



Executive – Budget report

Monday 13 February 2012 at 7.00 pm

Committee Rooms 1, 2 and 3, Brent Town Hall, Forty Lane, Wembley, HA9 9HD

Membership:

Lead Member Councillors:

Portfolio

John (Chair)	Leader/Lead Member for Corporate Strategy and Policy Co-ordination
Butt (Vice-Chair)	Deputy Leader/Lead Member for Resources
Arnold	Lead Member for Children and Families
Beswick	Lead Member for Crime and Public Safety
Crane	Lead Member for Regeneration and Major Projects
Jones	Lead Member for Customers and Citizens
Long	Lead Member for Housing
J Moher	Lead Member for Highways and Transportation
R Moher	Lead Member for Adults and Health
Powney	Lead Member for Environment and Neighbourhoods

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The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members.

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The budget report sets out the key decisions Members are asked to make on:

the 2012/13 General Fund revenue budget; the 2012/13 Schools Budget; the 2012/13 Housing Revenue Account; the Council's capital programme for 2012/13 to 2015/16; the Council's treasury management strategy; and prudential indicators aimed at ensuring the affordability of capital spending and a secure approach to borrowing and investment.

Ward Affected:
All Wards

Lead Member: Councillor Crane
Contact Officer: Clive Heaphy, Director of Finance and Corporate Services
Tel: 020 8937 1424 clive.heaphy@brent.gov.uk

Date of the next meeting: Monday 12 March 2012



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LONDON BOROUGH OF BRENT
Meeting of the Executive - 13 February 2012
2012/13 BUDGET AND COUNCIL TAX

EXECUTIVE SUMMARY

1. The budget report sets out the key decisions Members are asked to make on:
 - the 2012/13 General Fund revenue budget;
 - the 2012/13 Schools Budget;
 - the 2012/13 Housing Revenue Account;
 - the Council's capital programme for 2012/13 to 2015/16;
 - the Council's treasury management strategy; and
 - prudential indicators aimed at ensuring the affordability of capital spending and a secure approach to borrowing and investment.
2. This executive summary covers the main items covered in each of the sections of the report.
3. *Section 1* introduces the report, with brief descriptions of what is covered in each of the other sections.
4. *Section 2* details proposed recommendations to Full Council. These are cross-referenced to appropriate parts of the main body of the report. They include the statutory decisions Full Council is required to make on the overall budget requirement of the council, gross revenue expenditure and income, and the council tax calculation.
5. The 2011/12 probable outturn for the General Fund budget is covered in *Section 3*. Balances at the end of 2011/12 are forecast at £10.080m which would be £319k higher than the forecast in the 2011/12 budget report.
6. *Section 4* deals with the key spending decisions. This section sets out the underlying budget assumptions, the process for development of the proposals, including the role of members of the Executive and the Budget and Finance Overview & Scrutiny Committee, and the involvement of the public and businesses. The recommended overall budget requirement for 2012/13 is £260.392m, which is 2.8% below the 2011/12 budget requirement of £267.889m.
7. The Budget and Finance Overview & Scrutiny Committee has held several meetings during the development of the budget and its draft recommendations are set out in their first interim report which is attached as Appendix E to this report
8. The key decisions Members need to take on the 2012/13 General Fund budget are as follows:
 - Agreeing the service area budgets for 2012/13, which are detailed in Appendix C, incorporating growth and savings outlined in Appendix D;

- Agreeing the budget for central items for 2012/13, which is detailed in Appendix F;
 - Agreeing to an increase in the general reserves figure of £1m in 2012/13;
 - Agreeing the overall proposed budget of £260.392m for 2012/13;
 - Agreeing the proposed council tax requirement of £104.198m.
9. In making decisions on the budget, Members have to consider the extent to which the proposed budget supports delivery of corporate and service objectives, the consequences of agreeing or not agreeing budgets at the recommended level for services and council tax payers, and the realism of, and risks associated with, the budget.
10. Members also have to consider the impact of the budget on individuals and communities in Brent. Budget proposals are screened individually by service areas to ensure that equalities implications have been taken fully into account when making recommendations. Members also have a legal duty to ensure that the budget as a whole does not discriminate against communities or individuals because of age, ethnicity, gender, disability, religion, or sexual orientation, and meets the council's other duties to promote equal opportunities and good race relations.
11. Severe pressure on budgets, limited resources, and uncertainty mean that there are significant risks within the budget. These risks are assessed as part of the budget setting process and then carefully monitored and managed during the year as part of the performance and finance review process. The most significant financial risks for 2012/13 that have been identified as part of this process are as follows:
- The "front-loading" of reductions in local government funding nationally, meaning that the Council has had to identify further savings against a budget that had £41.7m of reductions during 2011/12;
 - Demographic pressures and potential increase in client numbers above that allowed for in the budget;
 - The impact of the changes to the housing benefit system;
 - The continued ability of the council to offset loss of interest on balances as a result of reduced interest rates by debt restructuring;
 - The ongoing impact of the economic downturn on service income and service demand;
 - The ability of the Council to ensure that savings identified are delivered;
 - The up-front costs of restructuring the Council, including redundancy and pension costs as the Council's workforce reduces
12. The assessment of risk forms the basis for assessment of balances required. The advice of the Director of Finance and Corporate Services on balances is as follows:
- The minimum prudent level of balances should be £12.0m (representing 4.6% of the net budget requirement for 2012/13) which the Director of

Finance & Corporate Services considers to be sufficient to meet the revenue budget risks identified in the report;

- The Council should seek to reach the minimum level of reserves within the next two financial years;
 - The optimal level of balances, to enable effective medium term financial planning in the authority, is within the range of £12.0m to £15.0m, with use of balances in any year being replenished in subsequent years;
 - Balances should only be used to fund unplanned one-off spending.
13. Members should note that the budget proposals in *Section 4* include a recommendation to increase balances by £1m in 2012/13 with a further increase in 2013/14 and that the impact of this has been built in to the Medium Term Financial Strategy in *Section 6*.
 14. The resources to fund the General Fund budget are set out in *Section 5*. Overall the Council will receive Formula Grant of £155.420m in 2012/13. This figure includes the continuing grant in 2012/13 for freezing council tax in 2011/12.
 15. The council tax income requirement is £104.198m. This is based on the proposed budget requirement of £260.392m, less grant of £155.420m and £0.774m for Brent's share of the Collection Fund surplus. Using the council tax base of 98,398 Band D equivalent properties agreed by General Purposes Committee on 24 January 2012, the Band D Council Tax for Brent services would be £1,058.94 in 2012/13, unchanged from the figure in 2011/12.
 16. The government has announced that council tax increases in excess of 3.5% would be deemed excessive and be subject to a local referendum (replacing the previous capping arrangements). It has announced a grant (equivalent to a council tax increase of 2.5%) for those councils that do not increase council tax for 2012/13. The grant amounts to £2.575m for Brent Council and would be received in 2012/13 only.
 17. Council tax payers in Brent also have to fund the GLA precept, which covers the Metropolitan Police, the London Fire and Emergency Planning Authority, Transport for London, the Olympics levy and the GLA itself. The Greater London Assembly will be meeting on 9 February 2012 to consider the Mayor of London's proposal regarding the GLA Band D precept for 2012/13.
 18. Subject to agreement to the recommendations in this report and the final decision on the Mayor's proposed precept, the overall council tax at Band D in Brent would be £1,368.76 in 2012/13, the same as in 2011/12.
 19. *Section 6* of the report sets out the council's Medium Term Financial Strategy (MTFS) and is the last part of the report dealing specifically with the General Fund. In December 2010 the government announced a two year settlement for local government covering 2011/12 and 2012/13. The forecast of resources for 2013/14 and 2014/15 is based on the headline national figures announced as part of the 2010 spending review, updated to reflect the funding reductions following the announcement in the Autumn Statement that public

sector pay awards would be capped at 1% in those years. From April 2013 it is anticipated that the localisation of business rates will come in to effect. At this stage the impact of this change is still uncertain, although there are likely to be significant transitional protections in place in the initial years of the new arrangements.

20. The current economic situation makes assumptions about other variables in the budget difficult. The government's announcement on public sector pay generally is likely to mean pay increases will be limited. Uncertainty about future price inflation will also impact on the cost of supplies and services purchased by the council. A number of the council's contracts are linked to inflation indices and the ability to restrict future cost increases will be dependent upon the Council's negotiations with its key suppliers. On the other hand, continuation of low interest rates will have an on-going impact on the council's interest on balances.
21. There are other service pressures that have been incorporated into the Council's budget for 2012/13. These include a provision for potential increased costs in temporary accommodation and housing benefit, increased adult social care clients and legal costs and loss of government grant in children's social care. The Council's MTFs places us in a strong position to manage the pressures and uncertainty. The delivery of the One Council Programme is key to the MTFs which builds upon the council's financial stability and its judicious use of balances to manage risk. The Council has sought to deal with the financial climate by taking decisions about the services it can afford to provide to ensure the budget is sustainable, not just in 2012/13 but over the medium term. Finally, the Council has been careful not to build up unsustainable commitments by limiting the amount of prudential borrowing to fund the capital programme.
22. *Section 7* of the report deals with the Schools Budget. The 2012/13 financial year may mark the last year of the current basis for schools' funding as the Government is consulting on plans to introduce fundamental changes from 2013/14. The 2012/13 settlement for Schools nationally will be unchanged in cash terms per pupil. However, this does mean a real terms reduction once inflation is taken into account, so schools will feel a tightening of their budgets. For 2012/13 Brent will receive a DSG allocation based on £6,236 per pupil. This compares to an average for England of £5,082 and a maximum and minimum of £8,052 and £4,428 respectively. Schools also receive a pupil premium targeted at deprivation – in 2012/13 this will be an additional £600 per pupil eligible for free school meals over the last six years.
23. The Housing Revenue Account, which covers the activities of the council as landlord for approximately 9,000 dwellings, is dealt with in *Section 8*. The HRA is separate from the General Fund and is ring-fenced – ie HRA expenditure is met from HRA resources, which primarily consists of rents. An average rent increase of 7.14% is proposed for 2012/13 in line with the government's Rent Restructuring Policy. There is a separate report on this agenda on the HRA budget for 2012/13. Whilst the Executive is asked to agree the rent increase, the HRA budget is part of the overall budget decision that will be taken by Full Council on 27 February 2012.

24. The Council's overall capital programme for 2012/13 to 2015/16, together with the forecast outturn for 2011/12, is dealt with in *Section 9*. It is a four year rolling programme and balances the need to deliver the council's priorities, requirements to manage and maintain the council's existing assets, and the need to limit the impact of borrowing on the revenue budget both in the short and the longer term. The overall proposed capital programme is £195.9m in 2012/13, with £182.1m spent on General Fund assets and £13.8m on HRA assets.
25. The treasury management strategy is set out in *Section 10*. The treasury management strategy sets out how the council plans to protect itself against future banking failures and to minimise the adverse impact of reduced interest rates. The CIPFA Prudential Code for Capital Finance requires the treasury management and annual investment strategy to be approved by Full Council and this has always been done in Brent.
26. In addition to the requirement that councils adopt a treasury management strategy, the Prudential Code aims to ensure that councils use new freedoms to borrow introduced in the Local Government Act 2003 responsibly. It requires councils to set affordability limits on the amount of borrowing for capital purposes, to be clear about the impact on council tax and rents of their borrowing policy, to manage their borrowing and lending in a professional way, and to ensure value for money from the use of borrowing to fund capital investments. Details of the limits set for the prudential indicators included in the Code and other ways in which the council intends to use its prudential borrowing powers are set out in *Section 11*.
27. Setting the budget and council tax is one of the most important decisions Members take during the year. Decisions can affect the services received by the people of Brent and the level of council tax they pay. The legal basis on which the budget and council tax is set is also carefully defined in statute. *Appendix M* sets out advice from the Director of Legal and Procurement on Members' individual responsibilities to set a legal budget and how they should approach this task. It is important that all Members read this advice carefully before taking part in decision making on the 2012/13 budget.

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SECTION 1

1. INTRODUCTION

Purpose

- 1.1 The main purpose of this report is to obtain Members' approval for the 2012/13 revenue and capital budgets and to agree the council tax to be levied. It also brings together into one document key information relating to the council's current financial position and future projections.
- 1.2 The annual revenue and capital budgets identify the resource requirements to deliver a full range of council services. The following sections set out the budget making process in detail and the issues on which decisions need to be taken.
- Section 2 - Sets out proposed recommendations from the Executive to Full Council.
 - Section 3 - Sets out the council's probable outturn for 2011/12.
 - Section 4 - Details the 2012/13 revenue budgets for each service area and the central items.
 - Section 5 - Sets out the level of resources available from central government and the calculation of the amount required from council tax.
 - Section 6 - Details future expenditure plans and the medium term financial strategy.
 - Section 7 - Sets out the basis for the Schools Budget estimates for 2012/13.
 - Section 8 - Describes the 2011/12 position and the 2012/13 budget for the Housing Revenue Account.
 - Section 9 - Sets out the council's capital expenditure requirements and resources.
 - Section 10 - Details the council's Treasury Management Strategy and Annual Investment Strategy for 2012/13.
 - Section 11 - Sets out the requirements of the Prudential Code and the limits that have to be agreed.
 - Section 12 - Sets out the procedures to be adopted for financial management of the council.

- 1.3 Financial implications are included in the body of the report. Legal implications are set out in Appendix M.
- 1.4 Decisions on the budget are amongst the most important policy decisions councillors make each year. The decisions can have a fundamental impact on the lives of communities and individuals within Brent. The diversity implications of budget proposals are considered at all stages of the budget process, from the development of the initial budget strategy, through consideration of individual growth and savings proposals, to the production of service development plans. The processes in place are therefore aimed at ensuring that the budget proposals in this report do not discriminate against communities or individuals because of age, ethnicity, gender, disability, religion, or sexual orientation, and support the council in meeting its other duties to promote equal opportunities and good race relations.

CLIVE HEAPHY
Director of Finance and Corporate Services

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SECTION 2

2. RECOMMENDATIONS

These recommendations only include a provisional Council Tax level for the GLA as its final budget was not agreed when this report was dispatched. This means that the statutory calculation of the total amount of Council Tax under Section 30(2) of the Local Government Finance Act 1992 may be amended by:

- (a) the final Greater London Authority precept; and**
- (b) any other significant changes to the budget figures.**

The Executive is recommended that this report as amended for the above is forwarded to Full Council on 27 February 2012 who are asked to:

In respect of Section 3

- 2.1 Note the latest forecast for the General Fund outturn (Appendix A(i)) for 2011/12.
- 2.2 Agree the 2011/12 budget virements (Appendix A(ii)).

In respect of Section 4

- 2.3 Note the process, including consultation that has led to these budget proposals.
- 2.4 Agree the General Fund revenue budget for 2012/13, as summarised in Appendix B, or consider any amendments to that budget.
- 2.5 Agree the Service Area budgets including the cost pressures, savings, fees and charges and other adjustments detailed in Appendices C and D.
- 2.6 Note Appendix F and agree the budgets for central items and other budgets, or consider any amendments to those budgets.
- 2.7 Note and, where appropriate, make provision for the contingent liabilities and risks set out in this section of the report.
- 2.8 Agree the approach to balances set out in the report.
- 2.9 Receive the report from the Director of Finance and Corporate Services in paragraph 4.30 in respect of his statutory duty under Section 25 of 2003 Local Government Act.

In respect of Section 5

- 2.10 Note that the GLA precept will be approved at the meeting of the Greater London Assembly on 9 February 2012.
- 2.11 Note the information regarding the limitation of council tax increases.
- 2.12 Agree there is no surplus or deficit at 31 March 2012 for that part of the Collection Fund relating to community charge.
- 2.13 Note and consider the advice of the Director of Legal and Procurement as set out in Appendix M.
- 2.14 Agree the instalment dates for council tax and NNDR for 2012/13, and the recovery policy for council tax as set out in Appendix G(ii).

In respect of Section 6

- 2.15 Agree the Medium Term Financial Strategy and the provisional service area cash limits for 2013/14 to 2015/16 set out in Appendix H.

In respect of Section 7

- 2.16 Agree the Schools Budget set out in Appendix I.

In respect of Section 8

- 2.17 Agree the Housing Revenue Account budget set out in Appendix J.

In respect of Section 9

- 2.18 Note the latest forecast outturn position on the 2011/12 capital programme, and agree the revised budgets.
- 2.19 Note the properties included within the disposals programme set out in Appendix K(v).
- 2.20 Agree the 2012/13 to 2015/16 programme as set out in Appendix K(iii), including the new capital allocations.
- 2.21 Note the inclusion in this Capital Programme of all capital schemes, irrespective of the source of funding and agree that all schemes are subject to the approval procedures as set out in the Constitution.
- 2.22 Note the levels of unsupported borrowing forecast for 2012/13 and future years and the impact on council tax levels.
- 2.23 Adopt the policy on repayment of principal in 2012/13 as set out in paragraphs 9.15 to 9.22.

In respect of Section 10

- 2.24 Agree the Treasury Management Strategy and the Annual Investment Strategy for 2012/13.

In respect of Section 11

- 2.25 Note the requirements of the Prudential Code.
- 2.26 Agree the Prudential Indicators set out in this section for affordability, capital spending, external debt and treasury management.
- 2.27 Note the arrangements for monitoring and reporting on Prudential Indicators.

In respect of Section 12

- 2.28 Note and agree the procedures for controlling expenditure set out in section 12.
- 2.29 Agree the updated schedule of Provisions and Earmarked Reserves set out in Schedule 1 of Appendix N.

In addition

- 2.30 Authorise the council's Director of Finance and Corporate Services to:
- (a) Make payments on approved capital schemes in 2012/13.
 - (b) Borrow in 2012/13 up to the limits agreed within the Prudential Indicators.
 - (c) Enter such leasing arrangements as are necessary to finance the programme for 2012/13 and terminate or renegotiate any existing leases.
 - (d) Make such minor adjustments to budgets as are necessary.

The following sections of the recommendations relate to the calculation of the budget and council tax as set out by the statutory framework. Amendments to the above recommendations which alter figures in Appendix B will require this section to be changed to reflect these.

- 2.31 In agreeing the above recommendations and the budget in Appendix B, note that the effect of all these measures is to produce a council tax requirement for the council's own purposes for 2012/13 of £104,197,578.
- 2.32 Note that a credit of £0.774m is attributable to the net surplus on the Collection Fund.
- 2.33 Note that at its meeting on 24 January 2012 General Purposes Committee calculated the amount of 98,398 as the council tax base for the year 2012/13

in accordance with the Local Authorities (calculation of Council Tax Base) Regulations 1992.

2.34 In relation to the council tax for 2012/13 we resolve:

That the following amounts be now calculated by the Council for the year 2012/13 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

- (a) £1,037,896,000 being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) £933,698,422 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £104,197,578 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year.
- (d) £1,058.94 being the amount at (c) above, divided by the amount for the taxbase specified above calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
705.96	823.62	941.28	1,058.94	1,294.26	1,529.58	1,764.90	2,117.88

being the amounts given by multiplying the amount at (d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

2.35 That it be noted that for the year 2012/13 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, in respect of the Greater London Authority, for each of the categories of dwellings shown below:

Valuation Bands							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
206.55	240.97	275.40	309.82	378.67	447.52	516.37	619.64

2.36 That, having calculated the aggregate in each case of the amounts at (e) and the precepting authority referred to in the preceding paragraph above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2012/13 for each of the categories of dwellings shown below:

Valuation Bands							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
912.51	1,064.59	1,216.68	1,368.76	1,672.93	1,977.10	2,281.27	2,737.52

2.37 The Director of Finance and Corporate Services has determined that the Council's basic amount of Council Tax for 2012/13 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Act 1992.

- 2.38 (a) That the Director of Finance and Corporate Services be and is hereby authorised to give due notice of the said council tax in the manner provided by Section 38(2) of the 1992 Act.
- (b) That the Director of Finance and Corporate Services be and is hereby authorised when necessary to apply for a summons against any council tax payer or non-domestic ratepayer on whom an account for the said tax or rate and any arrears has been duly served and who has failed to pay the amounts due to take all subsequent necessary action to recover them promptly.
- (c) That the Director of Finance and Corporate Services be and is hereby authorised to collect revenues and distribute monies from the Collection Fund and is authorised to borrow or to lend money in accordance with the regulations to the maximum benefit of each fund.

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SECTION 3

3. THE PROBABLE OUTTURN 2011/12

Introduction

- 3.1 This provides information on forecast spending in 2011/12.
- 3.2 At the end of quarter three the forecast position is for a net overspend on service area budgets of £180k and a forecast underspend on central items and Government Grants of £180k, resulting in an overall breakeven position. This is an improvement of £1.777m on quarter 2. The main reasons for this are improvements in the outturn position for Finance & Corporate Services / Central Services and the Central Items of £601k and £881k respectively. The result is that, on the basis of forecasts at the end of quarter 3, general fund balances at 31st March 2012 will be £10.080m. This is £319k better than the originally budgeted balances of £9.761m.

The 2011/12 Budget Forecasts

- 3.3 The council set a General Fund revenue budget of £267.889m for 2011/12 including a planned contribution of £2.500m to balances. Estimated balances at 31st March 2011 were set at £7.261m. The planned contribution to balances would have increased the carry forward at 31st March 2012 to £9.761m. However, based on the 2010/11 final outturn the forecast is now £10.080m.
- 3.4 Table 3.1 below summarises the forecast outturn which is set out in more detail in Appendix A(i). The breakeven position now forecast will leave the contribution to balances unchanged at £2.500m with the general fund balances at 31st March 2012 still at £10.080m.

3.6 **Table 3.1 2011/12 Forecast Outturn**

	Latest Position Over/(Under) Spend	
	£'000	£'000
Service Areas		
Adult Social Services	292	
Children and Families	108	
Environment and Neighbourhoods	0	
Regeneration and Major Projects	(106)	
Finance and Corporate Services/ Central Services	(114)	
		180
Central Items / Government Grants		(180)
Net Overspend		0

3.7 The following paragraphs provide detailed explanations of the variances on service areas.

3.7.1 Adult Social Services

Current forecasts are that the outturn overspend will reduce to £292k, some £206k less than the forecast of £498k at quarter 2. The main areas of pressure are care purchasing, transport and the use of agency staff. These are offset by operational underspends in other areas

The main key factors contributing to the overspending position relate mainly to the following areas:

- The placements pressures - £800k.

Within the Care Purchasing budget Learning Disability is expected to overspend by £280k mostly against homecare and supported living, Mental Health's overspend is forecast to be £400k mainly due to supported and other accommodation. Both Physical Disabilities and Older People's Services are expected to slightly overspend by around £50k each.

The other area of significant pressure is transitions. The responsibility for paying the cost of care transfers each year on 1st August from Children and Families for all young people aged 19. The majority of the transfers relate to learning disabilities and can require residential, homecare respite and day care services. During the 2011/12 budget process a growth bid of £800k was submitted by Adults and a centrally held provision was established. The forecast of £280k is net of this central provision.

- The use of front line agency staff - £600k.
- The costs of Brent Transport Service - £400k.
- The operational under spend of £1.5m includes £1m from lower bad debt write offs.

3.7.2 Children and Families

The service area is currently forecasting an overspend of £108k, marginally better than the £116k overspend forecast in quarter 2. There are continuing pressures on the social care legal budget. Recent years have seen significant increases in the number of child care cases following the death of baby Peter and the overspend in this area is currently projected to be £831k, however 700k has been set aside centrally to meet these costs. Other pressures on this budget include £318k in social care placements due to increases in high need residential placements and £190k from the delayed closure of Crawford Avenue respite centre. These are partly offset by underspends from the

School Improvements Service and Connexions as well as various other operational underspends across social care and early years.

3.7.3 Environment and Neighbourhoods

Environment and Neighbourhoods is currently forecasting a breakeven position for 2011/12, an improvement of £182k on the quarter 2 position. There continue to be shortfalls on a number of income budgets (including metered income from parking) and pressures from the delays in implementing the library transformation programme. These are compensated for by savings from staff and increased income in Transportation.

3.7.4 Regeneration and Major Projects

The main pressure within Regeneration and Major Projects relates to the housing benefit scheme changes resulting from the introduction of the Local Housing Allowance caps in April 2011. As part of the 2011/12 budget process £1m was set aside centrally to meet the additional costs to the Temporary Accommodation budget. These changes have resulted in increases of around 27% in homeless applications and 42% in acceptances to date in comparison to the same period last year. This pressure is now expected to be £750k for 2011/12. In terms of other budgets Regeneration and Major Projects are expected to deliver an underspend of £106k mainly due to savings on contract costs within the Supporting People Programme. This is an improvement from the breakeven position reported in quarter 2.

3.7.5 Finance and Corporate Services/Central Services

For quarter 2 there was a forecast overspend of £487k this was due to various shortfalls on income items (including schools' payroll) and pressures on the Procurement budget. These pressures remain but a number compensating savings have been made from holding posts vacant, increased trading income and the use of project monies which has resulted in an underspend of £114k.

3.8 Central Items

The forecast net budget shortfall on service budgets of £180k is offset by a forecast net surplus on central items of £180k. This net surplus on central items is made up of various underspending and overspending items as follows:

Table 3.2 Central Items

	£'000
Capital Financing	(394)
Centrally Held Cost Pressures	250
Other	(36)
Total	(180)

3.8.1 Capital Financing

The underspending of £394k on capital financing reflects the successful debt restructuring exercises in previous years, 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 be beneficial to this budget.

3.8.2 Centrally Held Cost Pressures

As part of the budget process a budget of £2m was established centrally to meet the costs of children social care legal fees, transition of clients to Adults from Children & Families and housing benefit changes. Service areas have experienced pressures in these areas as discussed above and are looking to draw upon this budget. Current forecasts indicate that £2.25m would be required to meet these pressures (Adult Social Services £800k, Children and Families £700k and Regeneration and Major Projects £750k).

3.8.3 Other

There have been a number of pressures on central items budget including the delivery of £3m of procurement savings from the One Council Programme and issues arising from closing in 2010/11, however officers are confident that any shortfalls can be contained.

3.9 **2011/12 Virements**

A number of transfers for members' approval are included in Appendix A(ii) relating to quarter 3. These transfers are for the consolidation of budgets for rent and service charges, IT functions, payroll admin and learning and development. It also includes the transfers required to create the new customer services section and the associated One Council savings as well as the allocation of One Council savings arising from the employee benefits project.

General Fund Balances Carried Forward

3.10 The estimated position on balances carried forward is set out in Table 3.3 below.

Table 3.3 Estimated Balances Carried Forward 31st March 2012

	£'000	£'000
Balances at 1st April 2011		(7,580)
Forecast overspend on service area budgets	180	
Forecast under-spend on central items	(180)	
Budgeted contribution to balances	(2,500)	
Net contribution to balances		(2,500)
Estimated Balances C/Fwd		(10,080)

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SECTION 4

4. THE 2012/13 REVENUE BUDGET REQUIREMENT

Introduction

- 4.1 This section sets out the proposals for the 2012/13 General Fund revenue budget. These form the basis for delivering the Council's priorities in the context of the Medium Term Financial Strategy (MTFS).
- 4.2 In the First Reading Debate at Full Council on 21 November 2011, the Leader of the Council identified the key priorities of the Administration as being:
- employment
 - neighbourhood services
 - services for young people
 - social care and health
 - regeneration
- 4.3 In order to deliver corporate and service priorities, the budget needs to be robust and sustainable. Members also need to balance the interests of service users and tax-payers. Members will need to take account of:
- a. The balance between spending and council tax;
 - b. The deliverability and impact of budget savings proposals;
 - c. The adequacy of budget provision for central items;
 - d. The sustainability of the overall budget in the current year, including consideration of risks and the appropriate level of balances;
 - e. The sustainability of the overall budget in future years, taking account of future commitments, the delivery of Borough Plan priorities, and the likely availability of services;
 - f. The equalities impact of spending and savings proposals.
- 4.4 Under the Local Government Act 2003, the Chief Finance Officer of the authority (in Brent's case, the Director of Finance and Corporate Services) must report on the robustness of the estimates made in the annual budget calculation, together with the adequacy of financial reserves. The budget proposals in this section have been developed following guidance from the Director of Finance and Corporate Services and have been through a robust process of development and challenge. The Director of Finance and Corporate Services is therefore confident about the robustness of the estimates. In addition, the minimum level of balances recommended of £12m is, in the Director of Finance and Corporate Services' view, sufficient to allow for the risks identified and to support effective medium term financial planning.
- 4.5 The budget requirement that results from the proposals in this section is £260.392m (see Appendix B). After allowing for Brent's share of the surplus in the Collection Fund of £0.774m and formula grant, this would produce a

Council Tax at Band D for Brent services of £1,058.94, which is the same as for 2011/12. Details of the council tax calculation, and the GLA precept, are given in Section 5 below.

Underlying budget assumptions used in the 2012/13 budget process

4.6 The underlying assumptions in the budget are as follows:

- No provision has been made for pay inflation in 2012/13. The employer's contribution to pensions is anticipated to increase to reflect the actuary's valuation of assets and liabilities as at 1 April 2010.
- No general allowance has been made for price inflation in 2012/13. Instead specific provision has been made for contractually committed price increases on a case by case basis.
- A general increase in fees and charges of 2%

The process for developing the proposals

4.7 Proposals in this budget have been developed by the members of the Executive, taking account of the advice of officers. The key processes for doing this are as follows:

- Development of the budget approach, based on the Borough Plan and the updated medium term financial outlook which was considered by the Executive in July 2011;
- Away-days involving both Executive and Corporate Management Team members to consider the key service and budget issues likely to affect the council in future years;
- Development by officers, in consultation with relevant Lead Members, of budget proposals for individual services within the context of the Borough Plan and the MTFS;
- A process of external consultation with residents and businesses;
- Agreeing the publication of the detailed budget proposals in this report.

4.8 The Budget and Finance Overview & Scrutiny Committee has met on a number of occasions during the budget process. All Members were invited to a session of the Committee on 8 February 2012 where there was the opportunity to pose questions to the Deputy Leader and Lead Member for Resources on the proposals in this report. The report of the Budget and Finance Overview & Scrutiny Committee is attached as Appendix E. In addition, the Director of Finance and Corporate Services has made presentations on budget issues to individual groups.

4.9 Other decisions have been made on items that have been taken into account in these budget proposals. The Executive on 12 December 2011 agreed the 2011/12 balance on the Collection Fund and General Purposes Committee on 24 January 2012 agreed the council tax base for 2012/13 – both of these decisions are taken into account in the council tax calculation in Section 5 below.

