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 4 on Brent's 2013/14 budget proposals.

2. DETAIL

2.1 The table to this Appendix summarises the budgetary implications for the council for 2013/14 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

3.1 Agency and third party budgets are set out below. These are generally payments over which the Council has limited control in the short term.

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 the administration, and charges the other boroughs on a population basis. Brent's final outturn for 2011/12 was £226k. The estimated figure for 2012/13 is in line with the budget of £235k.

3.2.2 The 2013/14 budget is not yet available and is not expected before the Brent budget is set. We are expecting the budget to rise partly from the effect of revised population figures following the 2011 Census and therefore estimate a budget of £238k.

3.3 LOCAL AUTHORITY ASSOCIATIONS

3.3.1 The council is a member of the Local Government Association (LGA) and London Councils. 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. London Councils concentrate on issues affecting London boroughs.

3.3.2 Brent's 2013/14 subscription paid to The Local Government Association has been set at £43k for 2013/14. This is a reduction of £1k from the 2012/13 subscription of £44k.

3.3.3 The London Councils' subscription covers a number of cross London bodies. The 2013/14 subscription will be levied as follows:

	2013/14 £'000
London Councils :	
Core	165
London Government Employers	4
Total Main Subscription	169
Young Peoples Education & Skills Board	3
Total	**172**

The core contribution for 2013/14 has reduced by 2.3% from £176k in 2012/13 to £172k. This is a reduction of £4k from 2012/13. The Central budget for the subscription is £172k inclusive of £4k for Local Government employers charge. The costs of the Young Peoples Education & Skills Board will be met by Children and Families directly. In addition to the above other service areas receive charges principally the London Councils grants scheme charge of £342k which is met by Strategy, Partnerships and Improvement.

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 150 councils. For 2013/14 Brent's subscription will remain unchanged at £26k.

3.5 West London Alliance

3.5.1 The West London Alliance is a cross-party partnership between a number of West London local authorities, which aims to provide a collaborative service and a clear single voice by lobbying on behalf of the area's residents, service providers and business communities. The subscription for 2013/14 will total £30k.

3.6 Copyright Licensing

3.6.1 The Copyright Licensing Agency licenses public and private bodies to photocopy and scan material from books, journals and periodicals. The actual spend in 2012/13 was £20k and we expect the charge for the 2013/14 subscription to remain unchanged at £20k.

3.7 External Audit

3.7.1 The Department for Communities and Local Government (DCLG) announced in August 2010 of the intention to disband the Audit Commission. In July 2011 the Audit Commission announced that it had agreed to transfer the work of its in-house audit practice to the private sector, by outsourcing through a procurement exercise. As a result of the procurement process KPMG became auditors to all North London authorities from 1st Sept 2012 for a period of 5 years. After that time, authorities will be expected to tender for their own services. The Commission is expected to reduce significantly in size by the end of 2012/13 as a consequence of the outsourcing but will remain to oversee the contracts and make auditor appointments prior to the introduction of a new audit framework.

3.7.2 This budget relates to the work undertaken by KPMG in relation to the statutory audit of the Council's financial statements and grant claims. For 2012/13 the budget for external audit fees was £474k and this is expected to reduce to £380k in 2013/14 reflecting the efficiencies gained from the tender process.

3.8 CORPORATE INSURANCE POLICIES

3.8.1 This budget encompasses the policies for public liability, fidelity guarantees, employer's liability, officials' indemnity, personal accident, engineering and terrorist insurance not linked directly to specific properties. It also includes claims handling. Premiums for premises, contents and vehicles policies are charged to units and service areas. The central contribution to the cost of council-wide policies will be £380k for 2013/14 compared to £360k for 2012/13. This figure excludes the much larger contribution to the self-insurance fund (Paragraph 9 of this section)

4 CAPITAL FINANCING CHARGES AND INTEREST RECEIPTS

4.1 These budgets are a direct result of borrowing to finance capital programme expenditure and are strongly influenced by external factors linked to the economy and the movement of interest rates. Members will be aware of significant changes in recent years and should also reference the Treasury Management Strategy included in Section 10 of the main report. They also reflect the overall level of the capital programme (see Section 9). The two budgets reviewed in this section are:

(a) Interest receipts which the council estimates it will receive from positive cash flow and holding reserves during 2013/14.

