

## **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.

### **2. DETAIL**

- 2.1 The table to this Appendix summarises the budgetary implications for the council for 2015/16 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 forecast outturn for 2014/15 is £228k which is lower than the budget of £243k.

- 3.2.2 The 2015/16 budget is not yet available and is not expected before the Brent budget is set. We are expecting the budget to rise by £5k to £233k from the current forecast.

#### **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 2015/16 subscription paid to The Local Government Association has been set at £43k for 2015/16. This is unchanged from the 2014/15 subscription.

- 3.3.3 The London Councils' subscription covers a number of cross London bodies. The 2014/15 joint committee subscription will be levied as follows:

	<b>2015/16</b>
	<b>£'000</b>
London Councils :	
Core	158
London Government Employers	4
Total Main Subscription	<u>162</u>
Young Peoples Education & Skills Board	<u>5</u>
<b>Total</b>	<b><u>167</u></b>

The core contribution of £167k for 2015/16 has reduced by 2.9% from the 2014/15 contribution of £172k. However, in 2014/15 in recognition of the financial climate faced by boroughs, the Leaders' Committee approved a one-off payment of £10,000 per borough from accumulated Joint Committee reserves thus reducing the payment to £162k. In addition to the above other service areas receive charges principally the London Councils grants scheme charge of £339k.

### **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 2015/16 Brent's subscription is expected to remain unchanged at £26k.

### **3.5 WEST LONDON ALLIANCE**

3.5.1 The West London Alliance is a 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 2015/16 will total £36k.

### **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 2014/15 was £17k and will continue to budget for £20k in 2015/16.

### **3.7 EXTERNAL AUDIT**

3.7.1 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 2014/15 the budget for external audit fees was £380k and this is planned to remain unchanged in 2015/16.

## 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 Appendix K. They also reflect the overall level of the capital programme (see Section 10). 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 2015/16.
- (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 £424m of long-term debt outstanding at 31 March 2015 at an average interest rate of around 4.68%. Investments are estimated to average £180m during 2015/16, with an estimated average return of 0.75%, 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 3.0% rising to 5% in later years, although some borrowing may be taken at lower variable rates.

4.4 The net budget for 2015/16 for interest receipts and capital financing charges is £26.222m. It is forecast that interest earned on deposits in 2014/15 will amount to £632k and the estimate for 2015/16 is £1.354m. It is not expected that interest rates will rise during 2015 but this is dependent on the state of the national economy and international markets in 2015/16.

## 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 2015/16 are shown below.

	<b>2014/15 Actual £'000</b>	<b>2015/16 Estimate £'000</b>
Lee Valley Regional Park	249	249
London Pension Fund Authority	310	314

Environment Agency	183	190
West London Waste Authority – Fixed Cost Element	1,862	1,786
Contingency	113	52
	<b>2,717</b>	<b>2,591</b>
	<b>2,717</b>	<b>2,591</b>

5.3 A council tax base for 2015/16 of 82,799 was agreed by General Purposes Committee on 6 January 2015. 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. The reduction in the West London Waste Authority for 2015/16 levy partly reflects reductions in the overall costs but also changes in the charging mechanism where costs have transferred between the fixed cost and the pay as you throw (PAYT) elements.

#### 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 has not yet announced any change in its levy for 2015/16 and current estimates remain unchanged from 2014/15 at £249k.

#### 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 LPFA has announced that its levy for 2015/16 and it will be £314k a small increase from 2014/15 due to changes in Brent's tax base.

#### 5.6 Environment Agency

For 2015/16 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 has announced its levy for 2015/16 and Brent's levy will rise by £7k to £190k.

#### 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 is called Pay As You Throw (PAYT) and is charged according to the tonnages delivered to WLWA. Charges vary depending on the type of waste sent for disposal such as landfill or organic waste and these costs are paid for by Environment & Neighbourhoods.
- 5.9 2014-15 was the first full year of the West London Residual Services Contract which is to provide interim landfill services pending the construction of the Energy for Waste Plant in South Gloucestershire. From 2015/16 the financing costs of this scheme will be removed from the fixed cost levy and consequently the agreed charge for Brent will fall by £76k from £1.862m to £1.786m.
- 5.10 At present there is a £52k contingency within the Levies Budget to fund any variation in charges that arise during 2015/16.

## **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 31<sup>st</sup> March 1994. The amount paid to pensioners is uplifted by the Consumer Price Index (CPI) inflation rate applicable in the previous September (2.3%). It is now estimated that a provision of £5.488m will be required in 2015/16, an increase of £123k.