- 4.10 Decisions of external bodies affect the budget process. The government confirmed the final grant settlement for 2012/13 on 31 January 2012, which was unchanged from the provisional settlement in December. Notifications from levying bodies, including the West London Waste Authority, are taken into account in this report. The precept for the GLA will be confirmed by the Greater London Assembly on 9 February 2012.

Involvement of the public and other stakeholders

- 4.11 There have been a number of ways in which the council has sought to obtain views of the public and other stakeholders to inform budget decisions. These include the use of results from user satisfaction surveys and through area consultative forums and service user forums.
- 4.12 Summary details of budget issues have been sent to local businesses and the Leader and Deputy Leader explained the budget issues to the area consultative forums held during January and February.
- 4.13 Managers and staff are kept informed about the overall budget situation through regular up-dates at the quarterly Senior Management Group events and in the Chief Executive's Bulletin.

Movements since the First Reading Debate

- 4.14 The First Reading Debate report of the Director of Finance and Corporate Services to Full Council on 21 November 2011 set out progress on the budget. The projected budget gap for that stage was £4.4m in 2012/13, if there was no council tax increase.
- 4.15 The report also set out a series of measures aimed at reducing the projected budget requirement. Details of the progress that has been made are set out below:

a. Surplus/deficit carried forward from 2011/12

The First Reading Debate report highlighted a forecast overspend of £1.8m for 2011/12. As highlighted in Section 3 robust actions have meant that the budget is forecast to be on target. This means that balances at 31 March 2012 are expected to be £10.080m, £319k more than the original forecast.

b. Service area cost pressures

Total service area cost pressures of £7.2m have been funded within the budget. These are detailed in Appendix D(i) and include:

- Adult Social Services (£2.2m)
- Housing Benefit related costs (£1.7m)

- Children social care grant reductions (£0.9m)
- Children social care legal costs (£0.8m)
- Contractual inflation (£0.7m)

c. *One Council Programme*

The One Council Programme, which was launched in 2009, fundamentally changes the way the council carries out its business. The aim of the Programme is to do things differently and better. The Programme supports delivery of savings and cost avoidance measures in the budget.

It is forecast that by 2014/15, the One Council Programme will have achieved an £82m reduction in the budget gap compared to the 2010/11 baseline. This is made up as follows:

Savings within individual service cash limits (£62m). These include savings in:

- *cross-council projects* including Civic Centre, future customer services, staffing and structure, review of employee benefits, procurement, finance modernisation, future customer services, and income maximisation; and
- *service projects* including waste, libraries, parking, highways maintenance, grounds maintenance, services to young people, early years, children's social care, school improvement, special education needs, transitions of children with disabilities to adult life, adult social care customer journey, direct services, commissioning and integration with health, housing needs transformation, and revenues and benefits lean reviews.

£20m from *cost avoidance* which reduces the amount the council needs to provide for cost pressures within the budget. These measures include:

- zero provision for general price inflation as a result of structure and staffing changes and strengthening of procurement through the strategic procurement project – £12m per annum by 2014/15;
- introduction of changes to the waste service which, in addition to direct savings within the Environment and Neighbourhood Services budget, has meant that the central provision for the £8 per tonne per annum increase in landfill tax can be removed - £1.866m per annum by 2014/15;
- increased use of in-house foster carers and other changes introduced as part of the Children Social Care Transformation project - £1.8m per annum from 2012/13;
- the Adult Social Care customer journey project - £1.165m per annum from 2011/12; and
- reduced amount needed for growth for transition of children with disabilities as a result of better planning - £1.5m per annum by 2014/15;

- management of growth in demand for social housing (as part of the wider housing needs transformation project) - £1.5m per annum by 2014/15.

The scale of savings/cost avoidance measures means that disciplined approaches are needed to ensure that projects deliver the level of savings required of them on time. The One Council Programme provides a robust framework to deliver complex change quickly and effectively. This includes the need to invest resources in programme management, project management, change management, and IT and other infrastructure. These costs are offset against the overall One Council Programme savings.

Details of savings from individual projects are included in Appendix D(v). Table 4.1 below summarises the savings and also shows the overall costs of the Programme. Costs and savings are monitored as part of normal budget monitoring procedures.

Table 4.1 One Council Programme savings and costs

	2010/11 Actual £'000	2011/12 Forecast £'000	2012/13 Budget £'000	2013/14 Budget £'000	2014/15 Budget £'000
Cross-cutting savings/cost avoidance	10,099	29,419	34,671	42,034	48,534
Service project savings/cost avoidance	1,590	12,279	22,688	29,352	33,148
TOTAL PROGRAMME SAVINGS	11,689	41,698	57,359	71,386	81,682
Total Programme costs	4,290	2,639	4,017	6,017	6,017
NET PROGRAMME SAVINGS	7,399	39,059	53,342	65,369	75,665

The One Council Programme Board, which is chaired by the Director of Strategy, Partnerships and Improvement, meets fortnightly to monitor overall progress on the Programme and receives four weekly updates on individual projects and their delivery of benefits. The One Council Overview and Scrutiny Committee receives progress reports on the overall Programme three times each year. The Committee also receives updates on progress on individual projects.

d. Central Items

Since the first reading debate the forecasts for central items have been reviewed. A number of budgets have been reduced to reflect updated information on levies and subscriptions.

Where appropriate budgets held centrally have been transferred to service areas including the budgets for Regeneration and Schools Refurbishment.

2012/13 Service Area Budgets

4.16 Table 4.2 below summarises the changes in budget at service area level between 2011/12 and 2012/13.

Table 4.2 Service Area Budgets

	2012/13 Revised Base Budget £'000	Cost Pressures		Savings		2012/13 Draft Budget £'000
		£'000	%	£'000	%	
Adult Social Services	89,936	2,229	2.5	(2,613)	(2.9)	89,552
Children & Families	52,928	1,690	3.2	(3,216)	(6.1)	51,402
Environment & Neighbourhood	36,691	641	1.7	(3,259)	(8.9)	34,073
Regeneration & Major Projects	33,864	1,194	3.5	(1,781)	(5.3)	33,277
Central Units	31,781	1,404	4.4	(855)	(2.7)	32,330
Total Service Area Budgets	245,200	7,158	2.9	(11,724)	(4.8)	240,634

Central Items

4.17 Central items are items not included in individual service cash limits. The total of central items is £41.180m in 2012/13. Further details of the items are included in Appendix F.

Risks

4.18 It is important that an assessment is made of potential risks as part of the budget process. This helps the council set an appropriate level of balances and also ensures that risks can be monitored and managed effectively. Given the nature of the financial challenge facing the Council this assessment addresses both the year ahead and later years.

4.19 The categories which the council uses to assess its budget risks are set out below:

- a. demand risks where the level of service provision depends on projections of need. These include children's and adults' care budgets, the temporary accommodation budget, and the waste management budget. There are also likely to be more general demand risks associated with the ongoing impact of the recession such as increased pressure on the housing benefit service;
- b. risks from new legislation or other statutory changes, where there is some uncertainty about impact on council costs. The key risk relates to the changes to the Housing Benefit system and the potential impact on Housing and other services across the Council.

- c. risks from legal challenges;
- d. treasury management risks. Although the council has started to receive payments in respect of the Icelandic deposits this remains a risk. There is also the risk of increased borrowing costs should long-term interest rates rise;
- e. procurement risks. No allowance has been made for general price increases within the MTFs. However these pressures should be reduced as a result of the current market situation with opportunities to secure savings through procurement;
- f. pay risks. Each 0.5% above the amount provided for would cost the council £0.6m;
- g. grant risks. These include risks arising from changes to grant conditions, the council not meeting grant conditions, or uncertainty about the amount of grant the council will receive. An on-going risk area is the council's housing benefit subsidy claim which is by far the largest single grant claim the council makes;
- h. risks of not achieving savings or income targets in the budget. The council has a good track record of delivering savings included within individual service budgets. However the scale of the savings being delivered from 2011/12 onwards far exceeds that targeted previously. This provides a significant risk to the Council's financial position in the year ahead;
- i. asset management risks if corporate or service buildings have to be closed because of current condition;
- j. risks from natural disasters or terrorist attacks.

Risks to the capital programme are addressed in Section 9 below.

4.20 The risks are quantified in Table 4.3 below.

Table 4.3 Major Risks

	Potential Risk £'000	Likelihood %	Net risk £'000
<u>Demand risks</u>			
Adult care packages	3,000	20%	600
Children's care packages – incl legal costs	3,000	20%	600
Waste	500	20%	100
<u>New legislation and other statutory changes</u>			
Housing Benefit Changes – impact on homelessness budget	6,000	20%	1,200
Localisation of Council Tax Benefit	3,500	20%	700
<u>Interest rate risks</u>			
Combined potential effect of reduced short term rates, additional borrowing requirement,	5,000	20%	1,000

	Potential Risk £'000	Likelihood %	Net risk £'000
and bank failure			
<u>Procurement risks</u>			
Risk that cost of social care placements may increase by more than allowed in the budget	700	20%	140
Energy risk – risk of increases in energy prices which cannot be contained in budgets	200	25%	50
Other procurement risks	3,000	20%	600
<u>Pay risks</u>			
Risk that pay increases are above those allowed for in the budget	600	20%	120
<u>Grant risks</u>			
Risk of exceeding the threshold on housing benefit overpayments in 2012/13	600	20%	120
Risk of amendments to housing benefit subsidy claim	1,500	20%	300
Risk of loss of income from other grant changes	500	15%	75
<u>Savings/income risks</u>			
Risk of not achieving savings in the budget	39,984	15%	5,998
Risk of loss of income from ongoing impact of recession	600	15%	90
<u>Asset management risks</u>			
Closure of council buildings and need to undertake emergency maintenance or find alternative accommodation	1,000	10%	100
<u>Major disaster</u>			
The government has a scheme (the Bellwin scheme) that covers authorities for 85% of costs of a major disaster above 0.2% of net revenue budget. The risk to the council is 100% of costs below the threshold and 15% above it.	500	30%	150
Total General Fund revenue risks	70,184		11,943

Balances

- 4.21 As set out in Section 3, the council's General Fund usable balances are forecast to be £10.080m at the end of 2011/12.
- 4.22 Councils need balances so that they can deal with unforeseen calls on Services without disrupting service delivery. The level of risk that a council assesses it faces is therefore the minimum level at which balances should be maintained.

- 4.23 Balances can also contribute to effective medium term financial planning for councils. They allow councils to adjust to changes in Services and spending requirements over a period of time (see section 6 below for the Medium Term Financial Strategy for Brent), to plan council tax rises to avoid excessive increases in any one year, and to take a more flexible approach to the annual budget cycle, for example through *invest to save* schemes. They also allow councils to respond to new demands/priorities for spending which arise during the year. This flexibility needs to be considered each year depending on the particular pressures facing the council and the outlook in the medium term.
- 4.24 Balances also have to be used carefully. They can be used only once. Decisions to use balances to fund on-going spending or hold down council tax increases can only apply for one year. In the following year, either additional budget reductions have to be made or additional council tax increases are required. There is a risk of future financial instability if significant levels of balances are used to fund on-going spending or reductions in council tax. This is particularly the case given the tight financial settlements expected in future years and pressures to keep council tax increases down.
- 4.25 Under the 2003 Local Government Act, the Director of Finance and Corporate Services, as Chief Finance Officer (Section 151), has to be satisfied that the level of available General Fund balances is adequate. The Director of Finance and Corporate Services advises that:
- a. The minimum prudent level of balances should be £12.0m, which is sufficient to meet the revenue budget risks identified in the report. Given the medium term approach adopted in the budget process it is reasonable to meet this target within the next two financial years;
 - b. The optimal level of balances, to enable effective medium term financial planning in the authority, remains at £12.0m to £15.0m, with use of balances in any year being replenished in subsequent years;
 - c. As a general rule, Members should only plan to use balances to fund one-off spending which cannot be funded from other sources;
 - d. Where Members wish to use balances to fund on-going spending or reductions in council tax, they should indicate how they plan to make up the budget shortfall in future years.

4.26 Table 4.4 below presents the proposals from the Administration on balances in 2012/13.

Table 4.4 Proposed General Fund Balances in 2012/13

	£'000
Total Estimated Balances at 31 March 2012	10,080
Proposed contribution from 2012/13 budget	1,000
Estimated Balances at 31 March 2013	11,080

Member decisions on balances

4.27 Members must decide on the contribution they wish to make to or take from balances in 2012/13 to support the General Fund revenue budget. In doing so they need to consider the advice on the factors to take into account in paragraph 4.30.

Overall Budget Requirement

4.28 The overall budget requirement in 2012/13 resulting from the proposals in this section is £260.392m. The make up of this budget requirement is summarised in Table 4.5 (details in Appendix B).

Table 4.5 General Fund Budget Requirement in 2012/13

	£'000
Service area budgets	240,634
Non-ringfenced Grants	(27,213)
Central items	41,180
Inflation provision and cost pressures and savings held centrally	4,791
Contribution to balances	1,000
Proposed budget requirement for 2012/13	260,392

- 4.29 The overall movement in the Council's total budget is summarised in Table 4.6 below

Table 4.6 Change in Budget Requirement 2011/12-2012/13

	£'000
Budget requirement 2011/12	267,889
add inflation provision	2,025
add cost pressures	7,158
less change in central budgets	(3,456)
less service area savings	(11,724)
less reduction in contribution to balances	(1,500)
Proposed budget requirement for 2012/13	260,392

Statement by the Director of Finance and Corporate Services on the budget and balances

- 4.30 Under Section 25 of the 2003 Local Government Act I am required to comment on the adequacy of the budget calculation and the level of balances proposed within a budget. The two issues are related. The less prudent the revenue provision and forecasts of demand and risk, the higher the level of balances required to justify the budget calculations. This budget has been carefully prepared, risks have been identified and quantified and, while excessive provision has not been made in the budget, a prudent and cautious approach has been taken. The council also has adopted rigorous budget monitoring arrangements during the year and a policy of restoring balances once used. The combined approach means that a minimum prudent level of balances is £12.0m, which will cover the General Fund revenue budget risks identified over the medium term. Given the approach taken by the Council in addressing the budget challenges over the medium term it is appropriate to phase the increase in reserves over the next two financial years. I am of the view that the optimal level of balances to cover risks and allow effective financial planning, which will contribute to longer term financial stability, is £12m to £15m. I also consider that as a general rule use of balances should only be to cover one-off expenditure which cannot be funded from any other source. However, given that balances overall remain below the target level set for them it is proposed to increase balances by £1m in 2012/13, with a further increase in 2013/14 with the impact of this taken into account in budget projections for future years in Section 6 below.

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SECTION 5

5. RESOURCES

Introduction

- 5.1 This section sets out the extent of external support available to finance the council's expenditure, the requirements of the Greater London Authority, items in the Collection Fund and finally the calculation of council tax for 2012/13.

External Support

- 5.2 The Local Government Finance Settlement was published on 31 January 2012 and confirmed the provisional figures announced in December 2011.

Spending Review

The 2012/13 settlement was based on the Government's Spending Review in October 2010, covering the four years from 2011/12 to 2014/15. That had revealed that total contributions to local government (excluding schools, police and fire) would be reduced by 26% in real terms over this period, with cuts being front loaded and delivered mainly through a reduction in formula grant.

The grant system

- 5.3 The current system of distributing Formula Grant known as the Four Block Model was introduced in 2006/07. The 2012/13 financial year will be the final one under the current system prior to the localisation of business rates in April 2013.
- 5.4 The Four Block Model consists of the following elements:
- A Relative Needs Block (RNB) calculated using Relative Needs Formulae (RNF) – unlike Formula Spending Shares which were used under the previous system, this does not provide an assessment of total need to spend. It is simply a way of equalising for differences in need;
 - A Relative Resource Amount (RRA) - again, unlike the former system in which the resource adjustment was based on an Assumed National Council Tax (ANCT), this adjustment is based on relative resource need and not the amount a council might be expected to raise in council tax if it set its council tax at the ANCT;
 - A Central Allocation (CA) – this is an amount that is distributed per head of population and is used to distribute the balance of Revenue Support Grant and National Non-Domestic Rate income left after the calculations of the RNB and RRA allocations;
 - A Floor Damping Block (FDB) – this is a self-financing block which is used to provide a limit to the level of decrease/increase in grant for all

authorities (although this varies between types of authority) by scaling back gains by authorities that have grant increases above the floor.

- 5.5 The current settlement includes “banded floors” to reflect that some areas of the country are much more reliant on central government grant than others. These tend to be more deprived communities, with more significant social challenges and less ability to raise council tax receipts and so have a greater reliance on central government for their funding. Local authorities vary considerably in the proportion of their budget requirement that is financed by formula grant or council tax. So for social services authorities and shire district councils, the government set four floors. Authorities within these groups would be divided into four bands according to the extent to which they relied on formula grant to finance their budget requirement in 2010-11. The highest floor – representing the smallest reduction – would apply to the most dependent band of authorities and the lowest floor to the least dependent. The table below details the bands applicable to social services authorities for 2012/13. Brent has been included in Band 1.

Band	
1 - Most Dependent	7.4%
2	8.4%
3	9.4%
4 – Least Dependent	10.4%

- 5.6 As part of the 2011/12 settlement there had been a rationalisation of the grants that local authorities receive. The number of grants was reduced from over a hundred down to around a dozen with in most areas the ring-fencing restrictions on their use being removed. As result of the rationalisation area based grants have disappeared entirely with only non specific grants remaining. Many of these grants have either been rolled into formula or included within other specific grants. Though a fair proportion have been deleted altogether. Details of the remaining grants are included in appendix D(iv).
- 5.7 A guide produced by the Department of Communities and Local Government to the Local Government Finance Settlement, which explains the system is available on their website at:

<http://www.local.communities.gov.uk/finance/1213/simpguid.pdf>

The national position

- 5.8 The estimated distributable amount of business rates in England in 2012/13 will be £23.1bn. This exceeds the adjusted Formula Grant total within the Spending Review (£22.9bn). As the government is legally required to redistribute all business rates raised back to local government, it has decided that funding allocated to pay for the second year of the 2011/12 Council Tax freeze should be included in Formula Grant in 2012/13. This funding has not been subject to the floor scaling referred to above so the Council Tax Freeze Grant remains separately identifiable.

5.9 The overall national reduction in formula grant for 2012/13 against the adjusted 2011/12 total is 7.3%.

Brent's external funding

5.10 The calculation of Brent's formula grant for 2012/13 is set out in Table 5.1 below.

Table 5.1 - Formula Grant Calculation

	£m
Formula Grant 2011/12	165.911
Adjustment - Private Sewers	(0.096)
Adjustment - Academies	(0.755)
Adjusted Formula Grant 2011/12	165.060
Floor Reduction (7.4%)	(12.215)
Add 2011/12 Council Tax Freeze Grant	2.575
Formula Grant 2012/13	155.420

5.11 Details of the make-up of Brent's Formula Grant are in Table 5.2 below.

Table 5.2 Make-up of Brent's Formula Grant

	2011/12 £m	2012/13 £m
Grants Rolled In	16.750	16.692
Relative Needs Amount	140.232	122.928
Relative Resources Amount	(38.621)	(35.871)
Central Allocation	34.947	31.019
Floor Damping	12.603	18.078
Council Tax Freeze Grant		2.575
Total Formula Grant	165.911	155.420

Limitation of Council Tax Increases

5.12 The Localism Act 2011 allows the government to determine levels of council tax increase above which local authorities are required to seek approval via a local referendum. For 2012/13 these have been set as:

- 4% for police authorities, and single purpose fire & rescue authorities;
- 3.75% for the City of London;
- 3.5% for other principal authorities.

5.13 For 2012/13 the government has set aside £676m so that every council can freeze their council tax in 2012/13 and receive a grant equivalent to a 2.5%

increase in funding. In the case of Brent this would be £2.575m. This grant would be received in 2012/13 only.

The Collection Fund

- 5.14 The Collection Fund accounts for all monies relating to the council tax for Brent in 2012/13, the Greater London Authority (GLA) precept in 2012/13, and arrears of both council tax and community charge.
- 5.15 Whatever balance remains on the fund in respect of the under/over recovery of council tax or community charge must be added to, or subtracted from, the following year's council tax bills. Adjustments in respect of community charges are added to the council's part of the bill only, while council tax adjustments are shared with the GLA.
- 5.16 The Executive meeting on 12 December 2011 approved an estimated council tax surplus of £1.0m in 2011/12, of which the Council's share is £774k with the balance payable to the GLA. The community charge account is estimated to be in balance, so no adjustment needs to be made for this.

The Council Tax Base

- 5.17 Council tax is a property based tax with classification of properties into 8 bands depending on the value of the property (see Appendix H(i)). Different rates of tax apply to each band so that properties in Band A will pay one-third of the tax of properties in Band H, the highest level. There are various reductions to the standard charge, for example where there is a single householder in residence in the property. Band D is the middle band and Band D equivalents are used to express the tax base of the authority.
- 5.18 A tax base of 98,398 equivalent Band D properties in 2012/13 (compared to 97,252 in 2011/12) was agreed by the General Purposes Committee on 24 January 2012. This assumes a collection rate of 97.5% will be achieved in respect of charges raised for 2012/13 (unchanged from 2011/12).

Calculating the Council Tax Level

- 5.19 The calculation of the council tax for Brent services is set out in Table 5.3 below. The calculation involves deducting Formula Grant from Brent's budget, deducting the surplus on the Collection Fund, and dividing by the tax base.

Table 5.3 Calculation of Brent's Council Tax for 2012/13

	£'000
Proposed Brent budget	260,392
Less Formula Grant	(155,420)
Less Net Surplus on Collection Fund	(774)
Total to be met from Council Tax for Brent Budget	104,198
Taxbase (Band D equivalents)	98,398
Band D Council Tax (£)	£1,058.94

Greater London Authority (GLA)

- 5.20 The GLA came into existence on 3rd July 2000. Before 2000/01 the London Fire and Civil Defence Authority (LFCDA), now the London Fire and Emergency Planning Authority (LFEPA), and Metropolitan Police had set budgets which acted as precepts on the Collection Fund and were reflected in the overall council tax payable by residents. These two bodies, and several other London wide bodies, such as Transport for London and the London Research Centre (to which Brent historically paid subscriptions), are now absorbed into the GLA which issues one overall precept.
- 5.21 Each financial year, the Mayor and Assembly must prepare and approve a budget for each of the constituent bodies and a consolidated budget for the authority as a whole.
- 5.22 The GLA's budget setting process is as follows:
- (a) The Mayor must prepare for each financial year a budget for each of the constituent bodies and a consolidated budget for the Authority as a whole.
 - (b) The Mayor will then prepare a preliminary draft of his proposed consolidated budget for consultation with the Assembly.
 - (c) After such and any other consultation, the Mayor determines the draft consolidated budget and presents it to the Assembly. The Assembly must approve this budget with or without amendment.
 - (d) After the draft consolidated budget has been approved, with or without amendment, the Mayor shall prepare a final draft of his proposed consolidated budget for the next financial year. If at the time he presents the final draft budget to the Assembly, that final draft is different to the original draft, with or without amendments, the Mayor must present a written statement to the Assembly of his reasons for the changes. This final draft must be presented and agreed before the end of February.
 - (e) After considering the final draft, the Assembly must approve it with or without amendments. Any amendment must at this stage be agreed by two thirds of the members voting. The resulting budget will be the approved consolidated budget for the financial year.

- 5.23 The Mayor's initial budget was based on a precept at Band D is £309.82 for 2012/13. This represents a 0% increase (the Olympic levy also remains at £20 at Band D).

Setting the Tax

- 5.24 The council is required to make certain calculations under sections 30, 33, 34 and 36 of the Local Government Finance Act 1992. These calculations are:
- The basic amount of council tax for both Brent Council and the GLA;
 - The basic amount of council tax for each valuation band for both Brent and the GLA;
 - The aggregate amount of council tax for each valuation band, which includes the basic amount for Brent and the GLA.
- 5.25 In accordance with these requirements, Members are asked to agree the calculations set out in the recommendations. The effect of a 0% increase in Brent Council's Band D council tax, which leaves council tax at the 2011/12 level of £1058.94, combined with the GLA precept remaining at £309.82, would be an overall increase of 0%. The full calculation for each Band is included within the recommendations.
- 5.26 Any amendments agreed to the budget will require a recalculation to be undertaken.

Council Tax and NNDR Instalment Dates and Recovery Policy for Council Tax

- 5.27 Appendix G (ii) sets out the council tax and NNDR instalment dates and the recovery policy for council tax which Members are asked to endorse.
- 5.28 The council has continued to promote payment by direct debit to improve overall collection. The instalment date for non-direct debit payers will be: at the 1st of the each month starting in April until the 1st January 2013, whilst direct debit payers can pay on the 1st, 12th, 17th, or 28th of the month. Both direct debit payers and non-direct debit payers will have to make payments over a maximum of 10 instalments.
- 5.29 Council tax collection rates have been improving and are now favourably comparable to other similar London Boroughs. At the end of January 2012, 92.7% of council tax due in 2012/13 was collected, up slightly from 92.3% in January 2011. The Council is set to achieve its target in-year collection of 96% of council tax due for 2012/13, although it will have to collect arrears in future years to achieve the overall target set of 97.5%.

SECTION 6

6. THE FUTURE - MEDIUM TERM FINANCIAL STRATEGY

Introduction

- 6.1 Councils are expected to plan their finances over more than a one year period. The longer term planning of finances supports the achievement of priorities in the Borough Plan and allows more effective planning of services. It encourages councils to predict events in the future and develop their strategy in the light of these. It helps councils work more effectively with partners in the public, voluntary and private sectors. It allows councils to plan their strategy for balances, using them as a safety valve to ensure that changes in resources or demands from year to year do not impact unduly on services or council tax payers.
- 6.2 2011 saw the British economy struggle to recover from the recession which began in the last quarter of 2008. It is now forecast that the economy will remain broadly flat during 2012 with a risk of a return to recession. In addition there continues to be inflationary pressures with RPI peaking at 5.6% and CPI at 5.2% in September 2011 before falling to 4.8% and 4.2% respectively in December 2011. It is anticipated that inflation will continue to fall during 2012 as the effect of the VAT increase in January 2011 is removed from the figures and reflecting the moderation in price inflation generally.
- 6.3 The October 2010 Spending Review targeted a reduction in the deficit to £37bn by 2014/15. In the Autumn Statement in November 2011 the forecast for 2014/15 is that that the deficit will be £79bn. The Autumn Statement also included further reductions in local government spending nationally for 2013/14 (£240m) and 2014/15 (£497m) to reflect the limiting of public sector pay to 1% in each of those years. The Government also announced a reduction in overall public sector spending of 0.9% in 2015/16 and 2016/17, reflecting an extension of the level of spending reductions set in the 2010 Spending Review. It is therefore important that the Council focuses on the medium term financial position to enable it to effectively plan its response to the challenges ahead.
- 6.4 This section of the report sets out the financial forecast for Brent, and looks at the financial issues that will affect Brent in the medium term. It:
- sets out the council's strategy to address the major issues raised;
 - considers the resource envelope within which the council will be operating over the next four years; and
 - looks at the way the council will need to manage its finances within the resource envelope.

Medium Term Financial Strategy

- 6.5 Financial planning needs to be carried out in the context of the MTFS.

- 6.6 The MTFFS is not simply or even primarily a set of forecasts of future spending needs. Instead it allows Members and others to examine the financial consequences of their priorities for spending and council tax levels within a set of clear principles and set out actions required to align resources and spending.
- 6.7 Members have agreed that the MTFFS should be based on the principles that:
- (i) Financial plans should provide for a balanced position between income and expenditure for both capital and revenue accounts;
 - (ii) Adequate provisions are made to meet all outstanding liabilities;
 - (iii) A rigorous financial control system is implemented that ensures that these financial plans are delivered and therefore reduces the corporate impact of adverse events and trends;
 - (iv) A system is established that protects balances from erosion by ensuring that every decision to release balances is accompanied by a decision to replenish them;
 - (v) There will be a thorough examination of the council's 'Base Budgets' on a regular basis to identify efficiency savings and to ensure that existing spend is still a council priority;
 - (vi) Resources will be allocated to investment in the council's assets to ensure they support the delivery of corporate and service priorities;
 - (vii) There will be a redirection of resources to fund corporate policy priorities as expressed in the Borough Plan.
 - (viii) Resources will be made available to finance 'invest to save' schemes to help modernise and improve services and generate efficiencies in the medium term.
- 6.8 Service areas will be required to manage their budgets over all three years within these limits subject to any changes within the overall strategy and adjustments for savings delivered through the One Council Programme. For example, if the inflation allowance set was felt to be insufficient, a service area would have to review its base budget provision to identify how additional savings could be made within its budget. This is a rolling programme with an indicative target set for Year 4 as part of each budget process.

Resource envelope

- 6.9 The introduction of multi-year settlements was associated with an expectation from government that councils would use the additional certainty about external funding to enable forecast council tax levels to be set.
- 6.10 The fact that 2012/13 was the final year of the settlement announced in 2010 means that we can not be certain of funding for future years but we can make assumptions based upon the national figures included within the Autumn Statement in November 2011.

6.11 From April 2013 the current formula grant system will be replaced by the localisation of business rates. The final details of the new arrangements are still awaited but it is anticipated that in the first two years there will be transitional arrangements that will provide a similar outcome to the current system.

Managing the budget within the resource envelope

6.12 Appendix H contains the financial forecast for the council. It is built up using the 4 year budgets for service areas, projections over four years of currently identified growth and central items, and savings from the One Council Programme. It also includes resource projections, including grant levels, movements in the council tax base, and collection rate assumptions.

6.13 The result of the process is that a level of net savings required is identified for each year of the plan based on council tax increases of 3.5% in 2013/14 and 2.5% in the following two years. Details of projected savings required are provided in Table 6.1.

Table 6.1 Initial Forecast of Savings Required in Future Years

	2013/14 £m	2014/15 £m	2015/16 £m
Net savings required:			
Annual	9.3	11.6	5.3
Cumulative	9.3	20.9	26.2

6.14 The figures shown in Table 6.1 are the level of savings in each year, and assume that the savings in the previous year have been made. The figures are also shown cumulatively to show the total level of reductions that would be needed in the period 2013/14 to 2015/16.

6.15 The projections also assume that the council will increase its level of balances by £0.9m in 2013/14 but that they will remain unchanged thereafter.

