charges. Richmond believe the Section 52(9) formula overestimates their trade waste and they have notified WLWA that they will only pay charges according to their lower estimates of trade waste.
- 6.12 Section 52(9) allowances depend on the number of households in each borough. The household numbers have been provided by the GLA. In April 2004, WLWA reported that the GLA reduced their estimates of the number of households in all 6 WLWA boroughs. However the biggest decrease was said to be in Brent – a reduction of over 10% from 111,500 to 100,000. It is believed the GLA think they previously underestimated average household size. This large reduction in household numbers looks strange as the total number of properties on our valuation list for council tax purposes has risen each year for the past decade. Between October 2003 and October 2004 the total number of dwellings rose by 1.3% to 104,699. This reduction in household numbers will lead to significantly extra costs for Brent in 2005/2006. The exact amount to be paid depends on factors including tonnages delivered to WLWA. Allowance has been made in the table above. The budget for increased non-household waste charges purely arising from the GLA's change in household numbers will be held centrally.
- 6.13 From 2005/2006 the Government is introducing a Landfill Allowance Trading Scheme (LATS). WLWA will get an allowance for the amount of biodegradable municipal waste it can send to landfill. If this allowance is exceeded WLWA will either have to pay a penalty of £150 per tonne or buy allowances from other waste disposal authorities if a market exists in future. In either case, WLWA will have to pay significantly more than the marginal cost of disposal in 2005/2006 - £40 per tonne. For 2005/2006, WLWA's LATS allowances are expected to be more than sufficient to cover waste to be land filled. Unused allowances can be carried forward. In future years LATS allowances are expected to be reduced so they may be insufficient to cover the amount of waste WLWA is likely to landfill. It is very difficult to estimate tonnages, LATS allowances and the consequent financial effects precisely several years in the future. However WLWA wrote to the Chief Executive on 10<sup>th</sup> January 2005 and said that without changes, Brent's *“expenditure on waste in five years time will have increased by between £2m and £6m per annum, with further increases to follow thereafter.”* Consequently WLWA needs to reduce the amount of waste sent to landfill.
- 6.14 There are legal difficulties relating to trade waste collected by boroughs. Where trade waste is collected by boroughs in vehicles they have to pay Section 52(9) charges to WLWA. However where trade waste is collected at civic amenity (CA) sites boroughs keep the income and don't have to make any payments to WLWA due to a defect in the legislation when WLWA was set up. Effectively this waste is paid for through the levy by all boroughs. This



is estimated to cost Brent roughly £300k in 2005/2006 out of total costs of around £1.8m for WLWA. (Brent does not receive income from civic amenity site trade waste). The total income to boroughs which collect trade waste at their CA sites will be higher than £1.8m since trade waste charges are higher than the marginal cost of disposal. The charges in 2004/2005 are £70 per tonne including VAT (i.e. £59.57 per tonne excluding VAT). For 2005/2006 WLWA are proposing to increase charges for trade waste to £100 per tonne including VAT. This could lead to tonnages of trade waste for disposal reducing. If so this would reduce the amount of waste counting against WLWA's LATS allowances. Boroughs which collect trade waste at their CA sites don't have to charge the same as WLWA, but there would be serious problems if lower charges were levied as traders could switch where they send trade waste. Should this be a possibility it will be discussed at the WLWA meeting on 2<sup>nd</sup> February 2005.

- 6.15 WLWA has reported on progress to contract for some waste to be disposed of by an alternative method to landfill. This could potentially include a tender from the proposed energy from waste (EFW) site that may be built in Colnbrook, just outside WLWA's borders. In November 2004 the Mayor of London issued a Direction that prohibits WLWA from proceeding with procurement. A meeting was held between WLWA Members and Officers at the Mayor's office in January 2005 to try and reach agreement so that the Mayor could consider withdrawing the Direction. Discussions are ongoing and progress will be reported to WLWA members on 2<sup>nd</sup> February.
- 6.16 Since WLWA was set up the levies for the 6 boroughs have been apportioned by the council tax bases in line with statute. This provided no incentive for waste minimisation so charging for non-household waste was introduced - Section 52(9) charges. These charges have been disputed by boroughs including Brent. These disputes and the inequities of boroughs keeping income from CA site trade waste could be avoided if a suitable tonnage based levy was introduced. According to WLWA this depends on the Clean Neighbourhoods Bill being enacted and not being lost if a general election is called. The earliest it would now be possible to change funding arrangements for statutory waste disposal authorities is now 2006/2007.