## **7. SOUTH KILBURN DEVELOPMENT**

- 7.1 Work on the regeneration of South Kilburn is progressing well. To date 362 new homes have been completed as part of 'Phase 1a' (defined as Texaco Garage Site, McDonald House, Marshall House Albert Road Zone 11a and the Carlton Vale Roundabout Site Zone 3C) of the South Kilburn Regeneration Programme. 256 of these new homes are affordable (social rent) and have been occupied by South Kilburn secure tenants.
- 7.2 On 13th February 2012 the Executive authorised the disposal of the land at Cambridge Court, Wells Court and Ely Court and Bond Hicks Bolton and Wood House (together defined as 'Phase 1b') to Catalyst Housing Group. On 13th July 2012 the Phase 1b sites were handed over to Catalyst Housing Ltd (formerly Catalyst Housing Group) and a capital land receipt was obtained. Construction works are now almost complete, delivering 208 new homes by spring 2015, 122 of these new homes will be affordable (social rent). The affordable homes are being made available to secure tenants currently residing in Gloucester House, Durham Court, Masefield House and Wordsworth House (together defined as 'Phase 2b'), thereby facilitating vacant possession of these sites for redevelopment. As of December 2014, 33 secure tenants had moved into their new homes.

- 7.3 On 22nd April 2013 the Executive authorised the Strategic Director of Regeneration & Growth [formerly the Director of Regeneration & Major Projects] to enter into development agreements in respect of land at Bronte House and Fielding House (together defined as 'Phase 2a') and British Legion and Albert Road Day Care Centre (together defined as 'Site 11b') with preferred developer partners.
- 7.4 In December 2013 the Bronte House and Fielding House redevelopment site was handed over to Network Housing Association Ltd for development. Network Housing Association Ltd will comprehensively redevelop Bronte House and Fielding House to deliver 229 new homes of which 103 will be affordable (social rent) and made available to existing South Kilburn secure tenants living in homes due for demolition. The new homes will be completed by November 2016.
- 7.5 In December 2013 Site 11b was handed over to Bouygues (UK) Limited to redevelop the site to deliver a new mixed used development comprising 144 new homes (28 of which will be affordable (social rent)) and 480m<sup>2</sup> of commercial floor space by November 2016.
- 7.6 The capital receipts from the disposal of both Site 11b and Bronte House and Fielding House are being 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.
- 7.7 Detailed planning permission has been obtained for the redevelopment of Gloucester House and Durham Court (being part of 'Phase 2b') which will deliver 236 new homes (134 private sale and 102 affordable (social rent)), an energy centre for the South Kilburn Neighbourhood Decentralised Heating System, a basement car-park, associated landscaping and general amenity space and provision of replacement public play space.
- 7.8 Officers are also currently in the process of procuring an architecturally-led design team for the comprehensive redevelopment of Peel Precinct, 97 to 112 Carlton House and 8 to 14 Neville Close (together defined as 'Peel') to deliver a new health centre for South Kilburn as part of a high quality mixed use development with approximately 235 residential dwellings. It is envisaged that a hybrid planning application for comprehensive redevelopment of Peel will be submitted towards the end of 2015. A Health Care Provider will also be procured to manage, operate and maintain the South Kilburn Health Centre. A review of the South Kilburn Spatial Planning Document (SPD) will also be undertaken in 2015. On 19 December 2014 the Council entered into a collaboration agreement with Woodville Properties Limited, the landowner of 5 to 9 Chippenham Gardens, which includes Kilburn Park Post Office, to bring forward the comprehensive redevelopment of 5 to 9 Chippenham Gardens with the Council's adjoining land at 4 to 26 Stuart Road (together defined as the 'Post Office Plus Site'). Design work to deliver a high quality mixed use

residential led development will commence shortly with a planning application submitted towards the end of 2015.

- 7.9 Projected revenue spending in 2014/15 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. A saving of £200k has been identified against this budget for 2015/16.

## **8. INSURANCE FUND**

- 8.1 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 on-going contributions would be required to ensure the Fund has resources to meet current and future claims.

- 8.2 The main strains on the Fund are as follows:

(i) 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. Insurers have also been seeking 100% of the damages from local authorities and costs have risen as insurers now instruct solicitors to handle claims that were previously dealt with by loss adjusters. This has all meant that there has been a steady upward pressure on settlement costs for subsidence claims and the council has adopted an amended tree maintenance policy to combat this. Work continues between the Insurance Section, Community Services, and the Loss Adjusters on improving the way claims are being dealt with to help reduce costs.