6.16 Factors that are built into the projections include:

Spending assumptions

- Service area budgets have been rolled forward at 2012/13 levels into future years;
- An allowance for pay inflation of 1% in 2013/14 and 2014/15 and 2% in 2015/16;
- No general inflation for prices in 2013/14 and future years;
- In addition an allowance has been made for providing additional monies to fund the pension fund deficit with contributions of £0.5m (2013/14)

- No savings assumptions are built into service area budgets for 2013/14 onwards;
- Provision for cost pressures in service area budgets of £2,196k in 2013/14, £1,193k in 2014/15 and £650k in 2015/16. Details of this are provided in Appendix D(i).
- The movement in central items detailed in Appendix F. These include:
 - o *Debt charges (capital financing charges net of interest receipts)*: These are forecast to grow from £25.563m in 2012/13, £26.603m in 2013/14 and £28.104m in 2014/15 and £29.668m in 2015/16;
 - o *Levies*: These are forecast to grow from £2.579m in 2012/13 to £2.803m in 2013/14, £3.043m in 2014/15 and £3.293m in 2015/16;
 - o *Freedom Pass/concessionary fares*. These have risen significantly over the last few years and the budget for 2012/13 is £14.771m. There are no indicative figures for years but the current assumptions for future years is that prices will rise by 4% and there will be a 1.5% increase in usage. In addition because of the volatility of this budget in the past an additional contingency of £500k is being allowed for in 2013/14 to reflect any additional increases in transport costs. Therefore, Brent has budgeted for an additional £1.360m (2013/14), £887k (2014/15) and £936k (2015/16).
 - o *New Homes Bonus*. The assumption is that this will increase by £1.4m per annum.
 - o *Redundancy and Restructuring Costs*. A budget of £6.354m had been set aside for 2011/12. These costs are anticipated to reduce over the medium term as higher redundancy and severance costs in the earlier years are replaced with the actuarial strain costs of meeting the costs of early retirements which are spread over three years.

Resource assumptions

- Formula grant of £152.086m in 2013/14, £138.958m in 2014/15 and £136.383m in 2015/16 (based on national assumptions from the Autumn Statement 2011);
- Other unallocated grants to remain at 2013/14 levels
- Council tax base increase of 0.8% in 2013/14 and 0.7% thereafter;
- Council tax collection of 97.5% in each year;
- Council tax increases ranging of 3.5% in 2013/14 and 2.5% in the following two years.

6.17 The budget projections provide a framework within which the council can manage its budget over the medium to longer term. This involves:

- *Reviewing projections of budget pressures resulting from demand pressures, cost increases, and loss of income and identifying means by which they can be reduced/eliminated*. The delivery of projects within the

One Council programme will be vital in containing demand pressures and delivering transformed and improved services.

- *Identifying the impact of corporate and service priority growth.* No allowance has been made for additional or service priority growth in future years.
- *Reviewing provisions within central items:* This will be a key area for the council to look at in order to try to limit growth. Appendix H includes £41.180m in 2012/13, £41.663m in 2013/14, £40.858m in 2014/15 and £42.878m in 2015/16.

Summary

- 6.18 The year on year budget gap shown in Table 6.1 is substantial. However, the One Council Programme provides a planned means of addressing a significant element of this shortfall over the period of the MTFS.

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SECTION 7

7. THE SCHOOLS REVENUE BUDGET

Introduction

7.1 This section provides details of the School Budget's probable outturn for 2011/12 and also sets out estimates for the Schools Budget for 2012/13 for approval. The proposed Schools Budget for 2012/13 was presented to Schools Forum on 1 February 2012 and a recommendation from the Schools Forum is set out in 7.8 below.

The Forecast Outturn 2011/12

7.2 The Schools Budget consists of two main elements. The first element is called the Individual Schools Budget (ISB) and is delegated to schools in the form of budget shares. The second element consists of Centralised Items and this money is held back centrally to fund expenditure incurred on services such as Pupil Referral Units, SEN and payments to non-maintained nurseries. A ring-fenced specific grant called the Dedicated Schools Grant (DSG) funds all areas of the Schools Budget.

7.3 Budget shares were allocated to schools at the start of the 2011/12 financial year and schools were expected to spend this money on revenue expenditure. Schools are allowed to carry forward surpluses, as long they do not exceed 5% of their budget amount in secondary schools and 8% in primary and special schools. Where surpluses are earmarked for specific purposes schools can carry forward amounts greater than these percentages.

7.4 Centrally held budgets within the Schools Budget have continued to experience pressures in certain areas such as in-year SEN statements and pupils placed in out of borough special schools, due to price increases and demand pressures. A significant amount of SEN expenditure occurs via recoupment arrangements whereby each local authority is charged by other local authorities for their resident pupils that are educated in other local authority schools. Normal recoupment arrangements mean that payments are done significantly in arrears with actual cash payments being 12-24 months after the financial year to which the payment relates. This can mean that forecasting accurately can be difficult and the pressures in these budgets are still being quantified but at present the forecast is for the Schools Budget to overspend by £1.5m on an in year basis for 2011/12. The cumulative deficit brought forward from the 2010/11 financial year amounted to £5.7m, which means that the current forecast for the cumulative deficit to be carried forward to 2012/13 is £7.2m. The Schools Forum has agreed a Schools Budget deficit recovery plan that will eliminate the cumulative deficit by the end of 2014/15. The recovery plan is based on planned savings in central SEN expenditure arising from the One Council SEN Project as well as utilising DSG "Headroom" in setting the 2012/13 and subsequent years Schools Budget.

Schools Budget Funding in Brent

7.5 The 2012/13 financial year may mark the last year for the current basis for School Funding as the Government is consulting on plans to introduce fundamental changes from 2013/14. This could result in changes to how funding is distributed between local authorities and changes in how funding for individual schools is determined. Currently the data from the January 2012 pupil count will determine the final Dedicated Schools Grant (DSG) that Brent will receive. The Department for Education (DfE) have provided Guaranteed Unit of Funding (GUF) which provides authorities with a specific DSG per pupil rate. Local authorities can then use their own local pupil number forecast to arrive at their individual forecast DSG amount. The final DSG will be calculated by multiplying this GUF rate by the final approved pupil numbers for January 2012.

7.6 In broad terms the settlement for schools is cash flat with the 2012/13 GUF for Brent being set at exactly the same level as the 2011/12 GUF of £6,236 per pupil which can be compared with an average for England of £5,082 and a highest and lowest GUF of £8,052 and £4,428 respectively. While this cash-flat settlement represents a more favourable settlement than for the rest of local government it nevertheless can be seen as a real terms reduction as inflation is not covered.

Schools also receive the Pupil Premium which is a specific grant targeted at deprivation. In 2012/13 Schools will receive £600 per disadvantaged pupil based on the numbers of children that have been eligible for free school meals over the past 6 years. This is an increase of £112 per pupil when compared with the 2011/12 figures.

7.7 Details of the provisional Schools Budget for 2012/13 are given in Appendix I.

7.8 At its meetings on 10 January 2012 and 1 February 2012 the Schools Forum considered the Schools Budget as part of the Council's statutory requirement to consult the Schools Forum prior to setting the forthcoming Schools Budget. At this meeting the members of the Schools Forum raised the issue of ensuring central elements of the Schools Budget represent good value for money. The Schools Forum, therefore, requested that the most significant budget areas of the central Schools budget should be subject to greater review and scrutiny to ensure value for money. A rolling programme of such reviews and reports was agreed at the Schools forum meeting on 1 February 2012. The Schools Forum also agreed the following recommendation for the Executive to consider in setting the 2012/13 budget:

The Schools Forum recommends that the 2012/13 Schools Budget should be set with a reduction in central items within the Schools Budget of 15% with the resulting saving being passed onto schools.

The Forum has no decision making powers in regard to this recommendation and can only make recommendations which the Executive can consider and

then decide to accept or not accept. Officers would not recommend that the Forum's recommendation is approved for the following reasons:

- The Schools Budget is already £7.2m in deficit and subject to special recovery measures.
- A rolling programme of budget reviews over 2012/13 has been agreed with the Forum that will allow the Forum to gain greater insight into the complexities of the main central item areas and make more informed recommendations rather than a blunt flat rate reduction.
- By far the largest central item spending areas consist of support for pupils with Statements of Special Educational Needs (SEN), for which the Council has a statutory responsibility. It would not be viable to make blanket reductions without impacting on the Council's ability to meet its statutory responsibilities.
- A long-term strategic plan to reduce expenditure on SEN is already in place as a One Council Project. This will deliver significant ongoing savings in central items beginning in 2012/13, so effectively savings in line with The Forum's wishes are already being made.
- The latest DfE analysis regarding the level of Schools Surpluses shows Brent Schools as holding the sixth highest level of surpluses out of all London Boroughs. Care has to be exercised in reaching conclusions regarding this as in many cases surpluses are held by schools for long-term capital schemes. Nevertheless this does not support views that more funding should be passed directly to schools at the expense of being able to adequately fund statutory responsibilities.

Schools Budget Risks

7.9 Some of the pressures impacting on the central expenditure items in 2011/12 have already been examined in paragraph 7.4. It is anticipated that some of these pressures will continue to persist in 2012/13.

Schools Budget Medium Term Financial Plan

7.10 The DfE are currently undertaking a major review of school funding which could result in significant changes to the method of calculating each Local Authority's DSG settlement as well as the structure and makeup of the Schools Budget. Any changes arising from this review will feed into the 2013/14 settlement.

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SECTION 8

8. HOUSING REVENUE ACCOUNT

Introduction

- 8.1 The Housing Revenue Account (HRA) is a record of revenue expenditure and income, relating to the authority's own housing stock, i.e. it reflects the council's landlord role. The statutory framework for the operation of the HRA is provided in the Local Government and Housing Act 1989 and this Act prescribes the categories of income and expenditure to be included in the HRA, hence the "ring-fenced HRA".
- 8.2 Up to 2011/12, the Council received Central Government financial support through the HRA Subsidy (HRAS) regime. However from April 2012, a new HRA self financing system is being implemented, under which HRA Subsidy will be abolished in return for a one-off redistribution of debt. The HRA budget for 2012/13 has therefore been compiled on the basis of this new framework.
- 8.3 Expenditure charged to the HRA in 2012/13 includes:
- Repairs and maintenance;
 - Supervision and management;
 - Rent and rates; and
 - Capital charges.
- Income credited to the account in 2012/13 includes:
- Dwelling rents;
 - Non dwelling rents;
 - Charges for services and facilities; and
 - Interest receivable.
- 8.4 Any balances on the HRA at the end of the year are carried forward within the HRA to the next year. There is no general discretion to transfer sums into the HRA or to support the General Fund with contributions from the HRA i.e there can be no cross-subsidy between the General Fund and the HRA, although legitimate charges flow between the accounts.
- 8.5 The council must agree and publish an annual budget for the HRA and this budget must avoid a deficit. This process is often referred to as rent setting, as the final component in agreeing a balanced HRA is setting the level of dwelling rents. If, during the year, it seems that the account is moving into deficit, the council must take all reasonably practicable steps to bring the account back into balance, including the consideration of additional rent rises. To the extent that it is not possible to find savings or increase income, then a debit balance should be carried forward to the following year and the council must budget to eliminate the deficit during that year.

- 8.6 A detailed report on the HRA budget for 2012/13 is being considered by the Executive on 13 February 2012. That report sets out proposals for an average rent increase of 7.14% for the main properties within the stock. This is in line with the government's rent restructuring policy. The HRA budget is formally agreed by Full Council when this report is considered at its meeting on 27 February 2012
- 8.7 The dwellings that the council owns at Stonebridge (transferred from the Stonebridge Housing Action Trust following the ballot in 2007) are held outside the HRA, and are not therefore included in the HRA budget. Proposals for rent levels for these dwellings for 2011/12 are included in the "HRA Budget 2012/13 and Rent Increase Proposals for Council Dwellings" Report on the agenda for the Executive on 13 February 2012. For these Stonebridge dwellings in 2012/13, that report sets out proposals to increase the average rents by 6.3% and to decrease the service charges by an average of 0.7%.

The HRA Probable Outturn 2011/12

- 8.8 The HRA budget report shows that net HRA expenditure for 2011/12 is forecast to exceed the budget by £401k. Additionally the audited surplus brought forward from 2011/12 exceeded the budget by £697k. Taking these variances into account, it is therefore forecast that the estimated balance on the HRA account at 31 March 2012 will be £696k in surplus, which is £296k more than originally budgeted.

The HRA Budget 2012/13

- 8.9 The 2012/13 HRA budget includes the following:
- 8.9.1 The new HRA self financing system that takes effect from April 2012. Key issues include:-
- HRA Subsidy will cease from 2012/13;
 - The Government will redeem £198.000m of Brent Council's debt with the PWLB on 28 March 2012.
 - Brent's HRA borrowing limit under self financing will be £199.291m; and
 - The estimated HRA borrowing "headroom" (the excess of its borrowing limit over its actual debt) will be £59m
- 8.9.2 An inflation allowance of 0% for pay, an increase from 15.8% to 17.8% on employer's pension costs for BHP staff, 1.6% for repairs, 2% for cleaning, grounds maintenance and gas servicing, and 0% for other prices.
- 8.9.3 The government's implementation of its rent restructuring policy continues into 2012/13 and, under the national formula, individual rents should increase by 6.1% + 1/4 towards their target rent. However, the impact on tenants will be cushioned by "caps and limits", which generally means that in 2012/13 no rent will increase by more than 6.1% + £2.

8.9.4 An overall average rent increase of 7.14% (average £6.81 per dwelling per week) for the main properties within the stock. This increase is to be applied taking full account of the government's rent restructuring guidance. The following table sets out the impact on tenants, grouping the increase in bands:

Analysis of change in weekly rent from 2011/12 to 2012/13

Banding	No
Between £0 and £-4	9
Between £0 and £3	3
Between £3 and £4	51
Between £4 and £5	591
Between £5 and £6	1,437
Between £6 and £7	2,541
Between £7 and £8	3,067
Over £8	1,291
Total	8,990

8.9.5 An increase in service charges of 5.6%;

8.9.6 Net savings of £782k comprising stock loss, efficiency and other savings;

8.9.7 Growth of £5.642m for depreciation (to be spent on Major Repairs or debt Repayment). This growth represents a real increase in HRA expenditure for 2012/13. It is proposed that this additional resource be spent on Council Housing major repairs or repaying debt. This allocation of £5.642m includes £2.186m which is a one off budget allocation for 2012-13 only (funded from balances), and £3.456m which is ongoing. A further report will be presented to the Executive shortly as part of the updated HRA business plan and this will provide members with options on how this additional resource will be spent.

8.9.8 An estimated dwelling stock level (excluding Brent's Stonebridge dwellings) at 1 April 2012 of 9,000 dwellings;

8.9.9 Rent collection assumed at approximately 99.6% of the rental income due;

8.9.10 The capital charges take account of the one-off debt repayment of £198m on 28 March 2012 as part of the implementation of self financing. Additionally the capital charges take account of details forecast of premia, discounts, and interests rate movements. Capital charges are expected to decrease by £8.589m.

8.9.11 Voluntary HRA debt repayment. Up to 2003/04 there was a statutory requirement for the repayment of HRA debt. This requirement was removed in April 2004, along with the subsidy to pay for it. There is a provision to make a voluntary repayment, but this is not subsidised. No voluntary repayment of debt has been specifically included in the budget for 2012/13. The HRA budget for 2012/13 does however include £13.720m for Depreciation and this can be used on major repairs or debt repayment. This will be reviewed as part of the review of the HRA Business Plan (which will be reported to members shortly).

8.9.12 The current level of debt relating to the HRA was £331m at 31 March 2011 and this is expected to fall to £140m at 1 April 2012. This reduction takes

account of the one-off debt repayment of £198m under HRA self financing, and the £7m HRA capital programme agreed in the 2011-12 budget.

8.10 Taking into account the above, the HRA is estimated to show a surplus of £400k at 31 March 2013.

8.11 Details of the HRA budget are shown in Appendix J.

HRA Risks

8.12 The main risk associated with the HRA budget for 2012-13 are:

- Recovery of Leaseholder Service Charges (Major Work); and
- Rent Collection – maintaining high collection performance.

Review of the Management of the Council's Housing Stock

8.13 The Council's Housing stock is currently managed by Brent Housing Partnership (BHP), which is an Arms length management Organisation and was established in 2002. The current management agreement between the Council and BHP is due to expire in September 2012.

8.14 An independent review of the Housing management arrangements for the Council's stock reported to the July 2011 Executive and members agreed to consult tenants on a preferred option to manage the housing stock through Brent Housing partnership as an optimised ALMO focusing strongly on housing Management

8.15 Members also agreed, in light of the decision to optimise BHP, to undertake both an improvement and efficiency review, and a governance review. Details of these reviews, together with the outcome of the consultation, will be reported to the Executive before the current council/BHP contract expires so that a final decision on the future role of BHP and the management of the councils housing stock can be taken.

HRA Business Plan

8.16 The Council's HRA Business plan was updated in 2011 and showed that based on the provisional HRA self financing figures, the HRA 30 year business plan was viable. The key highlights from the 2011 Business Plan were:

- There is no capital shortfall in any year
- The HRA operating account remains in surplus throughout the plan
- Outstanding HRA debt in repaid in year 22.
- A surplus on the operational HRA by year 30 of £300m+

8.17 Officers now propose to update the HRA 30 year Business Plan, based upon the 2012-13 budget and the confirmed self financing data. This plan will be then used to propose a 5 year investment plan. A further report will be

presented to the Executive shortly to brief members on the updated 30 year Business Plan and five year Investment plan.

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SECTION 9

THE CAPITAL PROGRAMME 2011/12 to 2015/16

Introduction

- 9.1 This section up-dates the capital programme position for 2011/12 and sets out proposals for the programme from 2012/13 onwards. The programme includes for the first time projected figures for 2015/16.
- 9.2 The capital programme is a four year rolling programme. The key drivers of the capital programme are priorities in the Borough Plan and condition of assets. These are in turn reflected in the asset management plans for classes of assets (e.g. schools, council housing, other council buildings, roads, parks etc) and private sector and social housing strategies (disabled facilities grants, private sector renewal, housing association grants).
- 9.3 There are a number of constraints on the capital programme which are as follows:
- a. Unavoidable capital spending requirements: e.g. the council's buildings need to meet basic condition standards, school places need to be provided, roads need to be maintained;
 - b. Restrictions on the way resources are used: e.g. lottery, Transport for London, Targeted Capital Fund, devolved capital funding for schools, disabled facilities grant, other grant funding, Section 106 funding etc;
 - c. Limited access to capital receipts: This is particularly an issue given the impact of the current slump in the property market. The general market situation means it is not necessarily a good time to sell property assets;
 - d. Limited capacity to fund borrowing: There is no direct constraint on borrowing (since the Local Government Act 2003 introduced the prudential borrowing framework) but councils have to take into account the impact on future revenue spending. The level of prudential borrowing has to be considered in the context of the council's overall revenue budget commitments in the medium term. At a time when revenue budgets are being reduced the Council's ability to meet the costs associated with borrowing is significantly limited, unless it enables revenue savings elsewhere in the Council's budget.
- 9.4 The council continues to be required to consider longer term issues that need to be addressed. These include:
- a. The schools capital programme, specifically to meet longer term school capital needs and address the requirements for additional pupil places.
 - b. The longer term revenue and capital funding needs of council housing.
 - c. Sports facilities such as the requirement to develop a procurement strategy for Multi Use Games Areas (MUGAs) in the borough.
 - d. Parks where there is a backlog of repairs.
 - e. Highways infrastructure.

9.5 This section of the report sets out:

- Forecast outturn spending on the 2011/12 programme,
- The proposed 2012/13 to 2015/16 programme,
- The main risks in the capital programme,
- The policy to be applied to Minimum Revenue Provision.

The 2011/12 Capital Programme

9.6 The revised capital programme for 2011/12 is summarised in Appendix K(i), with details of the programme and changes to it in K(ii). A summary of the revised 2011/12 programme is included in Table 9.1 below.

Table 9.1 Revisions to 2011/2012 Capital Programme since Second Quarter Monitoring

Service Area	2011/12 position (second quarter) £'000	Amended 2011/12 position (third quarter) £'000	Variations to 2011/12 position £'000
Resources			
Grant and External Contributions	(65,338)	(66,750)	(1,411)
Capital Receipts	(15,043)	(15,507)	(464)
S106 Funding	(16,058)	(13,595)	2,463
Unsupported Borrowing	(22,322)	(12,545)	9,775
Self-funded borrowing	(53,172)	(33,409)	19,764
Total GF Resources	(171,933)	(141,806)	30,127
Housing HRA	(13,266)	(8,704)	4,562
Unsupported Borrowing	(7,252)	(5,953)	1,299
Self-funded borrowing	(81)	(11)	70
Total Resources	(192,532)	(156,474)	36,058
Expenditure			
Regeneration and Major Projects	139,952	119,335	(20,617)
Children and Families	4,461	0	(4,461)
Environment and Neighbourhood Services	14,155	14,199	45
Adults and Social Care	1,724	1,200	(524)
Housing	7,334	5,146	(2,189)
Corporate	4,307	1,926	(2,381)
Total GF expenditure	171,933	141,806	(30,127)
Housing HRA	20,599	14,668	(5,931)
Total Expenditure	192,532	156,474	(36,058)
Net Position	0	0	0

Further detail of the movements on the 2011/12 capital programme will be provided within the Performance and Finance Review 2011/12 – Quarter 3 report which will be submitted to the March meeting of the Executive.

2012/13 to 2015/16 Capital Programme

Overall programme

9.7 A summary of the proposed capital programme for 2012/13 to 2015/16 is attached as Appendix K(iii), with details of the breakdown of the programme in Appendix K(iv). Table 9.2 provides a high level summary.

Table 9.2 Proposed 2012/13 to 2015/16 Capital Programme

Service Area	Amended 2011/12 position (third quarter) £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Resources					
Grant and External Contributions	(66,750)	(61,426)	(47,103)	(33,208)	(17,361)
Capital Receipts	(15,507)	(23,775)	(7,315)	(8,815)	(22,320)
S106 Funding	(13,595)	(14,156)	(15,781)	(8,523)	(7,940)
Unsupported Borrowing	(12,545)	(2,280)	(6,730)	(6,972)	(6,972)
Self-funded borrowing	(33,409)	(80,453)	(1,718)	(200)	(200)
Total GF Resources	(141,806)	(182,090)	(78,647)	(57,718)	(54,793)
Housing HRA	(8,704)	(13,846)	(9,284)	(9,284)	(9,284)
Unsupported Borrowing	(5,953)	0	0	0	0
Self-funded borrowing	(11)	0	0	0	0
Total Resources	(156,474)	(195,936)	(87,931)	(67,002)	(64,077)
Expenditure					
Regeneration and Major Projects	119,335	165,952	64,517	43,588	40,663
Children and Families	0	0	0	0	0
Environment and Neighbourhood Services	14,199	7,535	8,250	8,250	8,250
Adults and Social Care	1,200	1,184	650	650	650
Housing	5,146	6,969	4,780	4,780	4,780
Corporate	1,926	450	450	450	450
Total GF expenditure	141,806	182,090	78,647	57,718	54,793
Housing HRA	14,668	13,846	9,284	9,284	9,284
Total Expenditure	156,474	195,936	87,931	67,002	64,077
Net Position	0	0	0	0	0

Spending proposals

9.8 The capital programme is based on the previous year's four year capital programme, rolled forward by a year, and amended to take account of the new Local Government Settlement announcement.

- 9.9 Amendments to the programme against that previously reported reflect:
- Slippage of funding for schemes from 2011/12.
 - Amended capital grant funding announcements.
 - Reviewed requirements for unsupported borrowing to underpin the capital programme taking into account affordability to the revenue account and levels of forecast capital receipts arising.
 - The addition of a fourth year – 2015/16 – to the four year programme which includes rolling programmes, such as highways maintenance, the private sector housing renewal programme, but does not at this stage include any new major schemes.

Resources

9.10 Funding changes from the previously agreed programme are as follows:

a. *Grant funded schemes*

Table 9.3, below sets out a comparison of grant notifications under the Government Settlement announcement to previously forecast budget provision.

Table 9.3 Grant Notifications - 2012/13 Forecast to Actual

Funding Source	2012/13 Forecast Programme Allocation £'000	2012/13 Announced Capital Allocation £'000	2012/13 Variance Forecast to Allocation £'000
Basic Need	7,411	24,092	16,681
Locally Co-ordinated Voluntary Aided Programme	1,529	1,305	(224)
Capital Maintenance for LA Maintained Schools	4,219	3,406	(813)
Devolved Formula LA Maintained Schools	631	566	(65)
Devolved Formula VA Maintained Schools	265	268	3
Adults Personal Social Services Grant	658	660	2

Members should note that Grants to Voluntary Aided schools are made direct to the schools (passported via the authority) and as such are not included in the capital programme as expenditure cannot be controlled by the Council.

b. *Capital receipts*

Capital receipts have been reviewed and capital programme resources amended to reflect the most up to date capital disposals forecasts. The position will continue to be kept under review. Details of the properties included in the disposal programme are included at Appendix K(v). The disposal timetable is indicative and decisions will be taken on the basis of market conditions at the time and the need for the council to ensure best value from the disposals.

c. *S106 Funding Agreements*

Table 9.4 below provides the details of estimated Section 106 agreement funds that have been allocated within the planned capital programme. Members should note that this is currently an indicative profile of expenditure, but a review is being established by officers from Regeneration and Major Projects to include other spending service areas to provide more accurate forecasting of S106 availability and utilisation. This review will also take into consideration the implications of the introduction of the Community Infrastructure Levy. Members should be aware that Section 106 funds are only triggered once schemes start on site and therefore timing of receipt of funds is not guaranteed, there has been a reduction in the number of agreements being triggered as a result of the economic downturn and a slowing in development.

Table 9.4 S106 Agreement Monies - 2011/12 to 2015/16 Capital Programme

S106 Agreement Monies	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Education	1,010	7,201	7,000	3,583	3,000
Environmental Health	256	121	140	100	100
Landscape & Design	896	414	552	200	200
Public art	372	107	141	100	100
Parks	533	583	682	500	500
Planning	1,272	406	542	300	300
Streetcare	228	64	32	100	100
Sports	990	342	453	200	200
Sustainability Strategy	27	13	15	10	10
Transportation	5,828	4,033	5,367	3,000	3,000
Housing	402	386	509	200	200
Brent into Work	969	264	279	200	200
General	57	52	69	30	30
Total	12,840	13,986	15,781	8,523	7,940

d. *Self-funded borrowing*

Schemes funded from self-funded borrowing include 'invest to save' schemes such as automation in libraries, energy conservation schemes for which part funding is from Carbon Trust monies, IT schemes, and funding for the Civic Centre.

e. *Other borrowing*

Overall unsupported borrowing levels within the capital programme between 2011/12 and 2015/16 have been reviewed in light of the Local Government Settlement announcement and the revised forecast levels of capital receipts arising in the individual years. Amendments have been made as appropriate ease pressure on the revenue account to meet debt charges.

Consideration of affordability is one of the critical tests in determining the limit on capital spending under the prudential regime for borrowing set up under the Local Government Act 2003. It is a requirement of the prudential regime that authorities monitor the impact of 'unsupported' borrowing on levels of council tax. Table 9.5 shows the impact on council tax bills of the unsupported borrowing (excluding self-funded borrowing) contained within the proposed capital programme for 2012/13 onwards.

Table 9.5 Impact of Unsupported Borrowing on Revenue Costs/Council Tax

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
2012/13 Unsupported borrowing £2.280m (excluding all self funded expenditure)	68	225	225	225
2013/14 Unsupported borrowing £6.730m (excluding all self funded expenditure)	0	201	573	573
2014/15 Unsupported borrowing £6.972m (excluding all self funded expenditure)	0	0	209	592
2015/16 Unsupported borrowing £6.972m (excluding all self funded expenditure)	0	0	0	209
Cumulative unsupported borrowing costs	68	426	1,007	1,599
Impact on Band D Council Tax – using 2012/13 council tax base of 98,398 of unsupported borrowing	£0.69	£4.33	£10.23	£16.25

Capital Programme Risks

- 9.11 Capital expenditure is on the whole easier to control than revenue spending as it is not generally demand led and commitments are only entered into once contracts are let. If it is necessary to reduce spending, it is possible to do so by not letting contracts.
- 9.12 The monitoring and management of the Capital Programme position is reported to Members as part of the Performance and Finance Review process.
- 9.13 The underlying capital programme risks are as follows:
- a. The impact of borrowing to fund the capital programme on the longer term financial stability of the council.
 - b. The effect of spending more on some schemes on the ability of the council to deliver other priority schemes.
 - c. The ability of the council to ensure that it is getting value for money from the spending it carries out on capital schemes.
 - d. The consequence of unmet needs on services provided in Brent.
 - e. Meeting capital funding needs for services funded under separate funding regimes, in particular schools and council housing.
 - f. Funding for major development programmes including South Kilburn and the new Civic Centre.
- 9.14 Table 9.6 below sets out these risks in more detail and the measures taken to manage them.

Table 9.6 Capital Programme Risks

Risk	More detailed description	Measures taken to manage the risk
a. The effect of spending more on some schemes on the ability of the council to deliver other priority schemes.	Additional spending on schemes above that allowed for in the programme reduces funding available for other schemes. For most spending programmes, spend is within the council's control and therefore overspends only occur if controls fail. In other cases, mainly ones that involve land	The council's capital spending controls and project management procedures are aimed at limiting additional costs to schemes in the programme. Schemes which it is proposed to add to the capital programme are subject to officer scrutiny and Member approval. Large schemes have to be approved by the Executive prior to going out to tender and when tenders come back. Smaller schemes are subject to the council's financial regulations and internal control procedures. Establishment of the Regeneration and Major Projects Department to improve

Risk	More detailed description	Measures taken to manage the risk
	purchase or compensation, such as the Academies schemes or the Estate Access and Stadium Access Corridors, there is less direct control.	the Council's approach to deliver schemes on time and within budget.
b. The ability of the council to ensure that it is getting value for money from the spending it carries out on capital schemes	The council spends up to £200m in a year on capital schemes. Achieving value for money is necessary to ensure that the council maximises outcomes from the spending.	<p>Measures taken to manage this risk include:</p> <ul style="list-style-type: none"> ○ Prioritisation of schemes as part of the process for putting together the capital programme; ○ Planned outcomes set for individual programmes are monitored through the quarterly Performance and Finance Review reports and in the annual budget report; ○ Council procurement procedures ensuring value for money is achieved through procurement; ○ Project management arrangements for individual schemes.
c. The consequence of unmet needs on services provided in Brent.	There is a limit on the resources the council can use to fund the capital programme. That means that not all needs can be met.	<p>The council takes a strategic approach to prioritising resources through the development of the Capital Strategy and the four year capital programme. In addition, asset management plans are used to measure unmet need.</p> <p>The council continues to secure resources from other sources including:</p> <ul style="list-style-type: none"> ○ Section 106 funding – although levels of triggered Section 106 have reduced as a result of the recession; ○ Lottery funding, ○ PFI funding, for example the Affordable Housing PFI; ○ Additional government funding, for example Basic Needs Safety Valve.