(b) Capital Financing Charges, which are the principal repayments and interest on the council's borrowing.

4.2 In the recent past the council has underspent on this budget. This reflected successful debt restructuring exercises, new borrowing at lower than anticipated interest rates, higher than estimated interest receipts and improved cash flow. The current low level of interest rates continues to support the budget, but the capital programme will increase the budget in future years.

4.3 The council is estimated to have in excess of £430m of long-term debt outstanding at 31st March 2013. The average interest rate on existing loans, following debt restructuring, is around 4.7%. Opportunities for debt restructuring remain limited as the current Public Works Loan Board arrangements mean that relatively expensive historic debt held by the Council cannot be repaid early without incurring significant premia. This is reviewed on a regular basis. Investments are estimated to average £60m during 2013/14, with an estimated average return of 0.5%, reflecting very low rates on new deposits. Interest on investments is shared between the General Fund and other interest bearing accounts. The budget assumes long term borrowing will be at 4.5% although some borrowing may be taken at lower variable rates.

4.4 The net budget for 2013/14 for interest receipts and capital financing charges is £25.107m inclusive of civic centre costs (2012/13 £25.563m). It is forecast that interest earned on deposits in 2012/13 will amount to £260k and the estimate for 2013/14 is £200k. It is not expected that Interest rates will rise during 2013 but this is dependent on the state of the national economy and international markets in 2013/14. The position in future years will be considered as part of the Medium Term Financial Strategy.

5. LEVYING BODIES

5.1 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.

5.2 Levies estimated to be paid in 2013/14 are shown below.

	2012/13 Actual £'000	**2013/14 Estimate £'000**
Lee Valley Regional Park	282	277
London Pension Fund Authority	333	333
Environment Agency	192	202
West London Waste Authority – Fixed Cost Element	1,713	2,634
	2,520	**3,446**

5.3 A council tax base for 2013/14 of 77,191 was agreed by General Purposes Committee on 22 January 2013 (this reflects the changes in council tax support implemented as part of the 2012 Local Government Finance Act). All the levies are calculated on each authority's relative tax base. This means that changes in levies paid by Brent may not be exactly the same as increases or decreases in the budgets of the levying bodies.

5.4 Lee Valley Regional Park Authority (LVRPA)

LVRPA is funded by a levy on all London Boroughs, Essex and Hertfordshire County Councils and Thurrock Unitary Authority. Its 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."* The LVRPA are currently expected to reduce their levy by 2% to £277k from £282k in 2012/13.

5.5 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 (GLC). It is split between all London Boroughs but Inner London Boroughs bear significantly higher charges.

The main LPFA levy for outer London boroughs was broadly unchanged in 2012/13 and is expected to remain unchanged in 2013/14.

5.6 Environment Agency

For 2013/14 most flood defence expenditure will again be funded directly by the Department for Food and Rural Affairs (Defra). As in previous years, a small element remains payable relating to regional schemes, many of them to improve flood defences. The Environment Agency is proposing increasing their levy by 5% which would increase our contribution from £192k in 2012/13 to £202k in 2013/14.

5.7 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.

5.8 The charges from the WLWA are split into two parts - a fixed element and a variable element. The fixed charge is apportioned according to each constituent authority's council tax bases before the start of the financial year and is included in the central levy costs. The variable element was called Pay As You Throw (PAYT) and was charged according to the tonnages delivered to WLWA. Charges varied depending on the type of waste sent for disposal such as landfill or organic waste and these costs are now paid for by Environment & Neighbourhood Services.