## **7. PREMATURE RETIREMENT COMPENSATION**

- 7.1 This is the ongoing revenue cost of pensions caused by premature retirements, that do not fall on the Pension Fund, which took place primarily up to 31<sup>st</sup> March 1994. Those costs generated by action taken after 1<sup>st</sup> April 1994 are charged directly to the Service Area where the decision was taken. The amount paid to pensioners is uplifted by the inflation rate applicable in the previous September. (September 2004 3.1%). It is estimated that a provision of £4,200k will be required in 2005/2006.

## **8. MIDDLESEX HOUSE AND LANCELOT ROAD SCHEME**

- 8.1 A new funding agreement for the scheme was agreed in 2000/2001 with the then Network Housing Association. It has received the required consent from the Secretary of State for Environment, Transport and the Regions. This budget covers the maximum General Fund requirement under the arrangement and amounts to £360k. The contributions for future years have been reviewed with the aim of equalising these until 2019/2020 with annual growth of 7.6%. This corresponds to the assumptions in the 30 year business plan (see Section 7).

## **9. REMUNERATION STRATEGY**

- 9.1 The Council faces a range of significant challenges in its approach to pay for its staff. These include implementation of the single status agreement, resolving a range of pay anomalies including London Weighting, and a number of supplements and bonus payments, and putting in place adequate arrangements to ensure the recruitment and retention of suitable skilled staff.
- 9.2 Apart from the items set out above it is also proposed to fund a full time post to ensure that the Council delivers on its responsibilities under equal pay legislation and commitments from the Learning for Excellence Programme.
- 9.3 It is the intention that a report will be brought to a future meeting of the Executive setting out on how funds from this budget of £500k will be allocated. The budget will be administered under the joint control of the Director of Human Resources and Diversity and the Director of Finance.

## **10. SOUTH KILBURN DEVELOPMENT**

- 10.1 Construction work on the site has begun. This budget of £250k is to meet the additional costs to the temporary accommodation budget as the number of units available to the Council to house families falls as work begins on homes in the area. This is a part year impact and £1m is provided for 2006/2007.

## **11. INVESTMENT IN INFORMATION TECHNOLOGY**

- 11.1 From its inception in the mid-1990's the Systems Development Fund has been used to fund Corporate initiatives including the migration from the mainframe, new IT investment for Service Areas and expenditure on Year 2000 issues.
- 11.2 Since 2002/2003 the emphasis of the fund has shifted to the funding of the Authority's E-Government programme and other major IT requirements.
- 11.3 The Council has a range of significant and pressing need for investment in IT ranging from a replacement system for Social Services' current information system (SSID), implementation of the Customer Relations Management

System (CRM) and rationalisation of financial systems to name but a few. In addition to the Systems Development Fund (the estimated balance 1<sup>st</sup> April 2005 is £116k) and specific revenue and capital funding agreed by members or received by way of grant, further revenue funding of £1.1m has been granted in 2004/2005, with £900k proposed for 2005/2006 and £820k per annum provisionally agreed thereafter. A detailed evaluation, prioritisation and monitoring procedure is in place and reported to members, who next have the opportunity to review progress and priority spend for 2005/2006 at the April Executive meeting.

## 12. FREEDOM PASS SCHEME

- 12.1 Transport for London (TFL) and the ALG have agreed a 3 year deal from 2005/2006 for the scheme. This is intended to provide greater certainty for authorities when budgeting for concessionary fares. This involves a basic increase of £15.2m, or 9 per cent, in payment by boroughs to TFL in 2005/06. Payments will increase by £14.9 million, or 8 per cent, in 2006/07, and £12.2 million, or 6 per cent, in 2007/08.
- 12.2 These are significant increases linked to proposed rises in fares. However usage of the scheme will also vary costs. Each year there will be a review of inflation, journey volumes and fares to arrive at the final charge.
- 12.3 In London, between September 2002 and September 2004, the total number of concessionary fares and freedom pass users increased by 10 per cent, or 97,631, in London. However, in Brent it has increased by 13.9 per cent, or 4,752, which is the third highest percentage increase in London. This was because the number of Elderly users in Brent increased by 4,382 or 14.7 per cent, compared to 10.5 per cent in London. Therefore, Brent's subscription to the TFL Concessionary Fare scheme has been increased by 12.7 per cent compared to 8.8 per cent overall. An overall increase of around £1m therefore is included in the Social Services budget for 2005/2006. This budget represents an excess that is likely to need to be funded in future years over and above the basic inflation allowance.