Risk	More detailed description	Measures taken to manage the risk
d. Meeting capital funding needs for services funded under separate funding regimes, in particular schools and council housing.	In the case of schools, the main pressures are the provision of additional pupil places and the need to maintain the conditions of schools.	<p>The council has previously allocated the full amount of government grant, supported borrowing allocation, and section 106 funding to the schools programme. In addition, schools are able to borrow to fund works on the schools loan scheme.</p> <p>The council is looking at other opportunities to get improvements and expansion of schools as part of wider developments. In addition, the council continues to make use of other funding regimes, such as the Academy programme, to secure government funding. Representations are also made to government for further additional funding to meet unmet needs.</p>
e. Funding for major development programmes	The council's major programmes/projects include the South Kilburn development, the primary school expansions, new Academies and the Civic Centre project. These programmes/projects each individually present major risks and challenges to the council.	The Regeneration and Major Projects Department has been established to improve the Council's approach to delivery of major programmes. Programme/Project Boards have been set up to manage each of these projects. There is reporting to Members at key stages of these programmes/projects.

Minimum Revenue Provision

- 9.15 The Local Authorities (Capital Finance and Accounting) Regulations 2003 set out the requirement that councils set aside a minimum of 4% of their General Fund capital financing requirement to repay principal on debt, regardless of the length of life of the asset that was being financed.
- 9.16 Revised regulations which amend this requirement were issued in 2008. Under the new regulations councils are required to set an amount of Minimum Revenue Provision (MRP) which is 'prudent'. The definition of what counts as 'prudent' is set out in statutory guidance which has been issued by the Secretary of State for Communities and Local Government and which authorities are required to 'have regard' to.

9.17 Under the guidance councils are required to prepare an annual statement of their policy on making MRP to Full Council. The purpose of this is to give Members the opportunity to scrutinise use of the additional freedoms and flexibilities under the new arrangements.

9.18 For new borrowing under the Prudential system, councils were required to adopt from 2008/09 one of two further options for determining a prudent amount of MRP. One option is 'the asset life method', which allows councils to make provision for repayment of principal over the estimated life of the asset. This can be done using the 'equal instalment' method, where equal amounts of principal are paid each year, with reducing interest payments as debt is repaid, or the 'annuity' method, which is akin to a mortgage where the combined sum of principal and interest are equalised over the life of the asset. An alternative option is the 'depreciation method' which involves making Minimum Revenue Provision in accordance with the standard rules of depreciation accounting. This means setting aside an amount each year in line with estimated annual depreciation until the total initial debt is provided for.

9.19 The policy previously approved and now proposed for continuation in 2012/13 for non-HRA assets is as follows:

- For prudential borrowing, it is proposed that the council adopts the 'asset life method', and that an 'annuity' approach is used for calculating repayments. This ensures payments are spread equally over the life of the asset, which matches more closely the value the council gets out of the asset than loading payments at the beginning as would happen under the equal instalment method. It is also considerably easier to understand and more transparent than the depreciation method (Option 4). The proposed asset lives which will be applied to different classes of assets are as follows:
 - Vehicles and equipment – 5 to 15 years;
 - Capital repairs to roads and buildings – 15 to 25 years;
 - Purchase of buildings – 30 to 40 years;
 - New construction – 40 to 60 years;
 - Purchase of land – 50 years (unless there is a structure on the land with an asset life of more than 50 years, in which case the land would have the same asset life as the structure).

The guidance also requires that the life of the asset is determined in the year in which it is acquired and is not varied subsequently. The requirement to make Minimum Revenue Provision does not commence until the asset becomes operational.

The guidance also sets out the approach to be taken to specific expenditure types which do not fall within these general categories, including spending capitalised under directions issued by the Secretary of State, capital grants to other organisations and individuals and so on.

Details of the maximum asset life that can be applied in these cases are set out in Table 9.7.

Table 9.7 Asset Life for Specific Assets Set Out in Guidance

Expenditure Type	Maximum Value of Asset Life
Expenditure capitalised by virtue of a direction by the Secretary or State	20 years
Expenditure on computer programs	The life of computer hardware
Loans and grants towards capital expenditure by third parties	The estimated life of the assets in relation to which the third party expenditure is incurred
Repayment of grants and loans for capital expenditure	25 years, or the period of the loan if longer
Acquisition of share or loan capital	20 years
Expenditure on works to assets not owned by the authority	The estimated life of the assets
Expenditure on assets for use by others	The estimated life of the assets
Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings	25 years

- 9.20 These policies do not apply to HRA assets. The duty to make Minimum Revenue Provision in the Local Authorities (Capital Finance and Accounting) Regulations 2003 does not apply to HRA assets.
- 9.21 MRP on finance leases and PFIs is charged using the annuity method. The interest rate used is that implicit to the lease/PFI. The policy for leases and PFIs has no additional impact on the General Fund as the MRP requirement is regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability.
- 9.22 Should there be any amendments to the policies set out in this section of the report these will be reported to Full Council at that time.

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SECTION 10

10. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2012/13

Introduction

- 10.1 This section of the report presents:
- a. The 2012/13 Treasury Management Strategy setting out the proposed borrowing and lending policy and the factors influencing this over the coming year.
 - b. The 2012/13 Annual Investment Strategy setting out the security of the investments made by the authority.
- 10.2 Under the Local Government Act 2003, local authority borrowing is regulated by the Prudential Code, details of which are set out in Section 11 of the Budget Report, and the requirement for an Annual Investment Strategy.
- 10.3 Members are asked to agree
- a) The Treasury Management and the Annual Investment Strategies for 2012/13 as part of the main recommendations to the report.

Regulatory Requirements

- 10.4 The 2011 Code of Practice for Treasury Management issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) includes provision for an annual report to Members on the Treasury Management Strategy. The Code requires that Members consider and agree the strategy before the beginning of each financial year. The Treasury Management Strategy is sensitive to interest rate movements, which may affect receipts from interest on balances, or payments of interest on new long term loans to the authority.
- 10.5 Guidance issued under Section 15 (1) (a) of the Local Government Act 2003 also requires that authorities should prepare an Annual Investment Strategy (AIS) to be agreed by Full Council before the commencement of each year. The AIS is required to set out the security of investments used by the authority, analysed between Specified and Non-Specified investments and clarifying the use of credit ratings. It also has to set out the maximum periods for which funds may prudently be committed (liquidity). To discourage the use of investments that may be considered speculative, such as equities, the acquisition of share or loan capital in any body corporate (such as a company) is defined as capital expenditure. On this basis, Brent does not invest treasury balances in shares, corporate bonds or floating rate notes issued by companies except through pooled schemes.
- 10.6 The Department for Communities and Local Government (DCLG) issued revised Guidance in 2010 following the collapse of Lehman Brothers and various Icelandic banks, and the House of Commons Select Committee

report on local authority investments in Icelandic banks. The main points in the Guidance are:-

- a) Security and liquidity are the key issues in lending. There should be clear policies on the duration of loans, and the share of the portfolio that can be lent for longer periods.
- b) The Treasury Strategy should be approved by Full Council. Authorities should consider sending revised strategies to members during the year.
- c) The Treasury Strategy should be published.
- d) Local Authorities should not rely solely on credit ratings but consider other information such as research and credit default swaps.
- e) The Treasury Strategy should comment on the use of advisers.
- f) The Treasury Strategy should comment on the investment of money borrowed in advance of need. The Guidance confirms that it is legitimate for authorities to borrow in advance, but is concerned that the consequent loans into the market should be legitimate and not speculative.
- g) The Treasury Strategy should comment on how staff training is reviewed and training needs met.
- h) The Treasury Strategy should include proposals for regular scrutiny by members.

The proposed Annual Investment Strategy for 2012/13 is attached.

Economic Background

10.7 The international economic background in 2008 was extremely volatile, with rising oil and commodity prices, and a credit crisis that led to the collapse / takeover / rescue of various banks as inter bank lending and the wider provision of credit reduced. In 2009, recession (the UK economy shrunk by 4.5%), low interest rates (UK 0.5%) and stock market recovery (up by 50% since the trough in March) were the main features. In 2010, growth resumed and stock markets rose. In 2011, growth slowed and the overall situation was as follows:-

- a) Economic growth was positive, but slowing in Europe (around 1%) and the UK (around 0.8). The World economy grew by around 3.5% - 4%.
- b) Stock markets fell by around 5% - 10%. Sentiment was affected by the Japanese earthquake, and concerns about the euro area.
- c) In UK, house prices were roughly stable, rising in London and the South East but falling elsewhere. Commercial property prices continued to recover during the year.
- d) Despite the previous recession and low wage increases, UK Consumer Price Inflation rose by an estimated 4.3% in 2011, driven by rising commodity prices, an increase in VAT and the previous decline in the value of sterling.
- e) Short term interest rates have remained very low (UK 0.5%, USA 0% - 0.25%, ECB 1%) as Central Banks have sought to support economic activity and recapitalise the banks. Longer term rates have been held down by a flight to safety and quantitative easing in UK and USA.

10.8 Looking ahead to the next financial year, it is expected that world economic growth will slow further to around 3% - 3.5% in 2012, led by growth in emerging economies such as China and India (6% - 8%) but restrained by lower growth in developed countries. Although the USA economy should grow by around 2% - 2.5% in 2012, it is anticipated that UK and Europe may be close to, or may even fall into, recession. Interest rates should continue to be very low – UK Bank Rate may remain at 0.5% through to 2014. Inflation should fall sharply to around 2% - 3% by year end, possibly lower as low pay increases (around 2% per annum in the year to December), unemployment and unused capacity reduce pressures. The government is likely to continue with economic stimulus measures such as Quantitative Easing, and could raise the amount under this programme from the current £75bn to as much as £500bn over the next 12 – 18 months. Long-term interest rates are likely to remain low as high saving rates in Asia, low demand and quantitative easing programmes continue. However, the government has increased interest rates charged by the Public Works Loans Board, so that any council borrowing will be more expensive than gilt yields.

Financial Market Background

10.9 As said above, the credit crunch of 2007 – 2009 led to the collapse of a number of banks. However, the collapse of Lehman Brothers – a key broker and investment bank – in September 2008 caused a financial tsunami to overrun the banking system. Concerns about the security of financial systems has led Brent to continue to restrict its Lending List to UK institutions.

10.10 The turmoil in 2008 caused three Icelandic banks to be put into administration when their credit ratings were reduced and they were unable to meet short term obligations. Brent had two deposits outstanding, as follows:-

Heritable Bank	£10m	Lent 15.08.08	Repayable 14.11.08
Glitnir Bank	£5m	Lent 15.09.08	Repayable 12.12.08

To date, the council has had £6.5m returned by the administrators of Heritable Bank, who suggest that depositors should recover around 86% - 90% of their original sum. It is anticipated that the £5m deposited with Glitnir will be returned early in 2012 following a favorable decision from the Icelandic Supreme Court. To date, Brent Council has paid £53,000 in legal expenses to facilitate recovery of the Glitnir deposit.

10.11 In the light of the crisis on the financial markets, the Lending List agreed by the Director of Finance & Corporate Services was reconstructed to reduce risk by the removal of foreign and lower rated UK banks, and Building Societies. In March 2009 and October 2010 the council made early repayment of loans from the PWLB valued at £64.75m and £50m., thus generating substantial savings (£2.2m per annum) and reducing balances available to deposit with other banks (currently at very low interest rates). The repayments have reduced council long term borrowing (currently £604.5m),

well below the anticipated level of the Capital Financing Requirement at the end of financial year 2011/12.

Lending Policy

- 10.12 Treasury management is defined as the management of the organisation's cash flows and its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 10.13 Table 10.1 indicates the projected summary cash flow for the authority. Note that long term borrowing as at 31st March 2012 has been reduced to take into account the repayment of around £200m housing debt by the DCLG. It is anticipated that cash balances will be approximately £21m by 31st March 2013 based on the forecasts in Table 10.1 below.

Table 10.1 - Cash Flow Summary 2012/13

	£m		£m
Balances as at 1 April 2012			10
Capital programme	(102)		
Debt repayment (including premia)	(4)		
			(106)
			(96)
Capital receipts/grants	36		
Payment of debt premia	5		
Long-term borrowing	56		
Short term borrowing	-		
Minimum Revenue Provision	10		<u>107</u>
Cash Balances as at 31 March 2013			<u>21</u>
Total long-term borrowing as at 31.03.12			405

- 10.14 In 2011, a number of countries and banks have been downgraded by the credit rating agencies in recognition of debt and capital reserve issues. Officers have reacted to advice by suspending and removing both banks and the only building society from the Lending List, and reducing duration to one month (from one year). However, the removal of all but two banks (one of these is currently only used for overnight deposits) has led to increased use of the Debt Management Office at very low yields. As diluting credit quality would be dangerous, it is proposed that:-
- Additional money market funds are added to the List, but with lower lending limits (usually £5m, rather than £12m previously).
 - Overseas banks of the requisite credit quality in countries that have AAA / A+ credit ratings, be added to the List. The countries involved are Canada, USA and Australia.

The proposed revised list is as shown in Table 10.2 below.

Table 10.2 – Revised Brent Lending List

A. UK BANKS – UP TO £10M for INDIVIDUAL banks or Banking GROUPS, as indicated below

Rated AA- or above long, F1+ short term, B/C or above individual, 1 support. Up to one month

HSBC Bank

Santander UK Ltd (overnight only)

B. OVERSEAS BANKS – UP TO £8M for INDIVIDUAL BANKS or banking groups, within Australia, Canada and USA, subject to a country limit of 20% (£10m). Rated AA- or above long, F1+ short term, B/C or above individual, 1 support. Up to one month

Australia

Australia and New Zealand Group

Commonwealth Bank of Australia

National Australia Bank

Westpac Banking Group

Canada

Bank of Montreal

Bank of Nova Scotia

Canadian Imperial Bank of Commerce

Royal Bank of Canada

Toronto Dominion Bank

USA

JP Morgan Chase Bank

C. MONEY MARKET FUNDS –UP TO £5M

Rated AAA

Royal Bank of Scotland

Morgan Stanley Cash Fund (up to £2m only)

Northern Trust

Various new money market funds, as appropriate

D. DEBT MANAGEMENT OFFICE – NO LIMIT – up to one year

E. OTHER LOCAL OR GOVERNMENT AUTHORITIES – NO LIMIT - up to one year

F. SUPRANATIONAL INSTITUTIONS – UP to £10M

AAA long term and F1+ short term ratings that are supported by major international organisations such as the USA FED or the European Central Bank.

10.15 The 2009 CIPFA Code of Practice in Treasury Management recommends that authorities should have regard to the credit ratings issued by all three main rating agencies, and make their decisions on the basis of the lowest rating, as well as to seek independent credit research.

10.16 Details of the basis on which credit ratings are used are set out in Table 10.3 below.

Table 10.3 – Use of Credit Ratings

- | |
|---|
| <p>a) The credit rating agencies (Fitch, Moody's and Standard & Poor) meet with financial institutions, review their financial prospects and issue ratings.</p> <p>b) The main source of ratings used by Brent is Fitch, which uses four sets of criteria which can be used as an overall grid. This approach should reduce risk, and is followed by a number of other authorities – though some authorities only use two ratings (long term credit and short term credit). The other two rating agencies do not issue support ratings.</p> <p>c) The Fitch ratings are as follows:</p> <ul style="list-style-type: none">i. Long term credit ratings are a benchmark of probability of default. The scales are split between investment and speculative grade – Brent only uses investment grade, which is spread from AAA – highest credit quality – to BBB – good credit quality.ii. Short term credit ratings are a benchmark of the probability of default, but with a 13 month time horizon. These are usually most relevant to our activity. The scale spreads from F1 (P1 for Moody's) – highest credit quality – to D, which is default.iii. Individual ratings are assigned only to banks and attempt to assess how a bank would be viewed if it were entirely independent and could not rely on external support. The rating looks at soundness of balance sheets and business models. There are often no ratings for subsidiaries. The scale spreads from A, a very strong bank, to F, a bank that has either defaulted or would have defaulted had it not been given support.iv. Support ratings indicate whether or not the bank will receive support should this be necessary. The scale spreads from 1, extremely high probability of external support, to 5, where support cannot be relied upon. |
|---|

10.17 As set out above, Bank rate is at 0.5% and expected to remain at that level during the year. Activity will be very cautious, lending for short periods only, and seeking to use Money Market Funds to add extra yield. However, reduced cash balances following previous restructurings will ensure that most cash is used for day to day cash flow purposes. The 2012/13 budget assumes that Brent will receive further payments from Heritable bank (£2m).

Borrowing Policy

10.18 Long-term interest rates have fallen during 2011/12, mainly as a result of quantitative easing and the flight to safety following the Euroland debt crisis. At present, 10 year yields are below 2%, and 50 year yields close to 3%. It is anticipated that long-term rates may fall marginally during 2012/13, but as rates are at historic lows the reduction is unlikely to be great unless there is major market turbulence. However, rates may rise if markets lose confidence in UK as a safe haven or if the economy begins to recover rapidly. The budget

uses a prudent assumption of a mix of short term borrowing and some longer term borrowing.

10.19 Borrowing policy in 2012/13 will be determined by a number of factors:

- a) The capital programme for 2012/13, including the new Civic Centre (£45M).
- b) The cost of loans from the PWLB. Previously the PWLB charged local authorities a 0.15% margin over government gilt rate when they took loans. In October 2010, the margin was increased to 1%, increasing pressure on councils to reduce capital programmes, borrow from other sources and to use internal resources (balances) rather than borrow externally.
- c) The Capital Financing Requirement (CFR). This is the difference between the authority's total liabilities in respect of capital expenditure financed by borrowing and the provision that has been made to meet those liabilities in the revenue accounts. Research by the council's treasury advisers had previously indicated that CFR has been the most economical level for the authority's long-term debt. However, whereas before 2008 the interest rate curve had been 'inverted', with long term rates lower than short term rates, the curve has now normalised so that it may be advantageous not to borrow up to CFR but use relatively cheaper, short term debt and reduce lending to the market. However, if long term rates are expected to rise to allow the government to fund its deficit through gilt issuance, it may be advantageous to take long term debt despite the short term cost. Alternatively, if short-term interest rates remain low, some debt may be taken at variable rates that follow short-term rates. This approach has the advantage of reducing borrowing costs if rates remain low, matching reduced receipts from lending.
- d) The need to borrow. The cash flow summary indicates a need to borrow in 2012/13.
- e) Movements in interest rates during the year. The current 50 year gilt rate of 3.1% is, theoretically, composed of elements to cover expected inflation (2.5% - 3% for RPIX), a real yield (usually about 2.5% - 3%) and a risk premium (around 0.5%). This implies either that current long-term rates are low and may rise marginally, or that inflation will remain very low and that the risk premium is lower. Currently, market sentiment, savings in Asia, quantitative easing and capital margin requirements on banks are supporting low gilt yields.
- f) The prudential limits to borrowing as agreed by Full Council (see Prudential Code section of the Budget Report, Section 11).

- 10.20 It is currently proposed to borrow a further £56m long term in 2012/13 for the Capital Programme. Officers will also look at market forecasts to confirm the advantages/disadvantages of borrowing early to fund major developments. Additional loans may also be taken if restructuring opportunities are evident or anticipated.
- 10.21 The Department for Communities and Local Government (DCLG) has proposed a reorganisation of housing finance in 2012, involving the repayment of around £200m housing revenue account debt. The implications for the council are as follows:-
- a) Repayment of around £200m debt in March 2012, reducing individual PWLB loans at no cost to the General Fund.
 - b) As the Housing Revenue account will own its debt, the establishment of three separate loans pools – existing debt, duly apportioned; new HRA debt; new General Fund debt. Interest will be charged on debt in line with standard accounting practice.
 - c) The Director of Finance & Corporate Services will continue to be responsible for all treasury issues, but will need to prepare and use a separate HRA business plan, and to take borrowing decisions solely on the basis of that plan.

Prudential Indicators

- 10.22 Under the revised Treasury Management Code issued in 2009, the treasury prudential indicators are to be included within the treasury management strategy report. Under the revised 2011 Code, an indicator is to be added to indicate whether or not the council is borrowing money in advance of need. The prudential indicators are as follows:
- a. Adoption of the CIPFA Code of Practice for Treasury Management. This was (re)adopted by the Council in January 2012. Amongst other things, it requires publication of an annual treasury management strategy, a mid-year report and an outturn report.
 - b. *Exposure to changes in interest rates:*
 - *Upper limit on net borrowing at fixed interest rates.* This has been set at 100% on the basis that all net borrowing may be at fixed rates if it is anticipated that short-term rates are set to rise and long-term rates are perceived to be low. Variable interest borrowing would be retained up to the level of any variable interest investments;
 - *Upper limit on net borrowing at variable rates.* This has been set at 40%. Variable rate borrowing is held as a hedge against variable rate investments. It also may be held where variable interest rates are low compared to fixed rates and fixed rates are expected to fall. The upper limit has also been set with debt restructuring in mind.

c. *Maturity structure of borrowing.* Upper and lower limits on proportion of fixed interest loans that mature in:

- Under 12 months;
- Between 12 months and 24 months;
- Between 24 months and 5 years;
- Between 5 and 10 years;
- Between 10 and 20 years
- Between 20 and 30 years
- Between 30 and 40 years
- Between 40 and 50 years

The limits have been set to allow flexibility to manage loan durations but also to avoid having too much exposure to maturing loans in any period.

d. *Total investments in excess of one year.* The limit proposed allows flexibility for the in-house team to lend for longer periods than one year if interest rates make this advantageous. The limit has been set at £20m to reflect lower balances, but at present investment duration is limited to one month until markets regain confidence.

e. *Gross and net debt.* This sets upper limits on the proportion of net debt compared to gross debt for the forthcoming and the two following years, calculated as the amount of net debt expressed as a percentage of gross debt.

Table 10.4 Prudential Indicators for Treasury Management

	2011/12	2012/13	2013/14	2014/15	2015/16
TM Code adopted	Yes	Yes	Yes	Yes	Yes
Exposure to interest rate changes:					
Upper limit on fixed rate interest (% of net borrowing)	100%	100%	100%	100%	100%
Upper limit on variable rate	40%	40%	40%	40%	40%
Maturity of fixed interest borrowing:					
Under 12 months:					
○ Upper limit	40%	40%	40%	40%	40%
○ Lower limit	0%	0%	0%	0%	0%
Between 12 and 24 months:					
○ Upper	20%	20%	20%	20%	20%
○ Lower	0%	0%	0%	0%	0%
Between 24 months and 5 years:					
○ Upper	20%	20%	20%	20%	20%
○ Lower	0%	0%	0%	0%	0%
5 to 10 years:					
○ Upper	60%	60%	60%	60%	60%
○ Lower	0%	0%	0%	0%	0%
10 to 20 years: (Note – similar limits for 20–30, 30–40 and 40–50 years)					
○ Upper	100%	100%	100%	100%	100%
○ Lower	0%	0%	0%	0%	0%
Upper limit on Investments of more than one year:	£20m	£20m	£20m	£20m	£20m
Upper limits on the proportion of net debt compared to gross debt, expressed as a percentage.	100%	100%	100%	100%	100%

Debt Restructuring

- 10.23 Many long-term loans were borrowed from the PWLB during periods when interest rates were high. The regulations under which such loans were given prevent their repayment without incurring substantial premia to reflect any difference between current low rates and previous higher rates. This could make the repayment of long-term debt with high interest rates expensive, especially if charged to the revenue budget for any one year.
- 10.24 Market loans known as LOBOs (Lenders Option, Borrowers Option) are long-term loans (up to 70 years) that allow the lender the option to increase the rate after a period of years. The borrower also has the option to refuse to pay a higher rate and repay the loan without incurring a penalty. Local authority debt is regarded as of high quality to lending institutions that are keen to grow such business on their loan books. To date Brent has taken 15 LOBOs, valued at £95.5m. The council may take more LOBOs if opportunities arise, subject to limiting council's exposure to potential increases during the period of the loan.
- 10.25 There are also other occasions when refinancing may be advantageous:
- a) When rates rise, but are expected to fall again later. In such cases it may be advantageous to switch to variable rate debt before fixing back into lower rates.
 - b) If debt has a short period to maturity but market interest rates are unduly pessimistic.
- 10.26 It is proposed to continue monitoring opportunities for debt restructuring and to take action as circumstances allow. In a low interest rate environment, there are fewer opportunities to restructure. At present the council's main lender, the Public Works Loans Board (PWLB), has changed its terms to charge a larger premium on debt repaid prematurely.

Member Engagement

- 10.27 Before 2008, two Treasury Management reports were made each year, unless important issues arose. The reports were the Strategy report, when setting the budget, and the Outturn report at year end. However, since the collapse of Lehman Brothers and the default of the Icelandic banks, there have been reports on lending activity to each meeting of the Audit Committee, setting out deposits at the end of each quarter and how the lending list has changed over the period. Other papers have detailed the report of the Commons Select Committee on local authority lending to Icelandic banks, the revised CIPFA Treasury Management Code of Practice and the DCLG Guidance on local authority investments.

10.28 The revised CIPFA Treasury Management Code of Practice makes some changes to previous practice, as follows:-

- a) A mid-year review of the annual treasury strategy to Full Council, looking at activities undertaken and any variation from agreed policies / practices.
- b) The Audit Committee is to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- c) The Director of Finance and Corporate Services is to ensure that members with treasury management responsibilities have access to appropriate training opportunities

As part of this, a training session for members was held in 2011.

SECTION 11

11. SETTING PRUDENTIAL INDICATORS FOR 2012/13

Introduction

- 11.1 The introduction of a new prudential system of borrowing in the 2003 Local Government Act gave new opportunities for councils to assess their requirements for capital spending, and not have them artificially restricted by nationally set credit approvals, as they were under the previous system. But it also brought new responsibilities on councils to ensure that:
- a. capital expenditure plans are affordable;
 - b. all external borrowing and other long term liabilities are within prudent and sustainable levels; and
 - c. treasury management decisions are taken in accordance with good professional practice.
- 11.2 Under regulations issued under the 2003 LGA, councils are required to follow the Prudential Code issued by CIPFA which sets out how councils ensure they use their new freedom responsibly. The code sets out indicators which councils are required to set before the beginning of each year, to monitor during the year, and to report on at the end of each year.
- 11.3 In setting their prudential limits, Members must have regard to:
- a. Affordability e.g. implications for council tax and council housing rents.
 - b. Prudence and sustainability, e.g. implications for external borrowing.
 - c. Value for money, e.g. options appraisal.
 - d. Stewardship of assets, e.g. asset management planning.
 - e. Service objectives, e.g. strategic planning for the authority.
 - f. Practicality, e.g. achievability of the forward plan.
- 11.4 This section sets out proposed prudential limits for Brent for 2012/13 and subsequent years, which Members are asked to agree. It also sets out the arrangements for monitoring the prudential indicators.

Affordability

- 11.5 The Code requires Members to consider the affordability of decisions on investment in council assets.
- 11.6 Affordability of capital expenditure cannot be isolated from the affordability of the council's overall revenue expenditure. Section 9 of this report sets out the proposed capital programme for 2012/13 and subsequent years. General Fund revenue spending in 2012/13 to fund the unsupported borrowing proposed in that year is estimated at £68k (see section 9). Members should

note however that proposed unsupported borrowing in the capital programme for 2012/13 onwards will have a cumulative impact on the council's budget and the costs of funding it are growing from £68k in 2012/13 to £426k in 2013/14, £1.007m in 2014/15 and £1.599m in 2015/16.

- 11.7 The CIPFA code requires that the council estimates:
- a. capital financing charges as a proportion of net revenue stream for both the General Fund and Housing Revenue Account; and
 - b. the incremental impact of changes to the capital programme on council tax and rents.
- 11.8 The required calculations for 2012/13, and the three subsequent years are set out in Table 11.1 below. The ratio of capital financing charges to spending in the General Fund is 9.82% in 2012/13, increasing to 11.43% by 2015/16. Capital financing charges within the HRA reduce as a proportion of the budget over the same period, decreasing from 22.28% in 2012/13 to 13.66% by 2015/16. The impact on Council Tax at Band D of unsupported borrowing was set out in Section 9 members should note that this calculation does not take account of the provision made for self-supported borrowing.

Table 11.1 Prudential Indicators of Affordability

	2012/13	2013/14	2014/15	2015/16
Capital financing charges as a proportion of net revenue stream:				
Capital Financing Charges (£m)	25.563	26.603	28.104	29.668
Budget Requirement (£m)	260.392	258.816	254.581	259.450
- General Fund	9.82%	10.28%	11.04%	11.43%
HRA Financing Charges (£m)	11.204	10.249	8.187	7.379
HRA Net Revenue Stream (£m)	50.518	51.773	53.060	54.378
- HRA	22.18%	19.80%	15.43%	13.57%
Impact of unsupported borrowing on:				
- Council tax at Band D	£0.69	£4.33	£10.23	£16.25
- Weekly rent	0	0	0	0

- 11.9 At a time when revenue budgets are under severe pressure the Council's ability to meet the costs associated with borrowing is significantly limited. Section 9 of this report has set out the Council's proposed Capital Programme for 2012/13 and subsequent years in the light of the Local Government Settlement announcement. However, ultimately affordability remains a political judgement and Members need to assure themselves that the plans set out in the report are affordable in terms of council tax and rent increases.

Prudence and Sustainability

11.10 The issues of prudence and sustainability are closely related to that of affordability. Are borrowing levels sensible and prudent and sustainable over the longer period? In particular is borrowing set at a level to finance capital investment in total and not for other purposes?

11.11 The indicators for prudence and sustainability cover capital spending, external debt, and treasury management.

11.12 For *capital spending*, the prudential indicators are as follows:

- Planned capital spending on the General Fund and HRA (see chapter 9);
- The estimated capital financing requirement for General Fund and HRA, reflecting the council's underlying need to borrow. This covers borrowing to fund past capital spending and in-year capital spending.
- HRA Limit on indebtedness reflecting the limit imposed at the time of implementation of self-financing by the Department of Communities and Local Government. This is monitored against the HRA Capital Financing Requirement which should remain below the limit set.

Table 11.2 Prudential Indicators for Capital Spending

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Planned capital spending:					
- General Fund	141.806	182.090	78.647	57.718	54.793
- HRA	14.668	13.846	9.284	9.284	9.284
- Total	156.474	195.936	87.931	67.002	64.077
Estimated capital financing requirement for ¹ :					
- General Fund	413.547	482.722	477.421	470.436	463.641
- HRA	338.527	140.527	140.527	140.527	140.527
- Total	752.074	623.249	617.948	610.963	604.168
HRA Limit on Indebtedness:					
- HRA	n/a	199.291	199.291	199.291	199.291

¹ The Capital Financing Requirement estimates in this table are at 31st March of each year.