5.9 For 2013/14 the fixed charge will increase to £2.634m from £1.713m in 2012/13. This increase in charges is due to errors by the WLWA in their budget preparation for 2012/13 and unexpected overspends in their 2011/12 accounts which led to them having to issue a supplementary levy of £3.6m over the 6 boroughs during 2012/13. These increases are now built into the 2013/14 base which accounts in part for the significant increase in the levy.

6. PREMATURE RETIREMENT COMPENSATION (PRC)

6.1 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 31st March 1994. The amount paid to pensioners is uplifted by the Consumer Price Index (CPI) inflation rate applicable in the previous September (2.2%). It is now estimated that a provision of £5.224m will be required in 2013/14 taking into consideration a reduction in the number of pensioners.

7. REMUNERATION STRATEGY

7.1 The council has faced a range of significant challenges in its approach to remuneration for its staff. These included resolving a range of contractual and 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 the required skilled staff.

7.2 Given the one off nature of the charges against this budget it is now planned to meet any future commitments from the Authority's remuneration reserve and to delete this budget of £229k.

8. SOUTH KILBURN DEVELOPMENT

8.1 Work on the regeneration of South Kilburn is progressing well. To date 229 new homes have been completed as part of 'Phase 1a' *(defined as Texaco Garage Site, Macdonald House, Marshall House Albert Road Zone 11a and the Carlton Vale Roundabout Site Zone 3C)* of the South Kilburn Regeneration Programme. 181 of these new homes are affordable and have been occupied by South Kilburn households.

8.2 A further 131 new homes will be completed at the Carlton Vale Roundabout Site Zone 3C in February 2013. This will mark the completion of Phase 1a. During February and March 2013 75 South Kilburn households, mainly from Bronte House and Fielding House, will move into the new affordable homes, thereby facilitating vacant possession of Bronte House and Fielding House for redevelopment.

8.3 In July 2012 Catalyst Housing Group started work on three sites comprising Phase 1b to build and manage 208 new homes. These developments are due for completion in summer 2014. Once complete, 107 new homes will be made available to existing South Kilburn households.

8.4 The Council has also secured planning permission for 480 new homes as part of Phase 2. A mini competition procurement process is currently underway to appoint a South Kilburn framework partner to build and manage 229 new homes on the Bronte House and Fielding House site. Officers hope to secure Executive approval for award of contract in spring 2013. The demolition of Bronte House and Fielding House will commence thereafter. This will be a landmark achievement, removing two of the worst tower blocks in the area which have blighted the landscape for over 30 years.

8.5 An OJEU procurement process is also underway to dispose of Site 11b (which comprises of the former British Legion and Albert Road Day Care Centre) to a developer partner to build 144 new homes of which 28 will be affordable and made available to existing South Kilburn households.

8.6 The capital receipt from the disposal of both Site 11b and Bronte House and Fielding House will be recycled back into the delivery of future phases of to ensure the momentum of the programme is maintained. In particular the capital receipt from the disposal of Site 11b will provide a cash injection into the programme enabling works to commence on some of the more challenging and difficult sites.

8.7 Design and planning work will shortly commence on the remaining Phase 2 sites comprising Peel Precinct, Gloucester, Durham, Masefield and Wordsworth House. It is intended the redevelopment of Peel Precinct will include the provision of a new Health Living Centre.

8.8 Projected revenue spending in 2012/13 will be in the region of £900k. This has been used to fund work on the decanting of residents, legal costs, independent advice for residents and other consultant fees. Provision of £900k has been made in the budget for 2013/14 to meet costs associated with decant costs, negotiations with the preferred development partners, legal costs, specialist consultant advice and ongoing independent advice for residents.

9. INSURANCE FUND

9.1 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 has insurance policies to limit the council's overall exposure to large scale catastrophic events. The authority has an excess of £309k on any particular claim and has a maximum exposure of £3.5m in any financial year. These arrangements are in place to minimise the council's costs as opposed to covering all costs through external insurance. Service areas are charged insurance premiums for buildings, contents and vehicles. 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 amount in the Fund needed to be reviewed closely and significant ongoing contributions would be required to ensure the Fund has resources to meet current and future claims.