## 13. OTHER ITEMS

Details are set out in Table 3 to this Appendix.

### 13.1 Defer Capitalised PRC Contributions

- 13.1.1 Since October 1998 it has been a requirement that Service Areas/Units have had to pay the capital cost of early retirement when an employee over the age of 50 has been made redundant. This is an assessment of the cost to the Pension Fund of the decision to retire an employee early. The cost levied reflects the early payment of pension and the loss of contributions up to normal retirement age. This is payable in 3 equal instalments, on the first, second and third annual anniversary of the employee's departure. The purpose is twofold:

- (i) To ensure the true cost of any decision is balanced against any savings.
- (ii) To provide funds to compensate the Pension Fund and help to minimise the employer's contribution.

No central provision is required in 2005/2006.

## 13.2 Neighbourhood Renewal Fund

13.2.1 Brent has been allocated £2.279m from the Neighbourhood Renewal Fund (NRF) in 2005/2006 (£2.279m in 2004/2005).

13.2.2 Neighbourhood Renewal Fund money is "non-ring fenced" and can be used to fund any service (Council or non-Council) as directed by the Local Strategic Partnership. However, the Government's guidance sets out a number of constraints on its use:

- spend should be used to improve outcomes in local authorities more deprived areas, particularly focussing on Government's floor targets;
- spend should be in accordance with a local Neighbourhood Renewal Strategy (in Brent's case this is contained within the borough Regeneration Strategy);
- each year the Local Strategic Partnership should agree a statement of use for NRF funding;
- detailed decisions about how the money should be spent are to be taken locally, close to where people live and work. This flexibility is important because local people know best what types of measures are needed to improve their areas.

13.2.3 The Government is currently consulting on the future of the NRF beyond 2006. The consultation flags up concerns that in some local authority areas NRF has not been used effectively enough to address deprivation and floor targets.

13.2.4 In 2004/2005 in agreement with our partners NRF funds were used to help deprived communities in the Borough through the following programmes:

	£
<u>LSP Support</u>	
Business Broker	30,000
LSP Co-Ordinator	50,000
<b>Total</b>	<b>80,000</b>
<u>St. Raphael's</u>	
Children, Young People & Education	245,000
Crime & Community Safety	240,000
Housing & the Built Environment	208,000

Widening Participation	197,000
Local Services	110,000
<b>Total</b>	<b>1,000,000</b>

Harlesden & Stonebridge

Children, Young People & Education	340,000
Community Facilities and Development	100,000
Crime & Community Safety	200,000
Housing & the Built Environment	85,000
Health & Fitness	40,000
Income & Employment	100,000
Local Services	135,000
<b>Total</b>	<b>1,000,000</b>

Church End & Roundwood

Children, Young People & Education	30,000
Crime & Community Safety	30,000
Housing & the Built Environment	30,000
Income & Employment	30,000
Childcare – Early Years ( Sure Start)	30,000
<b>Total</b>	<b>150,000</b>

An additional £49k is available to cover over programming in previous years.

13.2.5 The borough's Neighbourhood Renewal Strategy (Strategic Priority one of the Regeneration Strategy) identifies a number of priority issues to be targeted by the NRF in order to narrow the gaps between Brent's most deprived communities and the rest:

- Reducing unemployment and worklessness;
- Tackling crime;
- Improving health outcomes; and
- Increasing rates of home ownership

13.2.6 In 2005/2006 the intention is to focus the NRF on floor targets where Brent and the deprived neighbourhoods continue to underperform significantly. This is in the areas of unemployment and worklessness and crime. In line with Government guidance, in 2005/06 Neighbourhood Plans from St Raphaels/Brentfield, Harlesden, Stonebridge, Church End and Roundwood will form the basis for detailed spending decisions using NRF.

13.2.7 The Local Strategic Partnership will agree priority activities for funding and finalise the NRF programme for 2005/2006 over the next couple of months.

