

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 2016/17 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 2015/16 is £225k which is lower than the budget of £233k.

- 3.2.2 The 2016/17 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 £230k 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 2016/17 subscription paid to The Local Government Association has been set at £43k. This is unchanged from the 2015/16 subscription.

- 3.3.3 The London Councils' subscription covers a number of cross London bodies. The 2016/17 joint committee subscription will be levied as follows:

	2016/17
	£'000
London Councils :	
Core	153
London Government Employers	4
Total Main Subscription	<u>157</u>
Young Peoples Education & Skills Board	<u>5</u>
Total	<u>162</u>

The core contribution of £162k for 2016/17 has reduced by 3.3% from the 2015/16 contribution of £167k. In addition the Leaders' Committee approved one-off payments of £25,000 per borough from accumulated Joint Committee reserves and £10,000 per borough from accumulated Transport and Environment Committee reserves thus reducing the payment to £127k. No increases in the core contribution are forecast for future years. In addition to the above other departments receive charges principally the London Councils grants scheme charge of £320k. This is inclusive of a one-off payment from reserves of £18k

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 around 200 councils. For 2016/17 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 2016/17 is expected to be £38k.

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 2015/16 was £17k and it is proposed to continue to budget for £20k in 2016/17.

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 2015/16 the budget for external audit fees was £380k. However, following the disbandment of the Audit Commission and the continued savings from the tendering of the audit service this budget has been reduced by £130k to £250k.

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 L. They also reflect the overall level of the capital programme (see Section 14). 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 2016/17.
- (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 £420m of long-term debt outstanding at 30 November 2015 at an average interest rate of around 4.75%. Investments are estimated to average £187m during 2016/17, 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 3.0% rising to 5% in later years, although some borrowing may be taken at lower variable rates.

4.4 The net budget for 2016/17 for interest receipts and capital financing charges is £25.966m. It is forecast that interest earned on deposits in 2015/16 will amount to £2.270m and the estimate for 2016/17 is £2.354m, this now includes interest received from the loan to the West London Waste Authority. It is expected that interest rates will rise during 2016 but the timing is dependent on the state of the national economy and international markets in 2016/17.

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 2016/17 are shown below.

	2015/16 Actual £'000	2016/17 Estimate £'000
Lee Valley Regional Park	249	249
London Pension Fund Authority	314	314
Environment Agency	190	203
West London Waste Authority – Fixed Cost Element	1,786	1,695
Contingency	52	273
	2,591	2,734

5.3 A council tax base for 2016/17 of 89,254 was agreed by General Purposes Committee on 25 January 2016. 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 2016/17 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 2016/17 and current estimates remain unchanged from 2015/16 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 not announced its levy for 2016/17 and it is currently assumed that it will be unchanged from 2015/16 figure of £314k though it is expected that there will be a small increase from 2016/17 due to changes in Brent's tax base.

5.6 Environment Agency

For 2016/17 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 now finalised its levy for 2016/17 with an average 1.99% increase and Brent's levy will rise by £13k to £203k reflecting the impact of Brent's rising tax base.

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 Regeneration & Environment.

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. For 2016/17 the costs of the WLWA are expected to fall by £4.2m though the PAYT element of £3.3m is a one off saving, the fixed levy element of this saving is £0.9m. This reduction in the fixed levy is spread across the six participating authorities. Consequently the Brent levy will fall in 2016/17 from its current level of £1.786m to £1.695m.

5.10 We are awaiting final figures for the LPFA and the Lee Valley Regional Park. At this stage in the budgeting process we do not plan to change the overall planned budget for 2016/17 of £2.734m and instead a contingency will be held to fund any variation in charges that may arise during 2016/17 and future years.

6. PREMATURE RETIREMENT COMPENSATION (PRC) AND PENSION CONTRIBUTIONS

- 6.1 There are three elements to this. The main element 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 usually uplifted by the Consumer Price Index (CPI) inflation rate applicable in the previous September (-0.1%). As the inflation percentage was negative the Government may agree a discretionary increase for 2016/17 though we are still awaiting confirmation. It is now estimated that a provision of £4.950m will be required in 2016/17 reflecting both a small increase in inflation and the reducing numbers of pensioners to which this applies.
- 6.2 The second element relates to the residual costs of Middlesex County Council pension scheme which pre-dated the Brent Council Scheme. Brent has budgeted for these costs as part of the overall PRC costs and this is now been separated out for clarity. However, Brent has not been charged by the LPFA for the costs relating to this scheme since the last members of the scheme retired. Changes in regulations and a forthcoming actuarial review mean LPFA will be able to charge Brent and there remains a high degree of uncertainty about these residual costs in future. For 2016/17 a budget of £675k has been provided.
- 6.3 The third element of £1.662m covers the annual contribution to Brent's pension scheme following the actuarial review for 2014/15 to 2016/17. This is likely to increase with the next actuarial review from 2017/18.