9.2 The main strains on the Fund are as follows:

(i) Damage to Buildings

Building losses have averaged around £50k per annum for the last 4 years.

(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 though the Council has a stop loss cover of £3.5m to limit our 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 closer to 12 months. The Ministry of justice have been reviewing the claims process and Brent will be looking to adopt any measures recommended with a view to improving claims handling procedures. Insurers have also been seeking 100% of the damages from local authorities. The council has adopted an amended tree maintenance policy and work continues between the Insurance Section, Environment and Neighbourhoods and the Loss Adjusters on improving the way claims are being dealt with to help reduce costs.

(iii) Third Party Claims

The vast majority of third party claims relate to accidents by members of the public on the pavements and highways. Although there has been a downward trend in recent years however, the poor weather and increased number of potholes in recent winters has seen the number of claims rise, though we still compare well with other London boroughs.

9.3 The number of claims still remains relatively high. There is also an increase in the average cost of a claim for both tree roots and third party claims which means there is still significant pressures on the fund. Over a number of years through central contributions it has been possible to improve the position of the fund such it is now possible to recommend a budget of £1.5m for 2013/14 and future years a reduction of £300k from 2012/13.

10. FREEDOM PASS SCHEME GROWTH

10.1 The Freedom Pass Scheme provides free off peak travel for all people in London aged 60 or over. People with disabilities are funded for 24-hour travel on almost all tube and bus services and off peak on National Rail and independently operated bus services in Greater London. From April 2008, the government introduced free off peak bus travel for all people aged 60 or over and people with disabilities to use anywhere in the UK and provided central funding to meet the additional cost of free off peak travel for non-residents.

10.2 For 2013/14 the cost of concessionary fares increased to £15.344m from £14.771m an increase of £573k. Overall, the costs of concessionary fares have increased by 4.8% for London Councils and 3.9% for Brent. The largest element in the increase relates to TfL fares where the Mayor announced on 7 November an increase of 4.2% across London's transport network which is 1% above RPI (July 2012).

10.3 For 2014/15 a decision needs to be reached on the incorporation of London Overground and National Rail usage figures into concessionary fares. Since 2009/10 usage data has been used to apportion part of the costs of the concessionary fares. An arbitration agreement was reached in 2008 which initially phased in the use of oyster card data instead of passes issued to apportion the costs of tube and bus travel in the proportion 40% 2009/10, 70% 2010/11 and 100% 2011/12. A requirement of the arbitration is that once two year's worth of usage data is available then it has to be used as part of the apportionment process. Next year this will be the case for London Overground and National Rail. If these changes were introduced at one go in 2014/15 it would see £7.2m of distributional changes with 20 boroughs gaining from these changes and 13 losing out. Brent would gain £382k. If a similar phasing were adopted as previously then Brent would only gain £152k in 2014/15 and £267k in 2015/16. The Leaders' committee at London Councils has agreed to appoint an arbitrator to resolve this issue.

10.4 For future years the assumption for the budget is that a phased option will be agreed, fares will increase by 4% and that there will be 1.5% increase in the volume of journeys as more people qualify for concessionary fares. In addition due to the volatility of transport costs an additional contingency of £500k has been built into the forecast for 2014/15. For 2013/14 the increase in concessionary has been included within Adult Social Services budget.

11. PRIVATE FINANCE INITIATIVES - PFI

11.1 This section now includes details of the Affordable Housing and the Willesden Sports Centre PFIs.

11.2 Funding for the Affordable Housing PFI was agreed in the 2007/08 budget. This involved a transfer from capital financing charges for unsupported borrowing – which had previously been used to fund the council's contribution to funding of affordable housing schemes - to fund the PFI. The budget increased gradually to 2011/12 as properties were delivered and then by 2.5% thereafter. Dwellings are owned by Hyde Housing and are non-HRA. Rent collection is largely a Hyde risk.