### 13.3 Advertising and Other Sponsorship Income

13.3.1 The target figure was not achieved in 2004/2005 primarily because of difficulties in securing new sites for advertising hoardings and delays in the

scheme to secure advertising on streetlights. A preferred contractor has been selected and subject to planning permission income will begin to be generated in 2005/2006. However, the budget has been reduced to £20k.

### 13.4 Employers' Pension Fund Contributions

13.4.1 The Council's actuaries fix the employers' contribution to the Pension Fund every 3 years as a percentage of the salary for those staff who are in the Pension Fund. The new valuation was undertaken to the period up to 31<sup>st</sup> March 2004. This was a time of poor investment performance and increases in longevity of pensioners above those previously assumed. It has led to increases in employer's contributions across the country. Brent's rate in 2004/2005 was 18.6% of employees pay. Employees standard contribution is 6%. The new employer's rates set and effective from 2005/2006 are as follows:

	%
2005/2006	20.1
2006/2007	21.6
2007/2008	23.1

Increases of this amount had been allowed for within the Medium Term Financial Strategy. The rise amounts to around £1m for the General Fund.

13.4.2 £75k has been retained to cover staff not included within service area budgets such as Trading Units, and contingent items.

### 13.5 Insurance Fund

13.5.1 The Council operates an Insurance Fund in order to self insure its buildings and contents as well as to cover employee and third party legal liabilities and professional indemnity, though it does have insurance policies to limit the Council's overall exposure. The Authority has an excess of £268k on any particular claim and has a maximum exposure of £3.22m in any financial year. These arrangements are in place to minimise the Council's costs as opposed to covering all costs through external insurance. Contributions are made to the Fund by Services in lieu of insurance premiums for buildings and contents. The level of the Fund is reviewed against the known and potential level of liabilities for claims. Members have been informed in previous years that the Fund was insufficient and significant contributions would be required to ensure the Fund has resources to meet likely claims. Therefore, a budget of £1.8m has been agreed by Members for 2005/2006 and 2006/2007 increasing to £2.0m in future years to build up the fund to meet its liabilities. However, within the Joint Audit and Inspection Letter 2003/04 PWC has stated that under FRS 12 there is a requirement to provide for all liabilities as they are incurred and are recommending that Brent should provide for insurance claims based on the assessment of outstanding claims at the year end. This will require sufficient information being available at 31 March 2005

to achieve this and PWC are providing assistance to Brent's Insurance Section in facilitating the availability of suitable data.

The strains on the Fund have increased over a number of years. This is for a number of reasons:

(i) Fire Damage to Buildings

In the last few years a number of significant fire damage claims have had a major effect on the Insurance Fund though some have now been cleared there are still outstanding claims to settle on Alperton Sports Pavilion and the Welsh Harp with more recent claims for the Wembley Pavilion and the Scout Pavilion (Harlesden) maintaining the pressure on the Fund. The costs incurred to the Fund for these various claims are in the range of £80k - £250k.

(ii) Tree Roots

The Council operates a Tree Root Fund in order to cover structural damage to third party properties. The Tree Root Fund runs on a self insurance basis and there are no insurance policies limiting the Council's exposure. In recent years insurers have reassessed the way they undertake and deal with subsidence claims and these matters are now being fast tracked with the previous average of some three to four years in settling a claim being brought down to 18 months. This has had the effect of compressing later claims earlier into the normal cycle of settlement. Insurers have also been seeking an increasingly higher percentage contribution to damages from Local Authorities. This has led the Council to amend its tree maintenance policy and to let a new tree maintenance contract in April 2004. Further work is being carried out between the Insurance Section, Streetcare and the Loss Adjusters on improving the way claims are being dealt with to help reduce costs.