11.13 For *external debt*, the prudential indicators are as follows:

- a. The authorised limit for external debt. This allows flexibility to carry out debt restructuring should opportunities arise. For example, it may be appropriate to borrow in advance of repaying the original debt. It is therefore set at approximately £175m above the capital financing requirement to provide this flexibility. In addition the limit is set a further £25m above the capital financing requirement for 2011/12 onwards to allow for the second tranche loan to the BHP for continuation of the Settled Home Initiative.
- b. The operational boundary for external debt. This sets out the expected total of borrowing for each year. This is lower than the authorised limit and is a key management tool for in-year monitoring. It is set at a level that reflects the council's capital financing requirement, the level of the capital programme, and estimated requirements for cash flow. The boundary is set at a level approximately £75m above the capital financing requirement to allow for early borrowing either for restructuring or where interest rates may rise. The boundary is also set a further £25m above the capital financing requirement for 2011/12 onwards to allow for the loan to the BHP, as detailed above. The CIPFA code accepts that the operational boundary may on occasions be breached temporarily but that a sustained or regular trend above the operational boundary would be significant and lead to further investigation and action as appropriate.
- c. Net *borrowing*. A key indicator of prudence is that net external borrowing – gross borrowing less investment – does not, other than in the short term, exceed the total capital financing requirement. This is to ensure that net borrowing is only used for capital purposes.

Table 11.3 Prudential Indicators for External Debt

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Authorised limit for external debt	754	823	818	811	804
Operational boundary for external debt	654	723	718	711	704
Net borrowing	Below CFR	Below CFR	Below CFR	Below CFR	Below CFR

Achieving Value for Money

- 11.14 Members also need to consider achievement of value for money. There are many potential capital projects that are not value for money and the prudential code prohibits borrowing for such purposes. In Brent value for money is addressed in a number of ways including:
- a. Projects are initially vetted for amongst other things value for money before being recommended for inclusion in the Capital Programme.
 - b. The Capital Strategy requires all projects to be internally assessed for VFM before being submitted.
 - c. Major projects require approval by the Executive and reports to Executive have to address VFM considerations.
 - d. Standing orders ensure that letting of contracts is subject to appropriate competitive processes.
 - e. Internal and external audit assess systems to ensure that appropriate processes are in place in identifying capital projects.

Proper Stewardship of Assets

- 11.15 The Code also requires consideration of stewardship of assets. The capital programme must deliver properly maintained assets and should not lead to acquisition of assets which put a strain on the council's ability to achieve this objective for all its stock. The council has developed an asset management plan for its general fund assets and a long term business plan for HRA stock which identifies the investment needs to keep assets to an appropriate standard. The long term business plans for the General Fund and HRA demonstrate that sufficient resources are available to maintain this stock at an affordable level.
- 11.16 The capital programme as a whole is linked to the Borough Plan and other plans and objectives of the council. This is a key criterion before projects can be recommended for inclusion in the capital programme. The service development planning process ensures that spend on revenue and capital is linked to the council's overall objectives. The budget approval process gives Members a final opportunity to check that this objective has been met.

Practicality

- 11.17 This is the last of the issues Members have to consider in setting prudential indicators. Is the capital programme set out in Section 9 of this report capable of delivery? Is it practical?
- 11.18 In 2012/13, monthly monitoring of the implementation of the delivery of the programme will continue and required action taken where there is delay. Section 9 has also set out the main risks associated with the capital programme and how these will be managed.

Monitoring and Reporting on Prudential Indicators

11.19 The CIPFA Code requires that prudential indicators are monitored during the year and reported at the end of the year as part of the final accounts.

11.20 The arrangements we have put in place for this are as follows:

- The probable actuals and estimates for all prudential indicators are reported as part of this budget report to the Executive and Full Council;
- The report to the Executive on the capital outturn includes details of the outturn on prudential indicators on affordability, capital spending, and external debt. Any amendments during audit will be included in our report to General Purposes Committee on audited accounts.
- Prudential indicators on affordability and capital spending are also reported in Performance and Finance Review reports to the Executive as appropriate.
- Prudential indicators on external debt and treasury management are monitored daily within Finance and Corporate Services. The Director of Finance and Corporate Services and Deputy Director of Finance and Corporate Services review the figures on these indicators on a weekly basis. Any forecast of a breach of the limits or actual breach of the limits will be reported at the first opportunity to General Purposes Committee. The only exception to this is breaches of the operational boundary on borrowing which will be reported in the next budget monitoring report to the Executive (unless they are sustained in which case they will be reported on an exception basis to General Purposes Committee).

SECTION 12

12. PROCEDURES REQUIRED TO CONTROL EXPENDITURE

Introduction

12.1 The council controls expenditure in a number of different ways. Principal amongst them are:

- (a) The Constitution including Standing Orders and Financial Regulations which set out delegated expenditure limits, control procedures for external contracts, and the financial and reporting responsibilities of Service Area and Service Unit Directors;
- (b) Additional guidance and directions issued on a regular basis by the Director of Finance and Corporate Services;
- (c) This budget report and the budget process which allocates resources between services and sets a framework through which spending can be monitored during the year.

12.2 The purpose of this section is to remind Members and Service Area or Corporate Directors of the expenditure control framework and how it will operate in 2012/13.

Roles and Responsibilities

12.3 Under the executive arrangements Full Council is responsible for approving the budget and policy framework and the Executive are then responsible for implementing the policies and spending the budget (except in respect of those functions such as planning which are not executive functions) in accordance with the budget and policy framework and the council's constitution.

12.4 Members and officers at all levels within the organisation have a role to play and responsibilities to carry out in order to manage the council's finances. Everybody needs to be clear about what their roles are, to ensure proper accountability across the council, to avoid either duplication or areas where no one is accountable. There also have to be clear links between service and financial planning. Service priorities can only be agreed in the light of what is affordable.

12.5 Key roles include:

- Full Council set policy about service levels and priorities and take decisions to prioritise resources between service needs and council tax levels. They ensure that officers are monitoring spending, and agree action plans to recover from potential overspends.
- The Budget and Finance Overview & Scrutiny Committee scrutinises the budget process and the robustness of the budget proposals for both the current financial year and the medium term.

- The Corporate Management Team's role is to ensure corporate ownership of financial discipline and effective risk management and, through the Strategic Finance Group, provide Members with advice and enact their decisions.
- The Director of Finance and Corporate Services should put in place financial standards across the council to deliver a framework for financial control and provide accurate, timely and consistent monitoring information, and sound advice on financial decisions to be made by officers and members. He should also ensure that an effective and independent internal audit function operates.
- Service Area or Corporate Directors ensure that their service area enacts the necessary financial control and risk management framework and keeps spending within budget, indicating, where necessary, conflicts between current service policy and plans and resource allocation.
- Service Unit Managers should keep accurate financial records, comply with the financial control framework and take timely action to keep spending within budget.

Monitoring the Budget

- 12.6 Once the budget has been set for the year and spending has started, it is critical to have an up to date and accurate picture of how spending is going.
- 12.7 The key monthly events in the cycle will be:
- Service units supply information to finance business partners on spending to date and year end forecasts.
 - Service areas supply similar information on total spending within their responsibility (including units) to Finance and Corporate Services.
 - The Strategic Finance Group will review the monitoring information and provide summary information and exception reports to the Corporate Management Team.
 - The Strategic Finance Group through the Corporate Management Team will examine proposed recovery plans, and take any other necessary action (including making recommendations to the Executive) to deliver spending within overall resources.
- 12.8 In addition to this monthly cycle, the Director of Finance and Corporate Services will report at least quarterly to the Executive on spending and forecasts. This report may go to Full Council if it requires decisions outside the budget and policy framework. The Director of Finance and Corporate Services will report immediately to the relevant Member body any significant financial problem that requires Members' decision to correct.

Virements, Transfers and In-Year Changes to Policy

- 12.9 The Council's Standing Order 19 sets out requirements in respect of the above.
- 12.10 Full Council agreed an update Scheme of Transfers and Virements under Standing Order 19(a), attached at Appendix N, in November 2005. This refers to a Schedule of Earmarked Reserves and Provisions approved by Full Council at the budget setting meeting held before the start of the financial year. This schedule for the 2012/13 financial year is Appendix N at Schedule 1. Members are asked to approve this.

Controlling the Budget

Overspending

- 12.11 Overspends are not acceptable. There is unlikely to be any cause of an overspend that cannot be dealt with by action of some kind, even if this means changing policy, service levels and staffing levels, or virements from elsewhere in the service's budget.
- 12.12 If the monthly monitoring reports indicate that an overspend is likely, and subsequent investigations confirm this view, then Service Area or Corporate Directors will be required to detail the action they propose to take to correct the overspend. This will normally be expected to take the form of changes to the service necessary to correct the imbalance. Specific and costed proposals will be expected. Exceptionally, Service Directors may need to seek the Executive's approval to propose a change in policy to meet the overspend, which would then be submitted for Full Council's approval.
- 12.13 There may be occasions where, although changes are proposed that will reverse the overspend, they will not operate quickly enough to recover the position in the current financial year. Service Area or Corporate Directors must examine all further possible savings within their service to deal with any shortfall. If they have done so and an overspend is unavoidable then they can apply to the Executive for a one-off supplementary budget allocation subject to the agreement of the Director of Finance and Corporate Services. Again according to the limits defined this may need Full Council's approval.
- 12.14 Any overspend of controllable expenditure has the effect at outturn of reducing the council's balances. Normally all such use of balances will be required to be replaced by the service causing them to happen.

Rejected Growth Bids

- 12.15 Services will have, during the budget setting process, submitted bids not approved and not included in the budget. Services need to consider their rejected growth bids and either fund the growth from compensating savings (see below) or not proceed with them. Service Area or Corporate Directors

may need to produce a report to the next cycle detailing the action if any that is recommended in each case.

Compensating Savings

- 12.16 The phrase “*compensating savings*” can be used loosely in respect of committee reports. For the avoidance of doubt this phrase and the alternative of “met from within existing budget” are taken to have the following meanings:
- (a) “*Compensating savings*”- efficiency savings or service cuts are required to fund the spending proposal. If this phrase is used then the Service Area or Corporate Director **must** identify how the compensating savings are to be found and explain fully in the report what the service implications are. If none are offered it will be assumed that none are available and the financial implications supporting the application are invalid.
 - (b) “*Met from existing budget*”- can be used to refer to a specific expenditure proposal that has been included in a budget, or falls within a normal budgeted category and where the item can be funded without an overspend, or where there are unallocated funds in a budget that can be used to fund the current year and the subsequent year costs of the item.
- 12.17 The significance of these definitions is that they ensure that new expenditure proposals are always funded and do not cause overspends. If “*compensating savings*” is used as the funding justification and are not specified then the financial implications are invalid and therefore no authority can be given for the spending. If “met within budget” is used, then by definition there can be no overspend arising from the expenditure decision itself.

Balances

- 12.18 The council has working balances to meet unforeseen financial contingencies. There is a danger that they will be seen as a resource available to solve any and every financial problem that arises. Therefore there is a need to establish policies to regulate the use of balances.
- 12.19 The key policy is that any application of balances must be accompanied by a proposal to restore them in the future. The possible reasons for allocating balances and the way that balances can be recovered include:
- (a) A reference from a service for funds to avoid a policy change to eliminate an overspend. The service needs to identify additional efficiencies and savings the following year to restore balances while the continuing costs of the existing policy are added to its total saving requirement.
 - (b) A reference from a service for a temporary allocation of balances to give the service time to recover an overspend. The service needs to agree to restore the balances used over a period of time.

- (c) To fund implementation costs of future savings. The first call on the future efficiencies and saving will be the restoration of balances.
- (d) To provide initial funding for new initiatives or proposals. The restoration of balances and the future year costs are met by increasing the council's overall saving target in future years.
- (e) To meet the cost of a policy change not budgeted for at the start of the financial year. The restoration of balances and the future year costs are met by increasing the council's overall saving target in future years.
- (f) To meet some financial contingency not foreseen at the beginning of the financial year. The restoration of balances and the future year costs are met by increasing the council's overall saving target in future years.

12.20 In every case balances can only be allocated on the recommendation of the Council's Director of Finance & Corporate Services (S151 of Local Government Act 1972) and by the Executive or, depending on the defined limits, Full Council.

12.21 Balances will not be available to meet overspends or other inappropriate purposes. The Executive should use any control it has over balances as a means of ensuring that services are putting in place adequate recovery plans.

Financial Implications

12.22 There is a requirement to provide financial implications on every report requiring a Member decision, and for these to be cleared with the Director of Finance & Corporate Services in advance of publication. The Director of Finance & Corporate Services has a right to issue a report concurrently on matters requiring the Members' attention. There is a need to be clear about the content of financial implications so that they can play their intended role in controlling expenditure.

12.23 The financial implications of any proposal should set out:

- Its cost in the current and future financial years, and the basis on which the cost has been calculated;
- An assessment of risks involved, including the potential impact, likelihood and the approach to management of those risks;
- The proposed funding source, indicating either that it can be met from existing service area resources or what compensating savings will also have to be agreed; and
- If additional resources are required, a clear reference indicating what part of the cost is additional, and the policy and service implications of both not proceeding and funding the proposal from within existing resources, and the time period over which any use of balances could be repaid.

12.24 The Director of Finance & Corporate Services must be consulted on all financial implications that may result in a reference for additional funding, and

should be consulted on major financial issues where spending is being contained within budget. For practical purposes, services should indicate to Finance and Corporate Services, as soon as they can, any issues that are likely to result in a report requiring such clearance, to enable the consultation to proceed as smoothly as possible. **In all cases failure to provide financial implications in the prescribed manner means that expenditure approval has not been given, and any expenditure that takes place is unauthorised.**

12.25 Where the Director of Finance & Corporate Services believes the financial implications of a report to be invalid he may:

- Require the report to be withdrawn from the relevant meeting;
- Supply alternative financial implications under his own name to be circulated to the meeting; or
- Indicate to the meeting the reasons why he believes the financial implications are invalid and the consequences of proceeding on that basis (i.e. that the expenditure would be unauthorised despite a resolution of the meeting to agree it).

12.26 The above is designed to protect Members from agreeing to proposals without having adequate financial advice before them. Where that is the case, irrespective of these rules, administrative law may well mean that any decision is invalid. The rules also have the effect of protecting the council from unfunded spending proposals.

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Appendix E	First Report of the Budget & Finance Overview & Scrutiny Committee
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2011/12 LATEST REVENUE BUDGET COMPARED WITH FORECAST OUTTURN

	Original Budget £'000 (1)	Latest Budget £'000 (2)	Full Year Forecast £'000 (3)	Variance £'000 (3)-(2)
Service Area Budgets				
Adult Social Services	92,155	91,745	92,037	292
Children & Families	57,831	56,299	56,407	108
Environment & Neighbourhood Services	42,567	39,254	39,254	0
Regeneration & Major Projects	21,974	25,482	25,376	(106)
Finance & Corporate Services & Central Services	26,407	32,416	32,302	(114)
	240,934	245,196	245,376	180
Capital Financing Charges	25,359	25,359	24,965	(394)
Levies	2,238	2,238	2,207	(31)
Premature Retirement Compensation	5,148	5,148	5,148	0
Insurance Fund	1,800	1,800	1,800	0
New Homes Bonus	(1,250)	(1,065)	(1,065)	0
Regeneration	1,250	0	0	0
One Council Programme	(31)	(81)	(81)	0
Remuneration Strategy	229	229	229	0
South Kilburn Development	900	900	900	0
Affordable Housing PFI	1,159	1,159	1,159	0
School Refurbishment	1,500	0	0	0
Carbon Tax	227	227	227	0
Redundancy & Restructuring Costs	6,354	6,354	6,354	0
Inflation Provision	2,520	860	860	0
Centrally Held Cost Pressures	2,000	2,000	2,250	250
Other Items	1,051	1,064	1,064	0
Total Central Items	50,454	46,192	46,017	(175)
Government Grants	(25,999)	(25,999)	(26,004)	(5)
Contribution to/(from) Balances	2,500	2,500	2,500	0
Total Budget Requirement	267,889	267,889	267,889	0
Balances B/Fwd	7,261	7,261	7,580	319
Contribution from Balances	2,500	2,500	2,500	0
Total Balances Forecast for 31st March 2012	9,761	9,761	10,080	(319)

*

BUDGET VIREMENTS - 2011/2012 - Quarter 3

Detail	Children & Families	Environment & Neighbourhoods	Adult Social Services	Regeneration & Major Projects	Customer & Community Engagement	Chief Executives Office	Strategy Performance & Improvement	Legal & Democratic	Finance & Corporate Services	Central Items
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Rent and Service Charges - Consolidation of budgets	(2,585)	(2,199)	(1,915)	8,947	(654)	(29)	(132)	(300)	(1,133)	
Learning and Development - Consolidation of budgets			(251)						251	
IT Staff Transfers - Consolidation of budgets	(46)	(50)	(423)	(48)	(78)				645	
IT Leasing (Photocopiers) - Consolidation of budgets	(274)	(223)	(10)	(46)					553	
IT Charges (TCO) - Consolidation of budgets		49		(214)			20		145	
Customer Services Reorganisation - including One Council savings		(44)			(2,710)				2,057	697
Employee Benefits - Allocation of One Council savings	(142)	(97)	(136)	(77)	(3)		(4)		(26)	485
Payroll Admin Charges - Consolidation of budgets	(137)	(94)	(61)	(48)	(25)		(5)	(9)	379	
Total	(3,184)	(2,658)	(2,796)	8,514	(3,470)	(29)	(121)	(309)	2,871	1,182

2012/13 REVENUE BUDGET

	2011/12 £'000	2012/13 £'000
Service Area Budgets (SABs)		
Adult Social Services	92,155	89,552
Children & Families	57,831	51,402
Environment & Neighbourhood Services	42,567	34,073
Regeneration & Major Projects	21,974	33,277
Finance & Corporate Services & Central Services		
- Central Services	12,543	10,074
- Finance and Corporate Services	13,864	22,256
Total SABs	240,934	240,634
Other Budgets		
Central Items	45,965	41,180
Transformation Enabling Fund	0	3,500
Inflation Provision	2,520	2,025
One Council	(31)	(734)
Centrally held cost pressures	2,000	0
Council Tax Grant	(2,585)	(2,575)
Unallocated Government Grants	(23,414)	(24,638)
Use of Balances	2,500	1,000
Total Other Budgets	26,955	19,758
Total Budget Requirement	267,889	260,392
Less		
Formula Grant	165,911	155,420
Surplus/(Deficit) on the Collection Fund	(1,006)	774
	164,905	156,194
Total to be met from CT for Brent Budget	102,984	104,198
Total to be met from CT for GLA Precept	30,131	30,486
Taxbase - Band D Equivalents	97,252	98,398
Brent Council Tax Requirement at Band D	£1,058.94	£1,058.94
Brent % Increase	0.0%	0.0%
GLA Precept	£309.82	£309.82
GLA % Increase	0.0%	0.0%
TOTAL BAND D including Precepts	£1,368.76	£1,368.76
TOTAL % Increase	0.0%	0.0%

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SERVICE AREA: Budget Summary

ITEM	YEAR 1	YEAR 2				
	2011/2012 Approved Budget £'000 (1)	Budget Virements & Technical Adjustments £'000 (2)	Cost Pressures £'000 (3)	Savings £'000 (4)	Inflation £'000 (5)	2012/2013 Budget Forecast £'000 (6)
Adult Social Services	92,155	(2,219)	2,229	(2,613)	0	89,552
Children & Families	57,831	(4,903)	1,690	(3,216)	0	51,402
Environment & Neighbourhood Services	42,567	(5,876)	641	(3,259)	0	34,073
Regeneration & Major Projects	21,974	11,890	1,194	(1,781)	0	33,277
Finance & Corporate Services / Central Service	26,407	5,374	1,404	(855)	0	32,330
TOTAL	240,934	4,266	7,158	(11,724)	0	240,634

Notes:

1. 2012/2013 Budget = Column 1 + 2 + 3 + 4 + 5

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SERVICE COST PRESSURES - 2012/13 - 2015/16

Service	Item	2012/13	2013/14	2014/15	2015/16	Comments
		£'000	£'000	£'000	£'000	
Demand led pressures						
Adults	Transitions	1,300	600	600	600	Children with disabilities accessing social care services transfer into adult social care at age 19 (or later, if in full time education). The costs of providing social care services to children in transition then become a service cost pressure for Adult Social Services. The number of children in transition and the cost of their care vary from year to year. As they often transfer part way through the financial year, the full year effect of their costs is felt in the year following their transfer.
Adults	Mental Health - Placement Costs	693				An increase in demand for high care and supported placements which outweighs the supply offered under existing contracts/SLAs within the Borough has together with the PCT applying more rigorous criteria to the funding of their proportion of section 117 spot purchase placement costs has created a budget shortfall for 2011/12. This shortfall is being covered by one off savings in 2011/12 but will continue into 2012/13.
Adults	Social Care Grant	182				As part of the 2011/12 budget, income from the PCT of £3.414m was built into the Adults budget as part of additional funding received by the NHS to passport to local authorities. For 2012/13 this funding is due to fall by £182k to £3.232m. The funding for 2013/14 onwards remains uncertain
C&F	Social Care - Legal costs	836				Additional legal costs resulting from increased number of referrals in children's social care. Of this £700k was held centrally in 2011/12
E&NS	StreetCare - Street Lighting PFI Additional Lighting	20				Maintenance costs in the Street Lighting PFI continue to increase with new traffic and parking schemes.
R&MP	Housing - Temporary Accommodation	1,134	500			Changes to the Local Housing Allowance regime and HB subsidy for temporary accommodation in April 2011 have already resulted in an increase in homeless demand (a 20% increase in year to date), and our ability to procure cost effective temporary accommodation. The changes in LHA have also significantly impacted on our ability to procure private rented sector property for homeless prevention purposes. This growth bid includes £1m of growth held centrally in 2011/12 and been offset by expected One Council savings on housing needs. These current pressures are expected to increase further from January 2012 onwards, when the current LHA transitional arrangements end. We expect to see a significant further increase in homelessness from this point onwards, with the full impact being in 2012/13.
L&P	Execution and administration of elections	50				Additional workload and increased postal voting.
F&CS	IT - Customer Service Post	55				The IT restructure in 2010/11 consolidated IT teams across the Council. This growth bid relates to an IT manager post in Customer Services which is essential.
F&CS	Benefits Deficit	300	484			The benefits deficit shortfall has arisen because of a number of factors that are outside the control of the service including caseload increase and the outcomes of case interventions following data-matching exercises co-ordinated by DWP. The most significant factor has been a sharp increase in levels of overpayments created during the first quarter of the year - which only attract 40% subsidy. Whilst overpayment recovery has also increased, rates of recovery have not increased in proportion to overpayments created and recovery often take many years to achieve as the Council must recover from tenants at a small amount each week. The high level of overpayment recovery in 2011/12 is not expected to be replicated in 2012/13 and beyond leading to an increased in the shortfall against budget. In addition changes to the subsidy rules for HALs (these previously received full subsidy but are now subject to the same subsidy caps as other types of temporary accommodation). For 2012/13 the growth bid includes £100k for overpayments and £200k for HALs.
F&CS	Benefit Caseload	230	73			Caseload increase arising from the recession - which is circa 2400 additional claims annually (minimum). Additional workloads also forecast from changes in HB legislation that will lead to reductions to levels of LHA for between 500 to 800 claims per month from January 2012 to December 2012.
Total demand led growth		4,800	1,657	600	600	
Price led growth						
Adults	Contractual Price Increases on Lawnfield/Riverview and Meals on Wheels	54				A number of placement contracts in Adult Social Services are index linked. However, the service has managed to avoid associated increase in cost for 2011/12. It is proving difficult not to comply with the index link arrangement for the Lawnfield/Riverview dementia residential care contract and Meals on Wheels for 2012/13. Therefore £15k and £39k will be required respectively to meet the contractual uplifts for these contracts
E&NS	Contractual Inflation	538				This includes contractual inflation provision for streetlighting and its PFI, parking, Vale Farm Sports Centre, Willesden Sports Centre benchmarking and its PFI and the recycling and waste contract

SERVICE COST PRESSURES - 2012/13 - 2015/16

Service	Item	2012/13	2013/14	2014/15	2015/16	Comments
		£'000	£'000	£'000	£'000	
F&CS	Capita Contract - Revenues & IT	150				The contract with Capita for revenues and IT requires the Council to pay an annual RPI increment from 1 May every year.
	Total price led pressures	742	0	0	0	
	Loss of income					
C&F	Children's Social Care Grant Reductions	854				The service has received on an annual basis a substantial grant of around £1.4m to support costs associated with Unaccompanied Asylum Seeking Children. The service has a statutory requirement to provide support for these children which will consist of social care interventions, accommodation, subsistence etc. For 2011/12 onwards the grant conditions and method of calculation have been changed significantly reducing the contribution from this grant to the Services costs. The shortfall for a full-year from 2012/13 onwards is £402k. In addition a further grant called the Social Worker Improvement Fund is ceasing from 2012/13 onwards. This grant from the Children's Workforce Development Council has been used to support social worker training and development, much of which will have to continue to be provided by the service even though the grant is due to cease. The loss of grant amounts to £452k.
E&NS	Pest Control	83				From 2011/12 a charge of £95 was introduced for the previously free rat service. Projections about income from rats and additional income from other pest types have not been realised. The current shortfall for income in 2012/13 is projected to be £83k.
R&MP	HRA/General Fund Recharges	60	75	47	50	Impact of stock transfers from South Kilburn and other sites
F&CS	HB Admin Grant Reduction	164	464	546	0	Local authorities receive a grant from the DWP for the costs of administering Housing Benefit and Council Tax Benefit. In 2010/11 Brent received £4.029m. The Government has given an indication that it wishes to reduce this grant by 28% by 2014/15.
F&CS	Summons Income	180	100			Forecast income from Summons is falling due to improvements to Council Tax in year collection
F&CS	Homelessness Grant	25				In 2011/12 £75k was allocated to Tenancy Fraud work from the Homelessness Grant an additional £25k will be required in 2012/13.
F&CS	Payroll and pension charges to schools	250	(100)			Addition monies are being provided to cover the loss of income from schools who opted out of the authority's payroll services and to take action to be more competitive with external providers and retain schools through reducing the charge to schools.
	Total pressures due to loss of income	1,616	539	593	50	
	GRAND TOTAL - DEMAND, PRICE AND LOSS OF INCOME LED PRESSURES	7,158	2,196	1,193	650	
	CUMULATIVE GRAND TOTAL - DEMAND, PRICE AND LOSS OF INCOME LED PRESSURES	7,158	9,354	10,547	11,197	

SERVICE AREA: ADULT SOCIAL SERVICES

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Commissioning and Procurement	Transformation of service through redesign of services. Improve services and commission alternate services.	1,223			
Transport Eligibility Criteria	To encourage independent travel to day care provision	43			
Adult Social Services	This is the full year effect of 2011/12 savings in managerial, spans of control and operational activities as a result of waves 1 and 2 of the staffing and structure review	15			
Adult Social Services	This is the full year effect of 2011/12 savings from the standardisation of Outer London Weighting across officer and former manual grades.	108			
Learning Disability	Day Services for Learning Disabilities - to improve service outcomes and reduce costs through consolidating all current day centres into the purpose-built John Billam Resource Centre and redesign the service model to support users to access services in the community more independently.	433			
Personalisation	Full year effect of the 2011/12 One Council saving on the Customer Journey to address a number of operational problems and significantly improve the end to end assessment process.	8			
Transport	Savings of 10% on Adult Social Services' transport budget should be achievable through increased efficiency of Brent Transport Service	180			
Adult Social Services	Commissioning Phase 1 of the One Council Programme	402			
Integrated Health	Potential integration of Brent Council adult social care services with NHS services. (Any costs resulting are currently not known)		2,200		
Transitions	There are efficiencies to be had from better planning of services for children with disabilities transiting into adult social care. It is anticipated that collaboration between key stakeholders in the early planning of transition processes could yield financial efficiencies (estimated at 5%) for health & social care and better outcome for service users and carers.	50	30		
Adult Social Services	One Council initiative to review employee benefits	45			
Adult Social Services	One Council initiative to make savings from the reorganisation of Customer Services	106			
TOTAL		2,613	2,230	0	0

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Children with Disabilities and SEN	Reduction of £21k in SEN early years support and increased charging of non statutory services of £36k .	57			
School Improvements	Increase in charges for the Music Service £40k full year effect of decision implemented in 2011/12.	40			
Children & Families	Full year effect of the closure of Crawford Avenue	137			
Children & Families	This is the full year effect of 2011/12 savings in managerial, spans of control and operational activities as a result of waves 1 and 2 of the staffing and structure review	134			
Children & Families	This is the full year effect of 2011/12 savings from the standardisation of Outer London Weighting across officer and former manual grades.	68			
Targeted Mental Health in Schools (TAMHS)	Cease local authority contribution and charge to schools	150			
Traded Services /Charging to Schools Budget	Increased buy-back/further charging to Schools Budget	150			
Connexions	Cessation of universal information, advice and guidance (IAG), as responsibility is passed onto schools.	550			
SEN Transport	Reduction in SEN transport expenditure through revised criteria and application process and through expansion of in-borough provision	200	100	100	
Social Care Placements	Manage demand for the service. Savings based on current forecasts and the phasing may need to be reviewed in light of actual Looked After Children numbers. This is a WLA Social Care Project	150	200	234	
Social Care management/Business Support across C&F	Savings in administrative functions.	50	50	50	
Youth Service	Reduced staffing for Duke of Edinburgh Award and charging for summer university	100			

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Youth Service & Youth Offending Service	Amalgamate Youth Offending Service and Youth Service - reduce 1 Head of Service	100			
Children With Disabilities	Reduction from 3 to 2 teams and tighter monitoring of direct payments	60			
Services to Schools	Reduction in core services which would be offered on buy-back basis to schools and increased charges.	700	150	150	
Early Years and Localities	Major project aimed at improving the "childs journey" through interactions with different services and different stages of need. Involving a full end-to-end service review and identifying methods to manage demand in childrens social care as well as reviewing scope and coverage of existing childrens centres to move towards delivering a targeted offer.	500	500	300	
Children & Families	One Council initiative to review employee benefits	70			
	TOTAL	3,216	1,000	834	0