(ii) Third Party Claims

The vast majority of third party claims relate to accidents by members of the public. Although there has been a downward trend in claims numbers in recent years, settlement costs per claim have risen to such a level that it effectively wipes out any savings made by lower numbers

of claims. It is hoped that the implementation of the Ministry of Justice's Claims Portal will start to reduce claim costs and the council has now outsourced its highways operations under the LoHAC Framework so more liabilities should transfer to the supplier.

- 8.3 The overall cost of insurance will reduce by £200k in 2015/16 to reflect better renewal terms and optimisation of excesses.

## **9. FREEDOM PASS SCHEME GROWTH**

- 9.1 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.

- 9.2 For 2015/16 the cost of concessionary fares increased to £16.091m from £15.902m an increase of £189k. Overall, the costs of concessionary fares have increased by 2.1% for London Councils and 1.2% for Brent. The largest element in the increase relates to TfL fares where the Mayor announced on 11 November an overall increase of 2.5%.

- 9.3 For future years the assumption for the budget is that fares will increase by 2.5% and that there will be 2.5% increase in the volume of journeys as more people qualify for concessionary fares. For 2015/16 the increase in concessionary has been included within the Adults budget.

## **10. PRIVATE FINANCE INITIATIVES - PFI**

- 10.1 This section includes details of the Affordable Housing PFI.

- 10.2 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 has largely been a Hyde risk.

- 10.3 The PFI is governed by the single project agreement which reached financial close on 6<sup>th</sup> 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. All of the 384 dwellings were successfully handed over as programmed. The PFI contractor BCE also provides full housing management and maintenance services for the dwellings.

- 10.4 As a result of housing benefit changes a deficit is projected to arise over the remainder of the contract. In order to reduce this deficit a number of revisions



have been negotiated to the Project Agreement and these were approved by Cabinet in November 2014 and a revised contract is expected to be in place by February 2015. These revisions provide for the Council to use the PFI units more flexibly including by letting units at intermediate rents and also defer the obligation to convert a number of the units to social housing. While these measures will reduce the deficit modelling indicates that they will not eliminate it. The deficit projected for 2015/16 is projected as £455,000 and this will be met from a rent surplus/rebate from the project. In future years it is envisaged that the deficit will be met from earmarked reserves for temporary accommodation.

- 10.5 The Council will contribute £1,383k to this scheme in 2015/16, and this includes an increase of £35k when compared to 2014/15 to reflect the Council's agreed contribution to the scheme. The contribution for 2015/16 is included in Regeneration and Growth's budget. In addition it is estimated that £455,000 shortfall in rents against the contractual base revenue payments required will be met from a contingency to be paid to the council from the project's rent pool.

## **11. COUNCIL ELECTIONS**

- 11.1 This is a budget to cover the costs of the 2018 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.

## **12. CARBON TAX**

- 12.1 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<sub>2</sub> emissions for any given year. Monies are to be retained by the government to support public finances and environmental initiatives. Phase 1 of the CRC scheme ended in March 2014 and a second phase will run from April 2014 for 5 years until 2018/19 with a review by government in 2016.
- 12.2 For 2014/15 the authority budgeted for a CRC payment of £240k. In the run up to 2014/15 the government announced that there would be a discounted rate for 2014/15 of £15.60 for purchasing allowances in advance against a non-discounted rate of £16.40 for paying for the allowances in September 2015. Brent took advantage of purchasing allowances in advance for both 2014/15 and part of 2015/16. The government has recently announced discounted and non discounted rates for 2015/16 of £16.10 and £16.90 per tonne respectively an increase of 3%. The authority is currently assessing its options for purchasing allowances for 2015/16 and future years. For 2015/16 we are budgeting for a CRC payment of £248k.

## **13. REDUNDANCY COSTS**

- 13.1 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. This process of rationalising council structures will continue during 2015/16. The Council therefore needs to make provision for any redundancy and severance costs. By using the redundancy and restructuring reserve to meet the one off costs of restructures in previous in full it is possible to maintain the redundancy budget at 1.054m for 2015/16 unchanged from 2014/15.

**14. PENSIONS FUND RECHARGES**

- 14.1 This income budget of £880k covers the charges made by the general fund to the Pension Fund in respect of administrative expenses from Finance, Human Resources and Democratic Services. These were formerly credited directly to service areas and were centralised during 2014/15 to simplify and streamline the process.

**15. TRANSFORMATION ENABLING FUND**

- 15.1 The budget for the Transformation Enabling Fund provides monies to support the Programme Management Office in helping service areas achieve the delivery of savings and cost avoidance measures set out in the One Council Programme. The budget for 2015/16 is unchanged at £1,390k.