### 13.6 HRA Recharges and Rent Rebates

13.6.1 An annual exercise is undertaken, as part of the budget process, to allocate reasonable charges between the General Fund and the HRA in connection with the Management and Maintenance of its dwelling stock. These charges cover a number of areas:

- (i) Corporate Units
- (ii) Housing Resource Centre
- (iii) One Stop Shops
- (iv) Housing Service Units
- (v) Communal Areas on Estates e.g. Streetlighting and Roads

- 13.6.2 Any split is calculated on a number of differing factors which seek to reflect and measure a reasonable charge for activity in relation to the HRA. As the number of properties within the HRA has reduced (15,081 in March 1996 to an estimated 9,721 in March 2005), the charge to the HRA has fallen consistently over that period. The establishment of Brent Housing Partnership also has brought the issue sharply into focus as a number of services provided to it are linked to Service Level Agreements with direct charges for the work undertaken.
- 13.6.3 A major exercise was therefore undertaken in 2004/2005 to ensure that an appropriate split as made between the two accounts. This, Members agreed, would take place over a three year period and the figures shown reflect that decision. These have been reviewed and remain valid.
- 13.6.4 There is also another factor relating to charges between the General Fund and the HRA which began in 2004/2005. This is a major change in the accounting arrangements for the HRA. Rent Rebate expenditure, which is expenditure in respect of assistance given to Council tenants to meet their housing costs, are no longer chargeable to the HRA. Similarly the reimbursement of this expenditure through Housing Revenue Account Subsidy ceases to be credited to the HRA. Tenants will continue to receive their rent rebates as before, however the expenditure/subsidy will now be debited/credited to the Council's 'General Fund'. In broad terms this change should be neutral for local authorities although this is not the case for the effect between the HRA and the General Fund. There is a financial advantage to the HRA of this change and this has been recognised nationally by Government allowing local authorities discretion to make a transfer to the General Fund for a period of two years as compensation for the additional burden to the General Fund. Figures provided by the Local Authority Associations and accepted by the ODPM show that the Brent HRA will gain £600k from not meeting net Rent Rebate expenditure. Under the transitional scheme, the Government has agreed that £600k will be transferred to the General Fund from the HRA in 2004/2005 and £300k in 2005/2006. This will provide a staged method to fund the other changes to recharges within the parameters of the MFTS. A net £800k is included within this budget for 2005/2006.
- 13.7 Residual Community Development Costs
- 13.7.1 The functions of the Community Development Service Area were transferred to other Service Areas during 2002/2003. This budget covers the residual costs of closure which primarily relate to premature retirement compensation and the capital cost of early retirement.



### 13.8 Civic Facility

- 13.8.1 2 major reports have now been brought to the Executive on the proposals for a new Civic Centre. An initial feasibility study on 9<sup>th</sup> February 2004 for the possible construction of a multi-purpose centre made it clear that there was not “a *do nothing option*” given the condition of current municipal office accommodation. The second report to the December Executive provided a more detailed financial appraisal which gave independent verification by Deloitte that there was a strong value for money case for proceeding. The next stage is a detailed business case with a further report for the summer. The costs included here are an initial estimate based on revenue maintenance costs and the cost of debt charges associated with keeping the existing building by investing in them to bring them up to a reasonable standard. Also meeting increased rental and other charges if the scheme does not go ahead. This equates to the assumptions in the 30 year business plan. Costings and timings in future years are still very provisional but provide a prudent estimate of the possible requirement. The 2005/2006 budget also allows for the cost of professional advisors to support the more detailed feasibility work being undertaken prior to the next report to the Executive in the summer.

### 13.9 The Future of Wembley

- 13.9.1 The Council has published an ambitious Vision For Wembley, setting out an agenda for a once-in-a-lifetime regeneration opportunity for Brent. A £350k budget was established in 2003/2004 under the control of the Chief Executive specifically to support the delivery of this vision. This has been used to commission work and advice relating to land values, transportation, employment potential and environmental impact, as well as to support the assessment of the Quintain planning application to support Section 106 regulations. A budget of £350k has again been included for 2005/2006 the likely year of the opening of the Stadium.

### 13.10 Leasing Costs

- 13.10.1 As part of the 2000/2001 budget it was agreed that where appropriate and resources allowed the use of operating leases should be phased out. Items were purchased from the Capital Programme, which originally were to be leased and service areas are charged a notional rather than an actual rental. In subsequent years a mixed approach has been adopted and each proposal reviewed on the items involved and resources available. This remains the procedure utilising the Prudential Regime (see Section 11). This budget is the estimate of the revenue resulting from the internal leasing costs. This amounts to £420k in 2005/2006 with a decline in future years.

13.11 Criminal Records Bureau

13.11.1 This is the cost of police checks and the improved administrative system resulting from the recommendation within the Bichard enquiry. This is a cross council requirement which will cost £50k although the overall system will be administered by Education, Arts and Libraries.