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Parking	Full year effect of the saving introduced in 2011/12 for Controlled Parking Zones - cease work to introduce new, and review/adjust existing schemes.	60			
Safer Streets	Full year effects of 2011/12 saving on Grafitti removal - reduce number of teams from 4 to 2.	54			
Sports	Full year effects of the closure of Charteris Sports Centre.	10			
Sports	Vale Farm Leisure Centre - full year effect of negotiated reduction in contract price following extension of contract.	47			
Environment & Neighbourhood Services	This is the full year effect of 2011/12 savings in managerial, spans of control and operational activities as a result of waves 1 and 2 of the staffing and structure	183			
Environment & Neighbourhood Services	This is the full year effect of 2011/12 savings from the standardisation of Outer London Weighting across officer and former manual grades.	50			
Environment & Neighbourhood Services	Increased income generation in 2011/12 mainly from increased charges for parking permits, on and off street parking and moving traffic contraventions. The effects of the fall off of income anticipated in year 2 of the scheme through increased compliance.	(166)			
Highways Licensing	Introduction of charges for Crane Licenses and review of other highways licensing fees (for skips, scaffolding and building materials on the public highway) together with improved systems to collect fees from overstaying	15	15	20	
Utilities - Management of street-works activity	The Council is responsible for co-ordinating & monitoring the work of utility companies on the highways network. If the work is not completed to documented standards they can be fined. Companies have done more work than expected in 2011/12 and there are signs this will be repeated in 2012/13 outside of the 'Olympic period'.	100			
Sports, Parks and Cemeteries Income	To increase fees and charges for sports, cemeteries and parks as detailed in appendix D(vi).	40	40	44	
Trading Standards - Proceeds of Crime	It is proposed that any incentivisation money received from Proceeds of Crime investigations will be used to fund the Accredited Financial Investigators (AFI) post, thus reducing the Brent Trading Standards budget by £50K in 2012/13.	50	25	25	

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Arboricultural/Street Trees Contract	Retendering of the street trees contract has resulted in lower prices which should make possible a reduction of £75k per annum in the street trees budget with no loss of service.	75			
Arboricultural/Street Trees Contract	This one off saving in 2011/12 in the contract for Street Trees through reduction in planned maintenance (£50k) and tree planting (£25k) is now replaced by the above saving.	(75)			
Highways Maintenance	Linked to the One Council programme, this will reduce the budget available for highways repairs focussing on defects that fall within prescribed intervention levels/essential repairs. This is subject to the capital budget not changing.	200	(100)		
Highways Maintenance	Restrict responsive highways maintenance to pothole and footway trips for 2011/12 only. Saving reversed	(100)			
Review of Transportation Systems	As part of the One Council project, It is proposed to undertake a re-organisation of the Transportation service to ensure that staff resources are better focused on service priorities, statutory duties and externally funded activity.	100			
Leisure Provision - Vale Farm Maintenance	Further £25K reductions to the repairs and maintenance budget at Vale Farm sports centre. When the contract is retendered the Council may have to invest capital monies to bring the centre back to the standard that would be attractive to the market or risk that any new contractor would cost in bringing the centre back to an acceptable standard.	25			
School Crossing Patrol (SCP)	Continue with newly agreed SCP policy where any vacancies in non-priority sites will not be filled and vacancies at any of the priority sites will be filled by transferring staff from a low priority site.	30	40	40	
Libraries	Full Year Effects of 2011/12 saving	408			
Grounds Maintenance	As part of a One Council Project, reduce the level of grounds maintenance in parks and open spaces and review options for delivering grounds maintenance in the future.	200	100		
Grounds maintenance	This is a reversal of the one off budget saving reducing the level of grass cuts, no London in Bloom entry and less winter bedding in 2011/12 only.	(100)			

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Parking Contract	The One Council project on parking has a number of opportunities for cost saving. Specific details are being developed as sub-projects and are estimated to be able to deliver £200k per annum saving before retendering the contracts. Collaborative retendering with other boroughs should secure additional savings.	200	300		
Regulatory Services	Whilst not a One Council project, collaborative opportunities are being explored with other boroughs to achieve savings. Some changes to the working arrangements within the regulatory services will also contribute to this saving.	50	50	50	
Waste & Recycling	Negotiations with Veolia have achieved reductions in the contract price for the waste and street cleaning contract in respect of pay increases which they will not seek to recover and reductions in the gate fee paid for dry recyclables. Waste disposal costs will be reduced through taking up our full allocation at the Seneca Materials Recycling Facility which gives a significant saving against the cost of landfill. The new waste and recycling service is designed to deliver savings through reduction in waste disposal costs. Savings were agreed in previous years cost reduction proposals. Further savings are anticipated as a result of increased diversion of household waste from landfill. Further savings are envisaged from a retendered waste management and street cleansing contract in 2014/15.	1,357		1,215	
Environment & Neighbourhood Services	One Council initiative to review employee benefits	192			
Environment & Neighbourhood Services	One Council initiative to achieve savings from the reorganisation of Customer Services	254			
	TOTAL	3,259	470	1,394	0

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Supporting People	The Supporting People budget for 2012/13 includes a £600k reduction agreed as part of the 2011/12 budget process. This will reduce providers contract price through negotiation and contract variations without significant impact on service users. This can be achieved through closing under utilised and unpopular shared houses or reducing the number supported through floating support. There will be reductions in central support. A framework contract for housing support services is available under the WLA since November 2011. A further £900k saving is planned through a further review of contracts and services in 2013/14. This would bring the overall budget reduction to £1.5m.	600	900		
Housing Register	Development of a sub-regional system to replace the paper-based current system with an online application process (£100k). This is now included in the Housing needs Transformation Project.	(100)			
Housing	This is the full year effect of 2011/12 savings in managerial, spans of control and operational activities as a result of waves 1 and 2 of the staffing and structure review	40			
Housing	This is the full year effect of 2011/12 savings from the standardisation of Outer London Weighting across officer and former manual grades.	20			
Housing	Travellers site - annual pitch fee increase of 2.9%	10	10	10	
Housing	Fund part of Director and Assistant Director of Housing from HRA	60			
Housing	General fund saving from deleting the post of the Director of Housing and Community Care	90			
Housing	Introduce some joint services with West London around Private Housing		50		
Housing	One Council Housing Needs Transformation Project.	950	350		
Sub Total Housing		1,670	1,310	10	0
Regeneration & Major Projects	The full year effect of 2011/12 savings from the departmental consolidation of non-managerial staff in planning/regeneration/housing teams, restructuring the business support functions and bringing forward the medium term facilities management solution.	100			
Regeneration	This is the reversal of the one off saving taken in 2011/12 from reserves built up from the Working Neighbourhood Fund.	(700)			

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Regeneration & Major Projects	This is the full year effect of 2011/12 savings in managerial, spans of control and operational activities as a result of waves 1 and 2 of the staffing and structure review	(13)			
Regeneration & Major Projects	This is the full year effect of 2011/12 savings from the standardisation of Outer London Weighting across officer and former manual grades.	8			
Planning and Development	Subject to government legislative change – to impose locally set planning fees to secure full cost recovery in 2013/14		800		
Planning and Development	Use of Proceeds of Crime Act to generate income to the Council following successful convictions as part of Planning Enforcement process	75	25		
Major Projects	Capitalise the cost of staff involved in capital projects.	50	50		
Major Projects	From October 2012, there will be a reduced need to monitor the Housing PFI contracts as most of the activity will have been handed back to housing. The proposal is to reduce the existing role to a part-time role – working 3 days a week.		10	14	
Major Projects	A budget of £1.5m is included for schools refurbishment. It is proposed to reduce this budget from 2013/14		750	500	
Property and Asset Management	A review of Facilities Management to generate 50k of savings annually from September 2012	25	25		
Property and Asset Management	Property Review - savings from getting out of buildings early. In later years this will form part of the Civic Centre programme	530	(530)		
Regeneration & Major Projects	One Council initiative to review employee benefits	36			
Sub Total Regeneration and Major Projects		111	1,130	514	0
TOTAL		1,781	2,440	524	0

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Finance & Corporate Services / Central Services	This is the full year effect of 2011/12 savings in managerial, spans of control and operational activities as a result of waves 1 and 2 of the staffing and structure review	269			
Finance & Corporate Services / Central Services	This is the full year effect of 2011/12 savings from the standardisation of Outer London Weighting across officer and former manual grades.	64			
Finance & Corporate Services	Savings in human resouces as part of the cross- London Project Athena	100	260		
Finance & Corporate Services / Central Services	Review of business support costs linked to the move to the Civic Centre		1,000	1,000	
Finance & Corporate Services	One Council initiative to make savings from the reorganisation of Customer Services	300			
Community & Customer Engagement	One Council initiative to make savings from the reorganisation of Customer Services	66			
Finance & Corporate Services / Central Services	One Council initiative to review employee benefits	31			
Chief Executives Office	Reduced running costs	25			
TOTAL		855	1,260	1,000	0

ANALYSIS OF SAVINGS

Unit	Item	2012/2013 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
One Council Programme	Employee Benefits Project - savings to be allocated to service areas	255			
One Council Programme	Future Customer Services - savings to be reviewed	150	149		
One Council Programme	Targeted savings in individual contracts to reduce contract prices	0	750	750	500
One Council Programme	Increased contract compliance by service areas	0	750	750	500
One Council Programme	Additional Civic Centre surplus by overachieving against the efficiency target through a combination of oneprint and a review of administrative business structures	0	50	(50)	
One Council Programme	Rents and Service Charges - savings to be allocated to service areas	229			
One Council Programme	Fundamental Review of Youth Service - new One Council project	100	200		
Civic Centre	Net Savings to be achieved through the move to the new Civic Centre		2,000	1,000	500
TOTAL		734	3,899	2,450	1,500

Adjustments and Transfers to and from Service Area Budgets 2012/13

Service Area	Adjustment	£'000
Adult Social Services	Contract Monitoring Transfer	54
Adult Social Services	Advice Agency Adjustment - Voluntary Sector	(25)
Adult Social Services	Complaints - Staff Transfer	(89)
Adult Social Services	Complaints - Non Staff Transfer	(4)
Adult Social Services	Wave 2 Staffing & Structure	(116)
Adult Social Services	LGIU Subscription	(2)
Adult Social Services	Pension Costs	231
Adult Social Services	IT (TCO) Charges Transfer	(921)
Adult Social Services	Supporting People Transfer	460
Adult Social Services	Rent & Service Charges Transfer	(1,915)
Adult Social Services	Learning & Development Transfer	(251)
Adult Social Services	IT Staff Transfers	(423)
Adult Social Services	IT Leasing Transfer	(22)
Adult Social Services	Freedom Pass Administration	(3)
Adult Social Services	Employee Benefits - 2011/12 One Council	(136)
Adult Social Services	Payroll Admin Charges Transfer	(61)
Adult Social Services	Concessionary Fares - 2012/13 Adjustment	1,004
TOTAL		(2,219)
Children and Families	Asset Management Transfer	(200)
Children and Families	C&F Learning & Development Transfer	(281)
Children and Families	Policy Team - Staff Transfer	(741)
Children and Families	Policy Team - Non Staff Transfer	(97)
Children and Families	Complaints - Staff Transfer	(88)
Children and Families	Complaints - Independent Investigators Transfer	(14)
Children and Families	Complaints - Non Staff Transfer	(4)
Children and Families	Contact Points - 6 months Income Transfer	82
Children and Families	Charge to Schools Budget	42
Children and Families	LGIU Subscription	(4)
Children and Families	Transport Transfer	198
Children and Families	Communications Officers Transfer	(54)
Children and Families	Pension Costs	402
Children and Families	IT (TCO) Charges Transfer	(789)
Children and Families	Rent & Service Charges Transfer	(2,585)
Children and Families	IT Staff Transfers	(46)
Children and Families	IT Leasing Transfer	(160)
Children and Families	London Councils YPES Subscription	(10)
Children and Families	IT Leasing Adjustment	(275)
Children and Families	Employee Benefits - 2011/12 One Council	(142)
Children and Families	Payroll Admin Charges Transfer	(137)
TOTAL		(4,903)
Environment and Neighbourhood Services	Building Control/Planning Transfer	(1,765)
Environment and Neighbourhood Services	Maintenance of Property Database -ITU	96
Environment and Neighbourhood Services	Policy Team - Staff Transfer	(983)
Environment and Neighbourhood Services	Policy Team - Non Staff Transfer	(279)
Environment and Neighbourhood Services	Complaints - Staff Transfer	(46)
Environment and Neighbourhood Services	Complaints - Non Staff Transfer	(2)
Environment and Neighbourhood Services	Land Charges to SP&I Transfer	596
Environment and Neighbourhood Services	GIS Income Budget Transfer	70
Environment and Neighbourhood Services	Welsh Harp Income Transfer	15
Environment and Neighbourhood Services	Transport Income Transfer	(198)

Adjustments and Transfers to and from Service Area Budgets 2012/13

Service Area	Adjustment	£'000
Environment and Neighbourhood Services	Welsh Harp Accommodation Transfer	(22)
Environment and Neighbourhood Services	Festivals Transfer	(280)
Environment and Neighbourhood Services	Pension Costs	294
Environment and Neighbourhood Services	IT (TCO) Charges Transfer	(766)
Environment and Neighbourhood Services	Rent & Service Charges Transfer	(1,970)
Environment and Neighbourhood Services	IT Staff Transfers	(50)
Environment and Neighbourhood Services	IT Leasing Transfer	(351)
Environment and Neighbourhood Services	Employee Benefits - 2011/12 One Council	(97)
Environment and Neighbourhood Services	Payroll Admin Charges Transfer	(94)
Environment and Neighbourhood Services	Customer Services - One Council Savings	(44)
TOTAL		(5,876)
Regeneration and Major Projects - Housing	Contract Monitoring	(54)
Regeneration and Major Projects - Housing	Advice Agency Adjustment - Voluntary Sector	25
Regeneration and Major Projects - Housing	Preventing Homelessness Grant	100
Regeneration and Major Projects - Housing	Policy Team - Staff Transfer	(598)
Regeneration and Major Projects - Housing	Policy Team - Non Staff Transfer	(35)
Regeneration and Major Projects - Housing	Complaints - Staff Transfer	(89)
Regeneration and Major Projects - Housing	HRA Charge for Policy Teams	189
Regeneration and Major Projects - Housing	Complaints - Non Staff Transfer	(5)
Regeneration and Major Projects - Housing	Wave 2 Staffing & Structure	(116)
Regeneration and Major Projects - Housing	GIS Charges	(28)
Regeneration and Major Projects - Housing	HRA Charge for GIS	28
Regeneration and Major Projects - Housing	South Kilburn Transfer	(93)
Regeneration and Major Projects - Housing	Affordable Housing Transfer	(262)
Regeneration and Major Projects - Housing	Pension Costs	105
Regeneration and Major Projects - Housing	IT Charges (TCO) Transfer	(98)
Regeneration and Major Projects - Housing	Supporting People Transfer	(460)
Regeneration and Major Projects - Housing	Advice Services - Grants Transfer	(572)
Regeneration and Major Projects - Housing	Rent & Service Charges Transfer	(828)
Regeneration and Major Projects - Housing	IT Staff Transfers	(48)
Regeneration and Major Projects - Housing	IT Leasing Transfer	(80)
Regeneration and Major Projects - Housing	RMP Business Partner Team	(133)
Regeneration and Major Projects - Housing	IT Charges (TCO) - HRA Adjustments	12
Regeneration and Major Projects - Housing	Business Support	(66)
Regeneration and Major Projects - Housing	Rent & Service Charges - HRA adjustment	(116)
Regeneration and Major Projects - Housing	Employee Benefits - 2011/12 One Council	(41)
Regeneration and Major Projects - Housing	Payroll Admin Charges Transfer	(25)
TOTAL		(3,288)
Regeneration and Major Projects	Building Control/Planning Transfer	1,765
Regeneration and Major Projects	Asset Management Transfer	200
Regeneration and Major Projects	Affordable Housing - Middx Hse	50
Regeneration and Major Projects	Affordable Housing - Central Item	50
Regeneration and Major Projects	RMP Transfer Staffing	707
Regeneration and Major Projects	RMP Transfer Non Staffing	241
Regeneration and Major Projects	Policy Team - Staff Transfer	(338)
Regeneration and Major Projects	Policy Team - Non Staff Transfer	(27)
Regeneration and Major Projects	South Kilburn Transfer	93
Regeneration and Major Projects	Affordable Housing Transfer	262
Regeneration and Major Projects	Regeneration Transfer	1,065
Regeneration and Major Projects	Schools Refurbishment Transfer	1,500
Regeneration and Major Projects	Pension Costs	107
Regeneration and Major Projects	IT Charges (TCO) Transfer	(227)

Adjustments and Transfers to and from Service Area Budgets 2012/13

Service Area	Adjustment	£'000
Regeneration and Major Projects	Rent & Service Charges Transfer	9,775
Regeneration and Major Projects	IT Leasing Transfer	(94)
Regeneration and Major Projects	RMP Business Partner Team Transfer	(74)
Regeneration and Major Projects	Business Support Transfer	66
Regeneration and Major Projects	Rent & Service Charges - HRA adjustment	116
Regeneration and Major Projects	Employee Benefits - 2011/12 One Council	(36)
Regeneration and Major Projects	Payroll Admin Charges Transfer	(23)
TOTAL		15,178
Chief Executive	Pension Costs	7
Chief Executive	IT Charges (TCO) Transfer	(6)
Chief Executive	Rent & Service Charges Transfer	(29)
TOTAL		(28)
Customer & Community Engagement	ITU to One Stop Service Transfer	288
Customer & Community Engagement	One Stop Service to Revenue & Benefits Transfer	(640)
Customer & Community Engagement	Festivals Transfer	280
Customer & Community Engagement	Communications Officer (C&F) Transfer	54
Customer & Community Engagement	Pension Costs	78
Customer & Community Engagement	IT Charges (TCO) Transfer	(372)
Customer & Community Engagement	Rent & Service Charges Transfer	(654)
Customer & Community Engagement	IT Staff Transfers	(78)
Customer & Community Engagement	Employee Benefits - 2011/12 One Council	(3)
Customer & Community Engagement	Payroll Admin Charges Transfer	(25)
Customer & Community Engagement	Customer Services Reorganisation Transfer	(2,710)
TOTAL		(3,782)
Legal & Procurement	Pension Costs	51
Legal & Procurement	IT Charges (TCO) Transfer	(117)
Legal & Procurement	Rent & Service Charges Transfer	(300)
Legal & Procurement	Payroll Admin Charges Transfer	(9)
TOTAL		(375)
Strategy, Partnerships and Improvement	RMP Transfer Staffing	(707)
Strategy, Partnerships and Improvement	RMP Transfer Non Staffing	(241)
Strategy, Partnerships and Improvement	Policy Team - Staff Transfer	2,660
Strategy, Partnerships and Improvement	Policy Team - Non Staff Transfer	438
Strategy, Partnerships and Improvement	Complaints - Staff Transfer	312
Strategy, Partnerships and Improvement	Complaints - Independent Investigators	14
Strategy, Partnerships and Improvement	HRA Charge for Policy Teams	(189)
Strategy, Partnerships and Improvement	Complaints - Non Staff Transfer	15
Strategy, Partnerships and Improvement	Land Charges to SP&I	(596)
Strategy, Partnerships and Improvement	GIS Income Budget Transfer	(70)
Strategy, Partnerships and Improvement	GIS Charges	28
Strategy, Partnerships and Improvement	HRA Charge for GIS	(28)
Strategy, Partnerships and Improvement	Welsh Harp Income Transfer	(15)
Strategy, Partnerships and Improvement	Contact Points - 6 months Income Transfer	(82)
Strategy, Partnerships and Improvement	Charge to Schools Budget	(42)
Strategy, Partnerships and Improvement	Welsh Harp Accommodation Transfer	22
Strategy, Partnerships and Improvement	Pension Costs	62
Strategy, Partnerships and Improvement	IT Charges (TCO) Transfer	(187)
Strategy, Partnerships and Improvement	Advice Services Grants Transfer	572
Strategy, Partnerships and Improvement	Rent & Service Charges Transfer	(132)
Strategy, Partnerships and Improvement	Employee Benefits - 2011/12 One Council	(4)
Strategy, Partnerships and Improvement	Payroll Admin Charges Transfer	(5)

Adjustments and Transfers to and from Service Area Budgets 2012/13

Service Area	Adjustment	£'000
TOTAL		1,825
Finance & Corporate Services	Maintenance of Property Database -IT Transfer	(96)
Finance & Corporate Services	ITU to One Stop Service Transfer	(288)
Finance & Corporate Services	One Stop Service to Revenue & Benefits Transfer	640
Finance & Corporate Services	C&F Learning & Development Transfer	281
Finance & Corporate Services	Tenancy Fraud	75
Finance & Corporate Services	Pension Costs	289
Finance & Corporate Services	IT Charges (TCO) Transfer	3,483
Finance & Corporate Services	Rent & Service Charges Transfer	(1,133)
Finance & Corporate Services	Learning & Development (Adults) Transfer	251
Finance & Corporate Services	IT Staff Transfers	645
Finance & Corporate Services	IT Leasing Transfer	707
Finance & Corporate Services	RMP Business Partner Team Transfer	207
Finance & Corporate Services	IT Charges (TCO) - HRA Adjustments	(12)
Finance & Corporate Services	IT Leasing Adjustment	275
Finance & Corporate Services	Employee Benefits - 2011/12 One Council	(26)
Finance & Corporate Services	Payroll Admin Charges Transfer	379
Finance & Corporate Services	Customer Services Reorganisation Transfer	2,710
Finance & Corporate Services	Customer Services - One Council Savings	(653)
TOTAL		7,734
GRAND TOTAL		4,266

**Specific Grants 2011/12
- 2012/13**

Appendix D (iv)

	2011/12 Grant	2012/13 Grant	Notes
	£'000	£'000	
Learning Disability and Health Reform Allocation	7,432	7,615	
Early Intervention Grant	14,173	15,114	
<u>Local Services Support Grant</u>			
Preventing Homelessness	1,675	1,675	
Lead Flood Authority	134	216	
Extended Rights - Sustainable Travel	15	18	
	1,824	1,909	
Sub Total	23,429	24,638	
Council Tax Freeze	2,575	2,575	The 2012/13 is a one off grant
Grand Total	26,004	27,213	

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ONE COUNCIL PROGRAMME OPERATIONAL SAVINGS - 2012/13 BUDGET

(NET OPERATIONAL SAVINGS)	Saving/ cost avoid	2010/11 Actual £'000	2011/12 Forecast £'000	2012/13 Budget £'000	2013/14 Budget £'000	2014/15 Budget £'000
Cross-cutting projects						
Civic Centre	Saving	0	0	0	2,000	3,000
Review of business systems, processes and support - additional amount on top of amounts included in Civic Centre business case	Saving	0	0	0	1,000	2,000
Future Customer Services	Saving	0	686	1,496	1,634	1,634
Finance Modernisation	Saving	400	1,505	1,505	1,505	1,505
Project Athena - HR element	Saving	0	0	100	360	360
Structure and Staffing (50 manager posts plus Waves 1 and 2)	Saving	6,591	13,770	14,468	14,468	14,468
Review of Employee Benefits - 2010/11 savings - £1m reduction in overtime and allowances and implementation of London weighting changes	Saving	1,000	1,550	2,125	2,125	2,125
Review of Employee Benefits -2011/12 and 2012/13 reductions in overtime and allowances and move to core contract	Saving	0	575	1,114	1,114	1,114
Recruitment advertising	Saving	150	150	150	150	150
Strategic Procurement Review - 2010/11 savings	Saving	1,249	2,147	2,147	2,147	2,147
Strategic Procurement Review - 2011/12 savings	Saving	0	1,000	0	0	0
Strategic Procurement Review - 2011/12 onwards - nil inflation	Cost avoid	0	3,000	6,000	9,000	12,000
Strategic Procurement Review - 2013/14 onwards - targeted and compliance related reductions	Saving	0	0	0	1,500	3,000
Strategic Property Review - 2011/12	Saving	496	681	1,211	676	676
Income Maximisation	Saving	213	4,355	4,355	4,355	4,355
Cross-cutting projects total savings		10,099	29,419	34,671	42,034	48,534
Service projects						
Benefits	Saving	560	708	708	708	708
Revenues	Saving	0	1,200	1,200	1,200	1,200
Waste and Street Cleansing - 2011/12 budget	Saving	42	1,595	1,595	1,595	1,595
Waste and Street Cleansing - 2012/13 budget - adjustment to ENS cash limit	Saving	0	0	1,357	1,357	1,357
Waste and Street Cleansing - 2012/13 budget - removal of growth for waste disposal in central items	Cost avoid	0	0	446	1,119	1,866
Waste - tendering of contract in 2014	Saving	0	0	0	0	1,215
Libraries	Saving	0	0	816	816	816
Grounds maintenance	Saving	0	0	200	300	300
Parking contract	Saving	0	11	277	588	588
Highways and transportation	Saving	0	0	300	200	200
Regulatory Services	Saving	0	0	50	100	150
Children's Social Care transformation - 2011/12 budget	Cost avoid	0	1,522	1,800	1,800	1,800
Children's Social Care transformation - 2012/13 budget	Saving	0	0	150	350	584
Early Years and Localities	Saving	0	0	500	1,000	1,300
School Improvement Service	Saving	0	0	700	850	1,000
Traded Services to Schools	Saving	0	0	150	150	150
Services to Young People	Saving	0	0	100	300	300
Special Education Needs (transport)	Saving	0	0	200	300	400
Children with Disabilities	Saving	0	0	60	60	60
Transitions to Adult Life	Cost avoid	0	0	550	1,080	1,580
Adult Social Care (ASC) Commissioning - Phase 1	Saving	0	4,225	5,866	5,866	5,866
ASC Commissioning - Phase 2 (Supporting People)	Saving	0	1,200	1,800	2,700	2,700
ASC Customer Journey	Cost avoid	988	1,165	1,165	1,165	1,165
ASC Direct Services	Saving	0	635	1,068	1,068	1,068
ASC Health and Social Care Integration	Saving	0	0	0	2,200	2,200
Housing Needs Transformation - process	Saving	0	18	950	1,300	1,300
Housing Needs Transformation - policy	Cost avoid	0	0	500	1,000	1,500
Transport - Brent Transport Services - ASC component	Saving	0	0	180	180	180
Service projects total savings		1,590	12,279	22,688	29,352	33,148
Cross-cutting project total savings		10,099	29,419	34,671	42,034	48,534
TOTAL PROGRAMME SAVINGS		11,689	41,698	57,359	71,386	81,682
TOTAL PROGRAMME COSTS		4,290	2,639	4,017	6,017	6,017
NET PROGRAMME SAVINGS		7,399	39,059	53,342	65,369	75,665

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Fees and Charges 2012/13

Service	Service provided	Charging policy	Charge for 2011/12 £	Proposed charges 2012/13 (£)	Percentage change in fees
All	various	various	various	various	2%
Allotments	Allotment type site 126m2 (5 pole)	Subsidised	75.00	79.00	5%
Allotments	Allotment type site 253m2 (10 pole)	Subsidised	150.00	158.00	5%
Parks	Soccer [13]	Subsidised	760.00	800.00	5%
Parks	Soccer [17]	Subsidised	995.00	1,045.00	5%
Parks	Soccer Single	Subsidised	65.00	68.25	5%
Parks	Soccer junior	Subsidised	430.10	455.00	6%
Parks	Soccer junior single	Subsidised	40.00	42.00	5%
Parks	Rugby	Subsidised	790.00	830.00	5%
Parks	Rugby Single	Subsidised	70.00	73.50	5%
Parks	Rugby junior	Subsidised	430.10	455.00	6%
Parks	Rugby junior single	Subsidised	40.00	42.00	5%
Parks	Soccer/Rugby Training	Fair Charging	45.00	50.00	11%
Parks	Gaelic	Subsidised	615.00	680.00	11%
Parks	Gaelic single	Subsidised	85.00	89.25	5%
Parks	Gaelic junior	Subsidised	335.00	355.00	6%
Parks	Gaelic junior single	Subsidised	45.00	47.25	5%
Parks	Cricket [11]	Subsidised	905.10	995.00	10%
Parks	Cricket single	Subsidised	90.00	94.50	5%
Parks	Cricket Junior	Subsidised	520.00	520.00	0%
Parks	Cricket junior single	Subsidised	55.00	55.00	0%
Parks	Bowls	Subsidised	2,125.00	2,235.00	5%
Parks	Circus	Full Commercial	350.00	440.00	26%
Parks	Power Driven Model Aircraft Flying Licence	Full commercial	29.00	31.00	7%
Parks	Hire of Barham Park Lounge	Full commercial	43.00	45.00	5%
Parks	Hire of Barham Park Lounge after 8pm in Winter, after 10pm in summer.	Full commercial	43.00	60.00	new charge
	Brent resident				
Cemeteries	Person 16yrs + (earth)	Full Commercial	2,430.00	2,550.00	4.9%
Cemeteries	Child full plot	Full Commercial	2,058.00	2,160.00	5.0%
Cemeteries	Child half plot	Full Commercial	787.00	825.00	4.8%
Cemeteries	Path side graves (earth)	Full Commercial	3,367.00	3,535.00	5.0%
Cemeteries	Person 16yrs + [re-open grave]	Full Commercial	576.00	605.00	5.0%
Cemeteries	Child full plot [re-open grave]	Full Commercial	204.00	215.00	5.4%
Cemeteries	Child half plot [re-open grave]	Full Commercial	156.00	165.00	5.8%
Cemeteries	Person 16yrs + [common grave]	Full Commercial	821.00	860.00	4.8%
Cemeteries	Child full plot [common grave]	Full Commercial	510.00	535.00	4.9%
Cemeteries	Child half plot [common grave]	Full Commercial	255.00	265.00	3.9%
Cemeteries	Cremated remains in new half grave space	Full Commercial	882.00	925.00	4.9%
Cemeteries	Cremated remains in existing graves spaces	Full Commercial	182.00	190.00	4.4%
Cemeteries	Person 16+ [Classic vault for 2]	Full Commercial	5,328.00	5,595.00	5.0%
Cemeteries	Person 16+ [Premier vault for 2]	Full Commercial	7,548.00	7,925.00	5.0%
Cemeteries	Person 16+ Vault (reopen)		288.00	300.00	4.2%
Cemeteries	Cremated remains in new vault	Full Commercial	444.00	470.00	5.9%
Cemeteries	Cremated remains in existing vault	Full Commercial	111.00	115.00	3.6%