11.3 The PFI is governed by the single project agreement which reached financial close on 6th July 2010. This comprised the construction of 384 dwellings in total of which 20 are supported living units split between a 15 bed and a 5 bed development. The completed scheme will also contain a further 15 supported living units in the later developments. All of the 384 dwellings have been successfully handed over as programmed. The PFI contractor BCE also provides full housing management and maintenance services for the dwellings.

11.4 The risk relating to the Council's ability to support the modelled rents as a result of the introduction of housing benefit changes in April 2013 are potentially very serious. We have worked closely with the Council's PFI partners BCE and have had the figures checked and modelled by BDO. This process is on-going and the PFI, Housing Benefit and Welfare Reform Team are working closely to consider impacts at an individual household level and how problems may be avoided. In April 2013, 85 units will convert from temporary to permanent tenancies with rents reducing to current LHA cap levels. There is some flexibility in size of dwellings to be converted and there is an opportunity to take advantage of the rent differentials between North and South of the Borough, which means that the potential negative effects of the benefit caps may be reduced. Other mitigation measures may also have to be introduced and there remains a significant risk from proposed changes to benefit levels, universal credit arrangements and the direct payment to tenants.

11.5 The Council will contribute £1,317k to this scheme in 2013/14, and this includes an increase of £29k when compared to 2012/13 to reflect the Council's agreed contribution to the scheme. The contribution for 2013/14 is included in the Regeneration and Major Projects budget.

11.6 Willesden Sports Centre was opened in November 2006 as part of a Private Finance Initiative (PFI). The PFI enabled the council to procure private sector partners to design, build and manage the new sports centre and therefore enable the Council to obtain PFI credits in the form of government grants. The contract between the London Borough of Brent and Willesden Community Sports Ltd spans 25 years and has a total value in excess of £50 million. The Council will contribute £76k to this scheme in 2013/14 and inflationary increases in future years.

12. COUNCIL ELECTIONS

12.1 This is a budget to cover the costs of the 2014 local elections; a budget of £100k will be provided for each year and rolled up into a reserve which can be used to pay for the elections. It will also cover any costs of by-elections up to the time of the next local elections.

13. CARBON TAX

13.1 The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a mandatory UK-wide scheme that is designed to incentivise large public and private sector organisations to take up cost-effective energy efficiency opportunities through the application of reputational and financial drivers. Organisations will be required to purchase credits to cover CO_2 emissions for any given year. Monies are to be retained by the government to support public finances and environmental initiatives. For 2012/13 a budget of £576k was agreed for carbon tax based on 36k tonnes at £16 per tonne with approximately 47% of these costs being met by schools leaving a net budget of £304k. However, the charge for 2011/12 which is calculated in arrears was lower than anticipated at £279k of which £212k was met by schools. In addition the expected £4k increase in the price per tonne budgeted for future years will not apply until 2014/15 and 2015/16 after which it will rise by inflation. Therefore, forecasts for 2012/13 and future years have been amended accordingly with estimate for 2013/14 being set at £279k with the general fund element of £67k.

14. REDUNDANCY COSTS

14.1 As part of the Authority's One Council Programme a number initiatives have been in place to rationalise and improve the Council's services and meet savings required by central government. From the end of 2009/10 and through 2010/11 and 2011/12 the Council undertook reviews of staffing and structures with a view to reducing the number of management posts, increasing managerial spans of control and improving the ratios of front line to support staff. This led to the deletion of vacant posts, reductions in the number of agency staff, a voluntary redundancy scheme and some compulsory redundancies. This process of rationalising council structures has continued during 2012/13 and will continue into 2013/14 and the Council needs to make provision for any redundancy and severance costs in the year as well as providing for the additional costs to the pension fund of any staff who have been made redundant and taken early retirement, these costs are usually spread over three years. For 2013/14 the Council has provided £2.611 to cover these costs, a reduction of £1.743m reflecting the completion of the One Council staffing and structure programme and the falling out of some of the redundancy costs that were spread over three years.