7. SOUTH KILBURN DEVELOPMENT

- 7.1 This covers a number of regeneration projects in South Kilburn. The budget is identified for work on the decanting of residents, legal costs, independent advice for residents and other consultant fees. The budget for 2016/17 remains unchanged at £700k.

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 £311k 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 was reduced by £200k in 2015/16 to reflect better renewal terms and optimisation of excesses. This will be maintained in 2016/17. A retendering exercise will be carried out for procuring insurance cover from October 2016, and it is hoped that some slight further savings can be achieved as a result of this. However most of the achievable savings have been already been realised. The budget for 2016/17 will remain unchanged at £2.403m.

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 2016/17 the cost of concessionary fares increased to £16.284m from £16.091m an increase of £193k. Overall, the costs of concessionary fares have increased by 0.8% for London Councils and 1.2% for Brent. The largest element in the increase relates to TfL fares which increased by 1% and was based on the July 2015 RPI inflation rate.
- 9.3 For future years the assumption for the budget is that fares will increase by 2.0% and that there will be 2.3% increase in the volume of journeys as more people qualify for concessionary fares. For 2016/17 the increase in concessionary fares 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 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. 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 was entered into in April 2015. These revisions provide for the Council to use the PFI units more flexibly including by letting units at affordable rent equivalent or a discounted rent 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. Further options to eliminate the deficit are currently being explored.
- 10.5 At the end of the contract, the Council will be able to recover up to £2m or 50% of the increase in value resulting from the 158 affordable units being secured as affordable rented instead of social rented units. It is anticipated that this will further reduce the overall deficit.

- 10.6 The Council will contribute £1.419m to this scheme in 2016/17, and this includes an increase of £36k when compared to 2015/16 to reflect the Council's agreed contribution to the scheme. The contribution for 2016/17 is included in Regeneration and Environment department's budget.

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 CO₂ 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 runs from April 2014 for 5 years until 2018/19. Government has recently consulted on carbon reporting, and in it the Treasury has suggested scrapping the Carbon Reduction Commitment. The consultation was launched at the end of September 2015 and concluded in November, with the Government expected to publish its full response in the 2016 Budget in March.
- 12.2 For 2015/16 the authority budgeted for a CRC payment of £248k. Organisations have the option of purchasing allowances in advance at a discounted. In 2015/16 Brent took advantage of purchasing allowances in advance for both 2015/16 and part of 2016/17. The government has not yet announced the discounted and non discounted rates for 2016/17 but it is expected to rise by RPI to £16.60 and £17.10 per tonne respectively an increase of 1.2%. The authority is currently assessing its options for purchasing allowances for 2016/17 in the light of the review of CRC and the possibility it may not continue in the future. For 2016/17 we are budgeting for a CRC payment of £256k.

13. REDUNDANCY COSTS

- 13.1 As part of the Authority's budget 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 2016/17. The Council therefore needs to make provision for any redundancy and severance costs. In order to make this budget more self-reliant and rely less on using the redundancy and restructuring reserve to meet the one off costs of restructures an additional £250k is being added to

the 2016/17 budget and future budgets up to 2019/20. The redundancy budget will therefore increase to 1.304m for 2016/17.

14. PENSIONS FUND RECHARGES

- 14.1 This income budget covers the charges made by the general fund to the Pension Fund in respect of administrative expenses from Finance, Human Resources and Democratic Services. A review of this budget following changes in staffing structures and the implementation of the oracle system mean that for 2016/17 this budget can reduce from £880k to £440k.

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 2016/17 has reduced from £1,390 to £1,159k following an in year transfer of resources to the commissioning budget.

16. SEN TRANSPORT

- 16.1 The Transport budget was rationalised during 2015/16 with budget transfers replacing previously recharged income so as to help with the monitoring and control of this budget. Two elements relating to SEN Transport are now held centrally. The first is the funding pressure of £1.2m resulting from the increasing number of SEN pupils. The second relates to SEN Transport recharge of £937k to the schools budget which did not form part of the budget rationalisation. This gives a net budget of £263k. This budget is expected to remain unchanged for 2016/17.