Fees and Charges 2012/13

Service	Service provided	Charging policy	Charge for 2011/12 £	Proposed charges 2012/13 (£)	Percentage change in fees
	Brent non-resident				
Cemeteries	Person 16yrs + (earth)	Full Commercial	3,644.00	3,825.00	5.0%
Cemeteries	Child full plot	Full Commercial	3,087.00	3,240.00	5.0%
Cemeteries	Child half plot	Full Commercial	1,180.00	1,240.00	5.1%
Cemeteries	Path side graves (earth)	Full Commercial	5,049.00	5,300.00	5.0%
Cemeteries	Person 16yrs + [re-open grave]	Full Commercial	863.00	910.00	5.4%
Cemeteries	Child full plot [re-open grave]	Full Commercial	306.00	320.00	4.6%
Cemeteries	Child half plot [re-open grave]	Full Commercial	234.00	245.00	4.7%
Cemeteries	Person 16yrs + [common grave]	Full Commercial	1,232.00	1,295.00	5.1%
Cemeteries	Child full plot [common grave]	Full Commercial	765.00	805.00	5.2%
Cemeteries	Child half plot [common grave]	Full Commercial	383.00	405.00	5.7%
Cemeteries	Cremated remains in new half grave space	Full Commercial	1,323.00	1,390.00	5.1%
Cemeteries	Cremated remains in existing graves spaces	Full Commercial	273.00	290.00	6.2%
Cemeteries	Person 16+ [Classic vault for 2]	Full Commercial	7,992.00	8,390.00	5.0%
Cemeteries	Person 16+ [Premier vault for 2]	Full Commercial	11,322.00	11,890.00	5.0%
Cemeteries	Person 16+ Vault (reopen)		432.00	455.00	5.3%
Cemeteries	Cremated remains new vault	Full Commercial	665.00	700.00	5.3%
Cemeteries	Cremated remains in existing vault	Full Commercial	166.00	175.00	5.4%
	Service provided	Charging policy	Actual charge 2011/12	Proposed charges 2012/13	Percentage change in fees
	Other				
Cemeteries	Coffin/casket 7' long or 28" wide in earth grave	Full Commercial	339.00	355.00	4.7%
Cemeteries	Coffin/casket 7' long or 30+" wide in earth grave	Full Commercial	452.00	475.00	5.1%
Cemeteries	Earth grave for 3	Full Commercial	464.00	485.00	4.5%
Cemeteries	Shroud timbers & slats	Full Commercial	95.00	100.00	5.3%
Cemeteries	Probate register	Full Commercial	27.00	28.50	5.6%
Cemeteries	Transfer burial rights	Full Commercial	58.00	61.00	5.2%
Cemeteries	Burial Register search fee	Full Commercial	22.00	23.00	4.5%
Cemeteries	Chapel hire	Full Commercial	61.00	65.00	6.6%
Cemeteries	Memorial [full with Landing]	Full Commercial	212.00	225.00	6.1%
Cemeteries	Headstone / plaque	Full Commercial	212.00	225.00	6.1%
Cemeteries	Inscriptions / works	Full Commercial	72.00	75.00	4.2%
Cemeteries	Memorial removal for interment	Full Commercial	115.00	120.00	4.3%
Cemeteries	Memorial replacement after interment	Full Commercial	115.00	120.00	4.3%
Cemeteries	Saturday burials at Alperton, Paddington and Willesden	Full Commercial	550.00	575.00	4.5%
Cemeteries	Cancellation or late arrival of more than 20 mins	Full Commercial	155.00	165.00	6.5%

Fees and Charges 2012/13

	Service provided	Charging policy	Maximum Existing Charge April 11/12	Proposed maximum charges 2012/13 (inc VAT where applicable)	Percentage change in fees
Sports	B.Active card (Resident standard card)	Subsidised	37.00	40.00	8.1%
Sports	B.Active card (Non resident standard card)	Subsidised	68.00	72.00	5.9%
Sports	B.Active card (60+ or disabled resident Concession)	Subsidised	6.00	6.50	8.3%
Sports	B.Active card (Resident Concession - 6 months)	Subsidised	3.00	3.50	16.7%
Vale Farm and Willesden Sports Centre	Core prices	Subsidised		The core prices at Vale Farm and Willesden sports centres will increase in line with the two leisure management contracts, by RPIX. Exact costs are rounded up or down to 5 or 10pence. Details of charges are included on the Council's website.	
Bridge Park Sports	Sports Hall Hire - Peak	Subsidised	49.40	52.00	5.3%
Bridge Park Sports	Sports Hall Hire - Juniors Peak	Subsidised	37.05	39.00	
Bridge Park Sports	Sports Hall Hire Off Peak	Subsidised	24.20	26.00	7.4%
Bridge Park Sports	Sports Hall Hire - Juniors Off Peak	Subsidised	18.15	19.50	
Bridge Park Sports	Dance Studio Peak	Subsidised	31.50	33.00	4.8%
Bridge Park Sports	Dance Studio Off Peak	Subsidised	21.60	23.00	6.5%
Bridge Park Sports	Badminton Court Peak	Subsidised	8.20	8.50	3.7%
Bridge Park Sports	Badminton Court Off Peak	Subsidised	4.90	5.10	4.1%
Bridge Park Sports	Table Tennis Peak	Subsidised	5.10	5.10	0.0%
Bridge Park Sports	Table Tennis Off Peak	Subsidised	3.75	4.00	6.7%
Bridge Park Sports	Gym Membership	Subsidised	34.65	35.60	2.7%
Bridge Park Sports	Gym Membership - Joint	Subsidised	60.30	61.95	2.7%
Bridge Park Sports	Gym Membership - concessions	Subsidised	29.65	30.60	3.2%
Bridge Park Sports	Gym Membership - off peak use	Subsidised	27.65	28.60	
Bridge Park Sports	Gym Membership - corporate	Subsidised	29.60	29.60	0.0%
Bridge Park Sports	Gym Membership - Annual	Subsidised	311.85	325.00	4.2%

Fees and Charges 2012/13

	Service provided	Charging policy	Maximum Existing Charge April 11/12	Proposed maximum charges 2012/13 (inc VAT where applicable)	Percentage change in fees
Bridge Park Sports	Gym Induction - adults	Subsidised	17.40	18.25	4.9%
Bridge Park Sports	Gym Induction - Youth 14-16	Subsidised	5.60	5.90	5.4%
Bridge Park Sports	Gym casual use - adults Peak	Subsidised	5.50	5.80	5.5%
Bridge Park Sports	Gym casual use - adults Off Peak	Subsidised	4.30	4.50	4.7%
Bridge Park Sports	Gym casual use - Youth 14-16	Subsidised	2.90	3.00	3.4%
Bridge Park Sports	Sauna and Steam Peak	Subsidised	5.10	5.40	5.9%
Bridge Park Sports	Sauna and Steam Off Peak	Subsidised	4.15	4.40	6.0%
Bridge Park Sports	Sauna and Steam - Membership	Subsidised	32.60	32.60	0.0%
Bridge Park Sports	Various adult fitness and multi activity classes and courses	Subsidised	Variable subject to activity offered	Variable subject to activity offered	
Bridge Park Sports	Various junior sports and multi activity sessions and courses.	Subsidised	Variable subject to activity offered	Variable subject to activity offered	
Bridge Park Sports	Active Brent - (60+)	Subsidised	3.30	3.40	3.0%
Bridge Park Sports	Holiday Scheme	Subsidised	Variable subject to activity offered	Variable subject to activity offered	
Bridge Park Sports	Junior Crs/session	Subsidised	Variable subject to activity offered	Variable subject to activity offered	
Bridge Park Sports	Parties	Subsidised	86.10	90.00	4.5%
Bridge Park Sports	Coach for parties	Subsidised	25.60	28.00	9.4%
Bridge Park Room Hire	Boardroom	Full commercial	64.90	67.00	3.236%
Bridge Park Room Hire	Community Suite	Full commercial	129.80	132.00	1.695%
Bridge Park Room Hire	Tropics Suite	Full commercial	194.70	199.00	2.209%
Bridge Park Room Hire	Syndicate Room	Full commercial	240.00	245.00	2.083%
Bridge Park Room Hire	Conference Room	Full commercial	376.40	377.00	0.159%
Bridge Park Room Hire	Function Hall	Full commercial	772.50	787.00	1.877%
Bridge Park Room Hire	Sports hall	Full commercial	1,545.00	1,600.00	3.560%
Bridge Park Room Hire	Kitchen	Full commercial	412.00	420.00	1.942%
Bridge Park Room Hire	Servery	Full commercial	257.00	262.00	1.946%

Fees and Charges 2012/13 - 1st September 2012 - 31 August 2013

	Service provided	Charging policy	Proposed charges 2012/13 (£)	Rate
BACES	Accredited Courses	Full Fee	3.00	Per Hour
BACES	Accredited Courses	Concessions	0.00	Per Hour
BACES	Accredited Courses	Cost Recovery	6.00 - 10.00	Per Hour
BACES	Family learning, family literacy, language, wider family learning	All learners	0.00	Per Hour
BACES	Neighbourhood Learning in Deprived Communities	Full Fee	1.50	Per Hour
BACES	Neighbourhood Learning in Deprived Communities	Concessions	0.00	Per Hour
BACES	First Steps	Full Fee	3.00	Per Hour
BACES	First Steps	Concessions	0.00 - 1.50	Per Hour
BACES	Personal and Community development learning	Full Fee	5.00	Per Hour
BACES	Personal and Community development learning	Concessions	0.00 - 1.50	Per Hour
BACES	1 Room	Community Hire	10.65	Per Hour 1-5 hours
BACES	1 Hall	Community Hire	16.50	Per Hour 1-5 hours
BACES	Sewing Room	Community Hire	15.00	Per Hour 1-5 hours
BACES	Art Room	Community Hire	15.00	Per Hour 1-5 hours
BACES	Pottery/Stained glass	Community Hire	20.00	Per Hour 1-5 hours
BACES	1 Room	Community Hire	69.00	Per Hour 5+ hours
BACES	1 Hall	Community Hire	108.00	Per Hour 5+ hours
BACES	Sewing Room	Community Hire	100.00	Per Hour 5+ hours
BACES	Art Room	Community Hire	100.00	Per Hour 5+ hours
BACES	1 Room	Community Hire	310.50	Weekly
BACES	1 Hall	Community Hire	483.00	Weekly
BACES	Sewing Room	Community Hire	450.00	Weekly
BACES	Art Room	Community Hire	450.00	Weekly
BACES	1 Room	Self Organised Groups	7.50	Per Hour - 1 term only

Fees and Charges 2012/13 - 1st September 2012 - 31 August 2013

	Service provided	Charging policy	Proposed charges 2012/13 (£)	Rate
BACES	1 Hall	Self Organised Groups	10.00	Per Hour - 1 term only
BACES	Sewing Room	Self Organised Groups	15.00	Per Hour - 1 term only
BACES	Art Room	Self Organised Groups	12.00	Per Hour - 1 term only
BACES	Pottery	Self Organised Groups	15.00	Per Hour - 1 term only



Budget & Finance Overview & Scrutiny Committee

First Interim Report

January 2012

Membership

Councillor Allie (Chair)
Councillor Mashari (Vice Chair)
Councillor S Choudhary
Councillor Leaman
Councillor Naheerathan
Councillor HB Patel
Councillor Ketan Sheth
Councillor Van Kalwala

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1. Introduction

The Budget and Finance Overview & Scrutiny Committee undertakes in-depth reviews of the council's financial performance, medium term financial strategy, budget proposals and measures being taken to deliver a robust budget capable of delivering the administration's priorities as outlined in the Borough Plan. This includes examining the main issues, risks and pressures facing the council and the actions being taken to militate against them. In addition, the Committee's report aims to be a source of easily understandable information for all non-executive councillors enabling robust challenge and debate on the administration's budget proposals.

The national economic outlook remains gloomy with predictions about economic growth being consistently and universally revised downwards. The recession and subsequent period of low growth was deeper than previous recessions and recovery will take longer. The context within which the council is setting the 2012/13 budget is therefore difficult and seems unlikely to improve in the near future. The coalition government's deficit reduction strategy as embodied in the Spending Review 2010 has provided local government with an ongoing challenge. The 26% real terms reduction in local government funding has meant that Brent Council has had to face some difficult decisions about the services that are delivered and the size and shape of the organisation. These difficult decisions are set to continue until 2016/17 and one of the Budget & Finance Overview & Scrutiny Committee's main areas of investigation will be how the administration proposes to achieve a balanced realistic budget while taking advantage of any opportunities that arise.

The council's budget setting process has changed significantly to ensure a planned approach to budget reduction while enabling the council to deliver the priorities contained in the Borough Plan delivered within the timeframe of the spending review. The One Council Programme continues to be the main driver within the council's medium term financial strategy delivering £39 million of savings from existing and completed projects by the end of the financial year 2011/12. The nature of the programme is changing from being focussed on efficiency to transformation. It is this transformation of services that is due to provide the bulk of the savings over the next few years. The committee's main interest in this programme has concentrated on its ability to generate the required savings.

The committee's remit includes:

- Participating in the budget setting process
- Assisting in the setting of the council's budget within the context of the Borough Plan.
- Supporting the longer term service planning of the council by focusing its discussions on the Medium Term Financial Strategy, the principles for budget setting, the robustness of the budget and the ability to deliver savings, key revenue budget outputs and decisions, and key capital budget outputs and decisions.

The Committee has three opportunities to make its views known to the administration and to the council as a whole. These are:

- **First interim report** prior to the draft budget

- **Second interim report**, which builds on the first report and includes recommendations on the draft budget prior to it being agreed by the Executive
- **Final report**, which builds on the second report and includes recommendations on:
 - the Executive's budget prior to it being debated at Full Council;
 - the budget process; and
 - the budget scrutiny process.

This report is the first interim report of the Budget & Finance Overview & Scrutiny Committee and contains the committee's recommendations to executive members prior to the publication of the Executive's draft budget.

2. Recommendations

1. That a clear and detailed set of priorities be developed to help ensure the successful delivery of the council's budget and to report to the Budget & Finance Overview & Scrutiny Committee on how savings are being made in the context of the priorities
2. That substantial efforts be undertaken to ensure that the council's Procurement projects deliver the required savings and allay concerns regarding its low performance
3. That the council continues to fully fund concessionary fares
4. Continue to recall any Department that overspends its quarterly budget by 2.5% to the Budget and Finance O&S Committee paying particular attention to the three main areas of overspend:
 - Adult Social Care
 - Children's Social Care and related legal costs
 - Temporary Accommodation
5. That the Committee continue to receive regular reports on the One-Council programme to ensure its achieving its savings target with particular focus on the Future Customer Services and Civic Centre projects
6. That the council urgently implements the 1:6 managers to staff ratio
7. That the Commercial Opportunities Group identify and report to the Budget and Finance O&S Committee its key initiatives on attracting businesses and shoppers to the area to increase future council funding and benefit the local economy.
8. That housing re-development across the borough is maximised in order to achieve the New Homes Bonus for the council
9. Clear and detailed plans be developed on the allocation of the recent £25m awarded for primary school investment with particular consideration to the continuing shortage of school places in the borough.
10. Robustly monitor measures being undertaken by Children's and Families to reduce budget pressures in regards to looked after children and those being prescribed with SEN statements
11. That the Waste and Recycling team report on the proposed extension of the Veolia contract and in particular the nature of the savings to be made without compromising on the level of street cleaning

3. Methodology

The budget scrutiny process mirrors that of the budget setting process and started in July 2011. At the Committee's first meeting the Deputy Director of Finance provided an overview of the budget strategy 2012/13 to 2015/16 and the main factors that would influence the budget setting process. This included detail of resource assumptions, updated budget gap, the capital programme and the One Council Programme. The resulting discussion helped to inform the development of the committee's work programme and highlighted areas of investigation. So far the committee has taken the following evidence:

- The Director of Finance & Corporate Services & Deputy Director of Finance – Regular updates on the budget process, budget gap, budget pressures and the future financial prospects for the council.
- The Deputy Director of Finance informed us about the proposed changes to Local Government Finance
- The Director of Strategy, Partnership & Improvement and the Head of the Programme Management Office provided an overview of the One Council programme and projected savings.
- The Assistant Director of Adult Social Care provided information on the Adult Social Care budget and forecast 2011/12, service pressures, and the transformation projects aimed at producing savings.
- Director of Children & Families, Assistant Director of Strategic Finance and Assistant Director Social Care informed the committee about the department's current budget position, actions being taken to control the overspend, transformation projects aimed at savings and efficiency and pressures on the capital programme from government announcements and demand for school places.
- Councillor Ann John, Leader of the Council and Councillor Muhammed Butt, Lead Member for Finance attended to discuss the First Reading Debate Papers and set out the administration's approach to setting a robust budget
- The Director of Environment & Neighbourhoods, the Assistant Director of Strategic Finance, the Assistant Director of Environment & Protection and Assistant Director of Neighbourhood Services provided information about the role of the department since its restructure in 2010, the current budget position, budget pressures and the department's One Council projects.
- The Director of Regeneration & Major Project provided information about the current budget position, budget pressures and risks, future saving, the HRA account

4. Discussion – The First Interim Report

4.0 *The budget gap*

4.1 At our first meeting in July 2011 we received a report that set out the Budget Strategy 2012/13 to 2015/16 which included information on projected spending and resources. Assumptions for spending included pay and price inflation, pension fund contributions and provision for additional demand pressures. Resources included Formula Grant, Council Tax base and collection and income from fees and charges. After taking resources and spending into account we heard that the cumulated budget gap in 2014/15 would be £41.6m assuming a 0% per annum rise in Council Tax. A 3.5% annual rise in Council Tax would result in a budget gap of £30.3m.

4.2 By the time we received a presentation on the Budget and Medium Term Financial Plan for 2012/13 – 2015/16 at our November meeting it was clear that national economic predictions were becoming increasingly gloomy and that it was important that the council looked at the medium to longer term when taking financial decisions. Some of the key themes in developing the budget 2012/13 – 2015/16 were set out as follows:

- Continuously reducing budgets
- On-going demand pressures in key areas
- Small efficiency savings increasingly ineffective – looking to transformation changes or to stop providing services
- Need to have absolute clarity about what Brent in 2015/16 will look like

4.3 The Deputy Director of Finance also set out the key risks. These were:

- Level and complexity of savings
- Low reserves - £9.5m in 2011/12 – Raise to £12.0m in 2012/13
- 2011-12 outturn position – forecast £1.8m overspend
- Lack of clarity regarding future funding (Business Rate Retention)
- Lack of growth of Council Tax base
- Demand Growth
- Lack of clear prioritisation
- Pensions
- Economic stagnation
- Policy changes

4.4 In November the cumulative budget gap assuming a 0% rise in Council Tax was predicted to be £33.3m by 2014/15 after incorporating reduced forecasts of growth for future years and increased funding from the New Homes Bonus.

4.5 The latest figures show inflation is still running at around 5%. We will need to ensure that inflationary pressures are reflected in the Council's medium term strategy and that strategies contain its impact are robust.

4.6 Decisions about the level at which Council Tax is set for the period up to 2014/15 are complex. The council is receiving a £2.6m per year up to and including 2014/15 as a result of the freeze in Council Tax in 2011/12. In February 2011 Full Council agreed to use this funding to increase balances during a period of high risk rather than for

temporarily increase spending levels. This was because when the grant ceased and dropped out of the base budget the gap between spending and resources would widen requiring further difficult decisions to be made. In October 2011 the government announced a further £2.6m grant in 2012/13 only to freeze Council Tax in 2012/13. Accepting this into the base budget would result in a permanent loss of resources when it ceased in 2013/14 while not freezing Council Tax could have a negative impact on some of our residents during a time when their own resources are being squeezed.

4.7 Three possible options were illustrated:

- Possible Option 1 – 3.5% / 2.1% / 0%
- Possible Option 2 – staggered – 0%, 3.5%, 2.1%
- Possible Option 3 – staggered with no increase in 2014/15 – 0%, 3.5%, 0%

If, for instance option 2 was implemented then the funding gap after Council Tax increases and identified savings would be £27.8m in 2014/15. The Localism Act 2011 included a provision for members of the public to call a referendum if the proposed level of Council Tax is deemed to be excessive. It was not clear at this stage what level of increase will be deemed excessive for 2012/13.

4.8 In January we were informed that the Local Government Settlement for Brent for 2012/12 would be £152m which was a reduction of £13m on the £165m received in 2011/12. Furthermore we heard that it is likely that the cuts to local government would be extended from 2015/16 to 2016/17 making the need for longer term budget planning essential if the council was to achieve year on year savings for the next five to six years.

4.9 We heard that the council would therefore maintain a strategic approach as illustrated by the One Council Programme to closing the gap while using a variety of other tools to ensure that given the long term nature of the economic situation the council started to address the gap now. Tools would include:

- Identifying further savings through ceasing activities of scaling back the scope
- Keeping strict control of new commitments and match with corresponding savings
- Taking tough decisions early to deliver full year savings over the next three years
- Ensuring no over spends in 2011/12

Strategic actions would include:

- Develop clear and detailed understanding of Political objectives and priorities
- Stop things that are not priority
- All central items to be robustly reviewed
- “*Inescapable*” Growth to be minimised
- Council Tax Strategy for the medium term
- Consider limiting Capital Programme or repaying debt
- Learn and join with others

The Leader of the Council told us that there was no doubt that the council would look very different by 2014 as we will need to reshape services.

5.0 *The One Council Programme*

- 5.1 The committee heard that the One Council Programme is the mechanism through which the council will fundamentally change the way it carries out its business. The One Council Programme is designed to change the way the council organises itself, delivers services and delivers savings while minimising the impact of budget reduction on Brent residents.
- 5.2 The Director of Strategy Partnership & Improvement informed us that the programme has delivered gross savings of £11.8m in 2010/11 and was budgeted to deliver a further £27.8m in 2011/12 this would account for 60% of the savings required in 2011/12. One of the main areas of concern this year was delivering the budget savings from the Procurement Project. The original savings target has been reduced to £1m and this has been offset by a corresponding reduction in the budget for One Council costs. The programme therefore forecasted to produce cumulative savings of £38m by the end of 2011/12. The aim of the programme was to deliver a significant proportion of the additional savings required from 2012/13 onwards.
- 5.3 Initially savings from the programme were largely related to efficiencies, however as the programme has matured the projects and therefore savings are increasingly transformational in nature. To ensure that the programme can continue to deliver the required level of savings fifteen new projects have recently been added to the fourteen that were currently being delivered.
- 5.4 One of the main risks to developing a robust budget is the level and complexity of the savings that the council needs to make. Members of the committee explored how this was managed. We heard that the Programme Management Office ensured 'grip and traction' on project delivery and that savings were removed from departmental budgets as soon as they made.
- 5.5 The committee discussed some of the individual projects and the savings they were projected to make. The in year saving from the Future Customer Services project will be less than budget for at the start of the project. The Director of Strategy, Partnership and Improvement informed us that this can happen as projects enter delivery but he expected momentum to pick up as more aggressive channel migration took place and the savings will be delivered.
- 5.6 We raised concerns about the sustainability and management of the outcome of the managers to staff ratio of 1:6 implemented in the staffing and structure review. We were informed that the savings from the project had been delivered but the project would not be closed until this issue had been addressed.
- 5.7 Responsibility for Public Health will be transferred to the council in April 2013 this would include funding. Members explored issues around the amount of funding that the council would receive and whether or not an assessment had been made about the need to strengthen our reserves given the new responsibilities. We were told that the project had started to develop a baseline of activities and spend undertaken by the council and the PCT. However the government had not produced an outcomes framework yet which will make it difficult to produce the transitions plan that is required by the end of January. The project has a number of dependencies with other projects particularly Adult Social Care integrated commissioning. The West

London Alliance is also running a Public Health programme to see what can be delivered on a sector basis.

- 5.8 There were a number of questions about the removal of the consultancy project from the programme. The Head of the Programme Management Office informed the committee that much of the previously estimated spend on consultancy had been miscategorised and was not actually spent on consultants specifically. In addition the majority of the consultants the council does engage are technical consultants on capital projects. Given that, he felt that the issues around consultancy could be managed via the procurement project.
- 5.9 One of the major risks to the capacity of the council to deliver future budgets is the capacity of the new projects to deliver the required savings and close the budget gap. Members of the committee were keen to ensure that the commercial opportunities group looked at opportunities with partners and linked this to the need to attract businesses into the borough to increase future council funding and benefit the local economy. We heard that many of them were at a very early stage but once a business case had been produced the expected savings from each project would be more apparent. If there was a shortfall in the overall savings needed then further projects would be brought forward

6.0 *Budget Pressures*

- 6.1 The committee spent some time exploring the main pressures the council faces when setting its budget. We were particularly interested in exploring the longer term pressures and the impact they would have on the council and the measures that were being taken to address them. To do this we focussed on the four largest spending departments:
- Children and Families
 - Environment & Neighbourhoods
 - Adult Social Care
 - Regeneration and Major Projects
- 6.2 The Director of Children and Families informed us that the main pressures the department faced was from the cost of Special Educational Needs (SEN) and Children's Social Care.
- 6.3 Over the last two years expenditure on SEN had resulted in a cumulative overspend of £5.7m being brought forward into the 2011/12 schools budget which was funded by the Dedicated Schools Grant (DSG). This had the effect of reducing the schools delegated balances from £13m to £7m. In September the current level of overspend for the SEN budget 2011/12 was £1.5m which is in addition to the £5.7m mentioned above. This level of overspend will continue to have a negative impact, unless cost are reduced. The schools forum are being asked to endorse a three-year recovery plan to bring the account into balance by 2014/15.
- 6.4 The committee was told that the numbers of children with SEN statements in Brent and the cost of those statements did not compare favourably with other London boroughs. The committee was keen to hear what actions were being undertaken to achieve savings in order to reach a balanced position. We heard that a number of actions have already been completed under phase one of the SEN One Council Project. A number of actions were currently being implemented which centred around expanding local provision, improving management information and

developing a strategy on commissioning and monitoring out of borough places. Phase 2 of the SEN One Council Project was currently being developed. This would continue to develop in-borough provision, though we heard that this had been adversely affected by the loss of Building Schools for the Future funding as Brent's programme had included schemes designed to expand SEN places in the borough. Additional actions included collaborating with the West London Alliance on commissioning and a restructure of the SEN and Inclusion Service to better align services to support the SEN strategy.

- 6.5 We heard that over recent years pressure from increasing numbers of looked after children (LAC) had been the main cause of departmental overspends. Members were concerned about the reasons for this but heard that while this pressure had been felt by most local authorities since Baby P the Social Care Transformation Programme had enabled Brent Council to maintain the number of LAC below that of our statistical neighbours.
- 6.6 Measure being taken to reduce the pressure on this budget included:
- Reduce the cost of residential placements and semi independent placements
 - Reduce cost of fostering by increasing the number of in-house foster carers
 - Reduce the number of families with no recourse to public funds supported by the department
 - Reduce the money paid out in support to families who are caring for children who are no longer 'looked after'
 - Focus the work of the Crisis Intervention and Support Team on prevention
- 6.7 Capacity in Brent primary schools was currently insufficient to meet demand, which has resulted in 388 pupils without a school place as at July 2011. We heard that the responsibility for the capital programme for school expansion was with the Regeneration and Major Projects department while the Children & Families department retained responsibility for place planning and allocation. The latest LGA projections showed an upward trend in the demand for primary school places which would continue beyond 2014/15. Given the fact that the council had a statutory duty to provide a school place for every child the loss of Building Schools for the Future had made this duty significantly more difficult to fulfil. It was difficult to estimate the impact the changes to Housing Benefits would have in terms of the number of children moving in and out of the borough but the situation would be closely monitored.
- 6.8 At our November meeting we were informed that the council had been awarded £25m for primary school investment, which was the third highest allocation in London. While the Leader of the Council welcome this she said that all London boroughs and the Mayor of London had agreed that more money was needed and were coming together to lobby the government. How the council spends this money would require careful consideration and the committee was keen to receive further information about this when available. When we talked to the Director of Regeneration and Major Projects we asked what proportion of the places the council need the £25m would provide. He informed us that work was taking place to develop plans for how the money would be spent. There were a number of variables that would need to be considered which include whether land was available and what sort of building would be needed. Given that, he estimated that it could possibly provide between a half and a third of the spaces required.

- 6.9 We heard from the Assistant Director of Adult Social care that the biggest problem her department faced was delivering a service within a reduced budget at a time of rising demand. There was an historic problem of overspends in the department resulting from the dispute with the PCT, funding for continuing healthcare and demographic pressures. When Adult Social Care was part of a wider department Housing was able fund overspends from within its budget, but as a stand-alone department Adult Social Care needed take a more strategic approach to making savings. The department's savings target for 2011/12 was £9.8m, which in addition to the need to reduce its £1.1m overspend from 2010/11 meant that the total savings requirement for the department was £10.9m or 12% of its budget in 2011/12.
- 6.10 The key areas that savings were being found for 2011/12 were:
- Commissioning – to get the best service for the best price
 - Mental Health – redesigning the community network scheme, adopting and effective placement strategy and redesigning social worker roles.
 - Direct Services – the personalisation agenda
 - Customer Journey project – redesign of social services and staffing levels to provide a better more efficient service. Enhanced reablement service to enable people to live more independently for longer – early results has shown that long term cost could be controlled though further assessment of the impact would be needed.

The main areas of risk to delivering the department's saving was Mental Health and the high cost of placements for which negotiations were underway.

- 6.11 The committee was told future savings would require a more radical approach. This would include working with the health service to look at more efficient joint commissioning to meet demand and avoid duplication for instance between health visitor and carer roles. In addition a new project was being developed to improve the outcomes for children with disabilities transitioning into adult care whilst reducing the pressures this places on the Adult Social Care budget. Currently responsibility transferred from the Children and Families department at 17½ but funding to support them was not transferred until they were 19. The Assistant Director believed that the department needed to be involved with the children at a younger age, 14 onwards.
- 6.12 Members were concerned about how the level of need was assessed and what safeguards were in place to ensure that those receiving direct payments were not subject to financial abuse. In terms of assessment we heard that the Assistant Director currently sees all assessments to ensure that service users receive robust and consistent decisions as early as possible. It was also explained that in the past there had not been stringent enough tests carried out to ensure the council only provided support for those who were in fact Brent residents. When it came to light that a person was the responsibility of another borough the borough was given six week's notice that responsibility would be passed over to them. We were told that in such cases it was very difficult to recover past costs but efforts were made to do so. When asked about raising the assessment criteria from critical and substantial to just critical the Assistant Director told us that this would only delay demand and increase costs on the long run. Whilst it was recognised that direct payment to clients offered them more freedom and choice it also increased financial risk. It was explained that advice was given to those seeking services and that a number of mechanisms were in place to ensure that the money was properly spent. These included the use of pre paid cards, doubling the size of the review team and the work of the safeguarding team.

- 6.13 Members of the committee asked about the transfer of the public health function from the PCT to the council. We heard that this was a One Council project though details such as an agreed definition of what constitutes public health were still not clear. It is likely that the council would get about £25m to take on the function but it was currently difficult to validate this figure. The council viewed public health as preventative and the key challenge would be to ensure government guidance was not prescriptive so we could use the money creatively.
- 6.14 The Director of Environment and Neighbourhoods informed the committee that a large part of the department's budget came from income a significant proportion of which was from parking charges and funding from Transport for London.
- 6.15 One of the key budgetary in 2011/12 pressures came from the Libraries Transformation Project. The delay in closing the affected libraries had meant a slippage in part year savings of £408k which would have to be made up with savings from other parts of the department. The challenging economic climate had also led to a further fall in income, particularly in parking income. In addition it had not been possible to achieve the targeted full year savings in the negotiations with Veolia regarding the waste and street cleaning contract and again the shortfall would need to be found from within the department.
- 6.16 We heard that a number of areas of operation would be reviewed in order to contribute to council wide savings. These included One Council Projects on parking and highways. The need to retender the parking contract offered opportunities to work with other boroughs to improve performance and make significant savings. Members were concerned that increased income targets from parking charges and penalty charge notices (PCNs) would lead to increased complaints. We were informed that Brent currently had the lowest success rate against PCN appeals in London which illustrated a good level of quality in relation to the issuing of PCNs. The end of the Highways contract in 2012 presented the council with the opportunity to look at joint procurement options that would build on current performance and modernise approaches to delivery. It was too early to say what the savings target for each of the projects would be.
- 6.17 There were plans to review how the garden and trade waste could be improved and review the grounds maintenance contract. The department was also taking part in a review of youth services. It was also hope that savings of around £75k would be achieved on the arboricultural contract.
- 6.18 The Director of Regeneration and Major Projects told us that the main budget pressure faced by his department was from the cost of temporary accommodation. This had resulted in a forecasted overspend of £928k in 2011/2, which was mainly due to the Local Housing Allowance cap introduced in April 2011. There had been a 38% increase in the number of homeless applications and also in the number of applications accepted as homeless. This has led to an 86% increase in the number of families in emergency accommodation (hotels and bed & breakfast establishments). Mitigating actions were being taken focussed on advice, prevention and encouragement to take housing out of the borough. We heard that this situation is likely to get worse as Housing Benefit and wider welfare reforms are implemented. A contingency budget of £1m is being held centrally to fund any potential overspend in this area.
- 6.19 In terms of savings for 2011/12 we were informed that the department was on track to meet the agreed target of £3.8m with £3.5m saved by November 2011. Planned saving for the next two to three years included the new ability to look at total cost

recovery for planning applications, Housing Needs Transformation which would generate a total of £1.8m savings and better procurement in relation to major projects.

- 6.20 We were keen to hear more about the New Homes Bonus, which in 2011/12 brings an initial £1.07m non ring fenced grant into the Borough, rising year on year. The funding is directly related to the number of new homes built in Brent, with the government effectively matching the Council Tax for each new property built for a period of six years following its completion. Given the changes to local government finance discussed in section 7 below Members focussed on the tension between building new homes and the need to attract new businesses into the borough. The Director of Regeneration and Major Projects told us that work was currently underway to model which of these would generate the most income in different areas of the borough. Issues to consider when looking at this include what sort of places the Borough is looking to create, planning policy, and the additional service pressures that new homes could also generate. The new Community Infrastructure Levy will partly mitigate these additional pressures.
- 6.21 The Director of Regeneration & Major Projects told us that the Housing Revenue Account (HRA) subsidy of £8.5m would be abolished in April. Instead the government would repay £197m of Brent housing debt and introduce a new HRA borrowing cap. In return the council will now be able to keep all rental income from Council housing and use this to manage, maintain and improve the housing stock, service the outstanding debt of £180m and ultimately repay the loan. A business plan was being developed and would be put before the Executive for agreement. One of the main risks identified in the business case are the proposed changes to Housing Benefit which mean that the benefit is paid directly to the tenant rather than the council, the consequence of which could be significant reductions in rent collection levels.
- 6.22 The Deputy Director of Finance provided the committee with an analysis of spend on central items. Many of the areas of spend were not within the council's control and were either decisions made by others, for instance levies or the cost of decisions made in the past, for instance premature retirement compensation. As such many of the cost were known so were not a risk in terms of in-year budget monitoring. The main issue raised by members was the need to ensure that the council maximises its income from the new homes bonus while balancing that with the need to attract new businesses to maximise its future business rate income (see section 7 below).
- 7.0 Local Government Resource Review
- 7.1 At our September meeting The Deputy Director of Finance provided an overview of the proposals set out in the Local Government Finance Review for which an initial consultation paper had been issued on in July 2012. The proposed scheme would enable local authorities to retain their business rates and benefit from business rate growth as a replacement to the current formula grant system.
- 7.2 We were informed that the government would set a baseline level of funding for each authority based on the 2012/13 formula grant. Local authorities like Brent whose business rate income was below the funding level would be paid the difference from the government funded by tariff placed on authorities whose level of funded exceeded the baseline. Since July eight technical papers outlining some of the details had been released detailing a number of complex aspects of the scheme.

7.3 Members of the committee were concerned to hear that the top ups and tariffs were only likely bridge the shortfall in the short term and asked for further information about how we could become more efficient at identifying businesses, attract businesses to set up in Brent and collecting the rates. Immediate actions included:

- Prompt identification and referral to the Valuation Office for assessment
- Capita undertaking a lean review of their NNDR process identify efficiencies
- Regular inspection of high turnover properties
- Maximise take up or reliefs
- Prompt and appropriate recovery

In addition discussions were taking place with the Regeneration and Major Projects Department to ensure new developments are highlighted early to assist with forecasting.

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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 2012/13 budget proposals.

2. DETAIL

- 2.1 The table to this Appendix summarises the budgetary implications for the council for 2012/13 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 2010/11 was £226k. The estimated figure for 2011/12 is £226k, against a budget of £235k. The slight underspend is due to some anticipated one-off costs not arising.

- 3.2.2 The 2012/13 budget is not yet available and is not expected before the Brent budget is set. We are therefore holding the budget at £235k.

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 2012/13 subscription paid to The Local Government Association has been set at £44k for 2012/13. This is a reduction of £5k from the 2011/12 subscription of £49k.

- 3.3.3 The London Councils' subscription covers a number of cross London bodies. The 2012/13 subscription will be levied as follows:

	2012/13
	£'000
London Councils :	
Core	168
London Government Employers	4
Total Main Subscription	<u>172</u>
Young Peoples Education & Skills Board	<u>4</u>
Total	<u>176</u>

The core contribution for 2012/13 has reduced by 8.8% from £193k in 2011/12 to £176k. This is a reduction of £17k from 2011/12. 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 £377k which is met by Adults Social Services.

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. In 2011/12 Brent was classed as a 'Premium' authority and paid the highest level of fee which was £26k.

3.4.2 For 2012/13 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 (the core authorities being Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon and Hounslow), 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 2012/13 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 2011/12 was £19k and we expect the charge for the 2012/13 subscription to be slightly higher at £20k.

3.7 EXTERNAL AUDIT

- 3.7.1 This budget relates to the work undertaken by the Audit Commission in relation to the statutory audit of the Council's financial statements. It is net of charges for inspections and grant claim audits which are charged out to service areas. In 2011/12 the Audit Commission declared a reduction in fees to reflect their new approach to Value for Money audit work and the general decrease in costs associated with the move to IFRS. For 2011/12, Brent's fees reduced to £439k, with an overall budget of £474k including an allowance of includes £15k to cover the operational costs of the audit process and a provision of £20k for any additional and necessary audit work. For 2012/13, the Commission is proposing to reduce audit fees by a further 10% from the published 2011/12 scale fees, reflecting the Commissions continued reduction in costs. However, on the basis of the addition work the authority incurred as part of 2010/11 closing it is prudent to not to assume any saving in 2012/13 and the leave the budget the same as 2011/12.
- 3.7.2 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. The procurement timetable is for new auditor appointments to be place by 1 September 2012. New contracts will start from the audit of the accounts for 2012/13, and are expected to run for three or five years. 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.

3.8 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 £360k for 2012/13 compared to £340k for 2011/12. 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 2012/13.
 - (b) Capital Financing Charges, which are the principal repayments and interest on the council's borrowing.
- 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 seeks to ensure that the optimum allowable under the rules falls on the HRA as this receives 100% subsidy.
- 4.3 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.
- 4.4 The council is estimated to have £405m of long-term debt outstanding at 31st March 2012. This is reduced from 2011 following the DCLG repaying approximately £200m in HRA debt. Long term debt has been taken out for periods of up to 60 years with most for the debt maturing after 2050. The average interest rate on existing loans, following debt restructuring, is around 4.75%. 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 £20m during 2012/13, 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 5% although some borrowing may be taken at lower variable rates.
- 4.5 The net budget for 2012/13 for interest receipts and capital financing charges is £25,563 inclusive of civic centre costs (2011/12 £25.359m). It is forecast that interest earned on deposits in 2011/12 will amount to £149k and the estimate for 2012/13 is £97k. It is not expected that Interest rates will rise during 2012 but this is dependent on the state of the national economy and international markets in 2012/13. 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 2012/13 are shown below.

	2010/11 Actual £'000	2011/12 Estimate £'000
Lee Valley Regional Park	288	288
London Pension Fund Authority	332	332
Environment Agency	191	191
West London Waste Authority – Fixed Cost Element	1,427	1,717
	2,238	2,528

5.3 A council tax base for 2012/13 of 98,398 was agreed by General Purposes Committee on 24th January 2012 (an increase from 97,252 agreed for 2011/12). 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 West London Waste Authority Pay As You Throw charges which was introduced in 2011/12 are calculated according to actual waste tonnages delivered for disposal and are included in the Environment and Neighbourhoods budget.

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 leave their levy unchanged 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 reduced by approximately 9% in 2011/12 and is expected to remain unchanged in 2012/13.

5.6 Environment Agency

For 2011/12 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 did not increase its total levy requirement for 2011/12. However, Brent's 2011/12 payment changed slightly from 2010/11 because of variations in Brent's council tax base compared to other boroughs. We are awaiting final confirmation of this levy for 2012/13.

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 Prior to 2006/07 the WLWA levy was calculated solely according to constituent boroughs' council tax bases. From 2006/07 until this year the levy was based on tonnages delivered by Waste Collection Authorities (WCAs) in the last complete financial year – i.e. 2008/09 was used to set the 2010/11 levy. Tonnages above those charged for through the levy were invoiced separately. The budget was held in Environment & Neighbourhood Services. Other expenditure including civic amenity waste and administration continued to be apportioned to boroughs on their council tax bases.

5.9 From 2011/12 the WLWA split their charges 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.

5.10 For 2012/13 the fixed charge will increase to £1.717m from £1.427m in 2011/12. This increase in charges is due to a reduction in support from balances in 2012/13. In 2011/12 WLWA were able apply £6m from balances for 2012/13 this has reduced to £2.8m and consequently even though WLWA's costs have reduced by £1m boroughs are being asked for a significantly higher contribution.

5.11 The total levies budget of £2.579m includes a contingency of £51k for helping with any one off PAYT costs. Future levy estimates include an allowance for further reductions in the support from balances provided by the WLWA.

- 5.12 Overall WLWA budget increased by 9.7% between 2011/12 and 2012/13 and is expected to rise by 8.6% in 2013/14 and 3.7% in 2014/15 with the further removal of support from balances. Pressures on the PAYT budget will continue in future as the landfill tax is expected to continue to increase by £8 per tonne per annum. (Landfill tax will be charged at £64 per tonne in 2012/13).
- 5.13 It is possible that in future years WLWA may have to pay Landfill Allowance Trading Scheme (LATS) penalties if tonnages sent to landfill exceed WLWA's allowance which reduces each year. These penalties would have to be passed on to WLWA's constituent authorities. This could potentially cause a significant increase in future costs depending on future waste tonnages and methods of waste disposal. The importance of the council's recycling initiatives and good contract management cannot be understated as a contributor to reducing costs.

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 (5.3%). It is now estimated that a provision of £5.416m will be required in 2012/13.

7. REMUNERATION STRATEGY

- 7.1 The council faces a range of significant challenges in its approach to remuneration for its staff. These include 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 the required skilled staff.
- 7.2 The budget of £229k includes provision for support to deliver its workforce development plan including one-off pay protection, supplements for hard to fill posts, job evaluation costs and back-dated pay compensation.

8. SOUTH KILBURN DEVELOPMENT

- 8.1 Work on the regeneration of South Kilburn is continuing. The Council have entered into development agreements with two Housing Associations for three sites. As of May 2011, four sites have planning permission. The first two Phases 1a sites have been disposed of and are under construction. On the remaining phase 1b sites, planning permission has been secured and efforts are now focused towards securing their disposal through a mini competition tender process that will be secured by a developer agreement. The remaining two sites will be disposed of in May 2012 subject to our ability to provide vacant possession. Design and planning work is now underway on two phase 2 sites and planning applications are to be submitted in March 2012.
- 8.2 A European compliant Developer Framework has been procured and contains four RSL/Developer partners that have been appointed over a four year term. The council has recently undertaken a mini competition in order to select a partner from the framework to take forward the delivery of the Phase 1b residential sites. It is anticipated that the preferred partner will be appointed in February 2012. Land receipts from the successful disposal of the phase 1b Development sites will be reinvested to fund the acquisition of property interests and deliver projects required to maintain the momentum of the programme, including the professional fees for design teams for the purposes of securing planning permissions.
- 8.3 Projected spending in 2011/12 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 2012/13 to meet 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 on-going 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 is currently 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 the winters of 2009/10 and 2010/11 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. A budget of £1.8m is recommended for 2012/13 and future years unchanged from the 2011/12 level.

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.

- 10.2 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. A specific grant was paid to individual boroughs outside London and to London Councils within London to meet the additional cost of free off peak travel for non-residents. In London there was the added complication that pass-holders already enjoyed free travel in London boroughs other than their home borough.
- 10.3 The overall concessionary fares budget for London in 2009/10 was £257.4m with £56.7m met from government grant and £27.0m met from rebates and the use of reserves leaving £173.6m to be met from London Authorities. The use of rebates meant that the Authority's contributions fell from £7.863m to £7.000m. The costs of the Freedom Pass are met within the Adult Social Care budget with additional growth required provided within central items. In order to smooth out changes in the contribution, the funding within the Adult Social Services budget was kept at £7.863m in 2009/10, with £863k being put in reserve.
- 10.4 At the same time as the new arrangements for free travel for out-of-borough pass-holders was introduced, a proposal was made to change the basis for allocation of charges to boroughs from number of pass-holders to number of journeys. This change was opposed by a number of boroughs, including Brent, which lost out as a result of the change but, following arbitration, it was agreed that the new arrangements for charging would be introduced on a phased basis from 2009/10, with 40% of the charge based on number of journeys in 2009/10, 70% in 2010/11 and 100% in 2011/12.
- 10.5 In 2010/11 the government issued a revised formula for allocating the concessionary fares special grant which saw London's grant would fall by £30.2m from £58.3m to £28.1m. The combined effect of the loss of grant and the phased introduction of the revised charging mechanism led to an increase in Brent's contribution to £10.035m. The costs of the Freedom Pass are met within Adult Social Services and the 2010/11 contribution was funded by their existing budget of £7.863m plus £863k held in reserve from the underspend in Adult Social Services' concessionary fare budget for 2009/10 and the contribution of £1.309m held centrally.
- 10.6 As part of 2011/12 and 2012/13 settlement government made two changes to the way concessionary fares are funded. The first was a transfer of responsibility for administering concessionary fares from shire districts to shire counties and the second was the rolling up of the specific grant into formula grant. In order to reflect these changes in the formula grant there was a transfer out of monies from shire districts (lower tier authorities) and a transfer in to shire counties (upper tier authorities). London has both upper and lower tier responsibilities so its authorities saw changes to the way it received funding as part of the funding formula. As a consequence London boroughs saw a proportion of the £28.1m of specific grant transfer into their formula funding. In Brent's case the increase was £1.594m.

- 10.7 For 2011/12 the cost of concessionary fares increased to £13.767m from £10.035m an increase of £3.732m of which £1.594m relates to the change in funding arrangements. The rest of the increase of £2.138m relates partly to the completion of the phasing in of the revised charging mechanism based on usage and mainly to the costs of travel in London. TfL and the London Boroughs (through London Councils) entered into a multi-year agreement in 2004 on the amount TfL received for the Freedom Pass, and from April 2008, agreed an additional payment for National Concessionary Permit use. This agreement covered the period to 2009/10. Discussions took place in early 2009 with the London Boroughs on the principle of adopting a new five year deal which was agreed at officer level and endorsed by the Mayor in February 2009 as the first year of a new five year deal running to 2015. This agreement was based on the assumption of annual fare increases of RPI plus 1% from January 2010. The actual fare increase was above this on average, bus fares rose by 12.7% and tube fares by 3.9% and the settlement was some £12m less than TfL might have claimed had the actual fare package been used. At the end of 2010 the Mayor withdrew from this agreement and London boroughs were faced with the full costs of meeting the increases.
- 10.8 For 2012/13 the cost of concessionary fares increased to £14,771 from £13.767m an increase of £1.004m. Overall, the costs of concessionary fares have increased by 6.95% for London Councils and 6.80% for Brent. The largest element in the increase relates to TfL fares where the Mayor announced on 2 December the overall package for TfL fares increase which provided for an RPI +1% (6%) fares increase on tube, DLR and Overground and an RPI increase (5%) on buses and trams. The increase is also includes estimates that journey volumes increase slightly with around a 1% increase on buses and a 2¼% increase on the Underground. For future years the assumption is that 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 the volatility of transport costs an additional contingency of £500k has been built into the forecast for 2013/14. For 2012/13 the increase in concessionary has been included within Adult Social Services budget.

11. AFFORDABLE HOUSING PFI

- 11.1 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.

11.2 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. At present 231 (60%) of the dwellings have been successfully handed over and the project is on course to complete the construction phase by the end of September 2012 as programmed. The PFI contractor BCE also provides full housing management and maintenance services for the dwellings.

11.3 The previously reported risk relating to the Council's ability to support the modelled rents as a result of the introduction of housing benefit caps in April 2011 has so far not materialised. In future there is a conversion from temporary to permanent tenancies to consider but there is 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 contained within the original budget.

We have worked closely with the Council's PFI partners BCE to arrive at this position and have had the figures checked and modelled by BDO. This process is ongoing but there should be no need to seek an exemption from the DWP or additional funding from CLG. However, there remains a significant risk from any further changes to benefit levels generally.

11.4 The Council will contribute £1,288k to this scheme in 2012/13, and this includes an increase of £100k when compared to 2011/12 to reflect pressures on interest rates and a re-phasing of the Council's contributions over the life of the scheme.

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 CO₂ emissions for any given year. Monies are to be retained by the government to support public finances and environmental initiatives. The estimated cost to Brent at this time is £432k for 2011/12. This based on 36k tonnes at £12 per tonne though approximately 47% of these costs will be met by schools leaving a net budget of £227k, this will not be payable until 2012/13. For future years a £4 escalator has been built into the price per tonne with the price rising to £16 per tonne in 2012/13 with an overall charge of £576k reducing by the school contribution to £304k.

14. NEW HOMES BONUS

- 14.1 The government introduced a new grant in 2011/12 called the New Homes Bonus Grant. The objective was to provide an incentive to local authorities to increase housing supply in their area by providing a financial reward equal to the national average for the council tax band D for each new additional property (at Band D equivalent). This is currently £1,439, payable on a rolling basis for six years as a non ringfenced grant. Therefore councils receive a double benefit from each new home, with the additional council tax due plus the reward grant. There are also payments for long term empty properties brought back in to use (or reductions if this number increases), and an additional payment for of £350 for each new affordable home.
- 14.2 However the grant is largely funded by taking money out of the formula grant settlement. In effect this means that authorities with a below average number of new homes will lose out, and those with above average will gain. The government has indicated though that there will be additional money from the abolition of the Housing and Planning Delivery Grant, which will fund the cost in the first year (2011/12) and a falling proportion up to 2014/15. The effects on formula grant on Brent have already been taken in to account in the budget projections.
- 14.3 The 2011/12 grant was based on changes in property numbers between September 2009 and September 2010. During this period the increase in properties in Brent was slightly above the national average. The actual bonus figure for Brent was £1.065m. The bonus figure for year 2 of the scheme is based on changes between September 2010 and 2011. For this year there was an increase to 1,103 in the number of new properties coming in to the rating, and the bonus figure will be £1.729m. This is added to the year 1 figure, to give a total payment of £2.794m, which will be received early in the 2012/13 financial year.

- 14.4 The grant will be paid for six years and will be cumulative. The average figure for Brent for the first two years has been approximately £1.4m. If this were to be replicated for each of the next four, by year 6 the grant for Brent would be £1.4m multiplied by six (i.e. £8.4m). From the seventh year, properties built in the first year one would drop out from the calculation, and be replaced by those built in the seventh year.
- 14.5 With the developments in Wembley in particular there is a reasonable likelihood that Brent will see a continued increase in properties over this period, particularly for the earlier years. There was an increase of 718 properties between September 2009 and September 2010. This figure increased to 1,103 in the following twelve months. Between 9 September 2011 (the date used for the 2011 figures) and 16 January 2012 there has been a further increase of 312, so the indications are that although the increase may be slowing slightly, the growth in properties numbers is continuing.

15. REDUNDANCY COSTS

- 15.1 As part of the Authority's One Council Programme a number of 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 has been reviewing 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. Over the last couple of years this has seen the loss of upward of 540 posts. This has been achieved through 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 is still ongoing and will continue into 2012/13 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 2012/13 the Council has provided £4.354m to cover these costs, a reduction of £2m reflecting the completion of the One Council staffing and structure programme.

16. PROCUREMENT INCOME

- 16.1 From July 2010 Brent entered into a new contract with Commensura as the main provider of agency staff replacing Matrix. A proportion of the agency staff savings accruing from this contract are held centrally. In addition there are also a number of rebates received for other procurement arrangements. In total the level of income in 2011/12 is forecast to be £480k. For 2012/13 this item has been incorporated within the inflation provision and has been offset against additional income from fees and charges raised by service areas not separately identified within the savings schedules.

ANALYSIS OF CENTRAL ITEMS 2012/13 -2015/16

	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000
Coroners Courts	235	235	235	235
LGA	44	45	46	47
London Councils	172	172	172	172
LGIU Subscription	26	26	26	26
West London Alliance	30	30	30	30
Copyright Licensing	20	20	20	20
External Audit	474	474	474	474
Corporate Insurance	360	380	400	420
Capital Financing Charges	25,563	26,603	28,104	29,668
Levies	2,579	2,803	3,043	3,293
Premature Retirement Compensation	5,416	5,551	5,690	5,832
Remuneration Strategy	229	229	229	229
South Kilburn Development	900	900	900	900
Insurance Fund	1,800	1,800	1,800	1,800
Freedom Pass Scheme Growth	0	1,360	2,247	3,183
Affordable Housing PFI	1,288	1,317	1,348	1,380
Council Elections	100	100	100	100
Carbon Tax	304	378	454	529
New Homes Bonus	(2,794)	(4,194)	(5,594)	(6,594)
Redundancy and Restructuring Costs	4,354	3,354	1,054	1,054
Other Items	80	80	80	80
TOTAL	41,180	41,663	40,858	42,878

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COUNCIL TAX PROPERTY VALUATION BANDS

Council Tax is a property based tax on the classification of properties into 8 bands depending on the value of the property as at 1st April 1991.

	Rate of Tax
A Up to £40,000	6/9
B £40,001 to £52,000	7/9
C £52,001 to £68,000	8/9
D £68,001 to £88,000	9/9 or 1
E £88,001 to £120,000	11/9
F £120,001 to £160,000	13/9
G £160,001 to £320,000	15/9
H More than £320,000	18/9 or 2

Different rates of tax will apply to each band so that properties in Band A will pay 1/3 of the tax of a property in Band H. Band D is the middle band and is used to express the tax base of the authority.

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COUNCIL TAX AND NNDR INSTALMENT DATES AND RECOVERY POLICY

Introduction

There are over 111,000 domestic properties and 8,240 non-domestic properties within Brent and the Revenues service is responsible for collecting Council Tax and Business Rates due for each of these properties. The Revenue generated from Council Tax collection forms a significant proportion of the Authority's overall Revenue budget and as such we recognise our responsibility to maximise collection to protect the overall financial health of the Authority. We also recognise the diverse nature of Brent as a Borough, with pockets of affluence and large areas of deprivation. We aim to take account of differing customer needs and circumstances and to reflect these in our policies for recovering Council Tax. In overall terms, we aim to deal robustly with those who are wilful non payers and to deal sensitively with those who are willing to pay but are experiencing difficulties in doing so and to ensure that payment arrangements are fair. All recovery action will be in line with the Revenues and Benefits Anti Poverty policy, which seeks to ensure that entitlement to benefit is identified wherever possible and those with genuine hardship have the opportunity to discuss and review their payment arrangement.

1. COUNCIL TAX INSTALMENT DATES

1.1 For 2012/13, the instalments will be due on the following dates:

(a) Direct Debit payers

1st, 12th, 17th, or 28th; depending on the date selected by the Direct Debit payer. If no date is selected, the instalments will be due on the 1st. Instalments commence on the selected date in April and end in January 2013.

(b) Non Direct Debit payers

First instalment on the 1st April 2012, then on the 1st of each month to 1st January 2013.

2. NNDR INSTALMENT DATES

2.1 For 2012/13, the instalments will be due on the 1st of each month from 1 April 2012 to 1 January 2013, a total of 10 instalments.

3. BRENT POLICY FOR COUNCIL TAX RECOVERY

3.1.1 The following documents are currently used for Council Tax Recovery up to bailiff stage:

- Reminder (s)

- Summons for a Liability Order Hearing
- Pre Bailiff Letter including a means enquiry form and debt leaflet giving help and advice if customers are in debt

3.1.2 Summons for a Liability Order Hearing

This document is issued in accordance with legislation. Summonses are issued under regulation 34 (2) and 14 days must have elapsed between the Summons Service and the hearing. (SI 1998/295).

Note that the summons contains all the requirements of a legal summons. It also contains notification that summons costs of £90.00 have been incurred and that the payment must include the costs.

3.1.3 Inserts enclosed with a Summons

Two inserts are included with the summons one has been designed to answer many of the questions that are often asked when summonses are received by the Taxpayer. It also incorporates a direct debit form that can be completed offering a payment arrangement. This form can be completed and returned to the Revenues and Benefit Section for a standard arrangement.

The other insert provides details of available debt advice and agencies that can assist.

3.2 Policy for inhibiting Summonses

3.2.1 A pre-summons vetting stage currently exists. This additional process has been established to ensure that Taxpayers are not summonsed whilst they have genuine outstanding matters with us. The vetting stage is undertaken by Capita. A pre summons list is produced containing the names and addresses of potential summons cases. The list is then cross checked against the items of work appearing in workflow including outstanding benefit claims, benefit appeals, complaints and Council Tax correspondence. Where appropriate a summons is not issued giving the Benefits Department/Capita time to resolve the enquiry.

3.2.2 This process does not mean that a summons cannot be issued to a taxpayer that has an outstanding matter with us. A summons will still be issued in the following circumstances:

- a) there has been a delay by the taxpayer in providing the necessary supporting documentation with their benefit application or information required to assess the claim
- b) the taxpayer is late in making an application and therefore all the arrears would not be cleared by an award of benefit
- c) where it appears that there will not be any or full entitlement to benefit
- d) the issue raised is frivolous with the intention of delaying the payment of Council Tax

e) the issue raised is not connected to the Council Tax liability.

3.2.3 In accordance with the Anti Poverty strategy any accounts where the tax payer has been identified as vulnerable will usually be excluded from summons action. Where appropriate a summons will be issued to enable recovery from Income Support and Job Seekers Allowance. Summons costs will be reviewed in these cases.

Potentially vulnerable customers include:

- Customers who are 80 years or more in age
- Customers with physical disabilities that significantly impair their mobility
- Customers who may find it difficult to manage their own affairs because of mental health difficulties or substantial literacy difficulties.
- Homeless customers
- Customers with sensory impairments

3.3 Summons Arrangements

3.3.1 Once a taxpayer has been summonsed they will be offered the opportunity to contact the Council to make an arrangement. Should contact be made they will be offered any of the following arrangements.

3.3.2 Normally pay by three equal monthly instalments. This can be paid by cash or cheque to the Council. This arrangement must include summons and liability order costs of £120.00.

3.3.3 As Direct Debit is the preferred payment method arrangements by Direct Debit can have a greater number of monthly instalments. This arrangement must include total costs of £120.00, which includes those for a liability order.

3.3.4 Consideration will be given to extending payment arrangements and reinstating instalments where severe financial hardship is demonstrated. This extension is at the discretion of the Recovery Team.

3.3.5 Customers who have multiple Liability Orders will be given the opportunity to agree an affordable payment agreement, to cover all outstanding arrears. This may be subject to completion of a means enquiry form.

3.4 Attachment of Earnings Orders

Where employment details are available for taxpayers at any stage from a liability order being obtained to the point where bailiff action is commenced, an attachment may be applied. It may also be applied after a case has been returned by the bailiff if a debt remains outstanding. Deductions are made in accordance with current legislation, which determines the amount that can be deducted from the individual's salary based on the appropriate percentage of salary received.. Employment details are always asked for before any payment arrangement is agreed so that in the event of the customer

defaulting on the arrangement the balance can be collected by deductions from the customer's earnings.

3.5 **Benefit Deductions**

A Liability Order must be obtained before deductions can start.

Benefit deductions can be applied to state benefits such as Income Support, JSA and Employment Support Allowance, where the account is closed or there is no ongoing liability as the debtor is in receipt of 100% Council Tax Benefit for current year debt.

In vulnerable cases (outlined in 3.2.3), deductions from benefit may be made. The Council Tax Office has liaison arrangements with Social Services and other welfare agencies to help identify vulnerable individuals and ensure that their situations are taken into consideration.

3.6 **Pre Bailiff Notice**

3.6.1 This notice is a personalised notice issued within the first week following a Liability Order hearing. It is issued to all Taxpayers who have failed to pay in full or make an arrangement for payment, and where other methods of recovery are not appropriate. The notice advises the Taxpayer that the account will be passed to the bailiff within the next 14 days for collection if no arrangement is made to clear the balance or the account is not paid in full. The back of this notice gives details of charges connected with the process of the bailiff removing, or threatening to remove goods, in order to enforce a debt, known as Distress. Information is also given in relation to total costs, which includes the summons and liability order costs. An arrangement for payment can still be made at this stage. Inserts are also enclosed giving debt advice, requesting information in respect of employment or benefit entitlement. A means enquiry form is also enclosed for completion by the tax payer if they require an extended arrangement.

3.6.2 The Pre Bailiff notice is also issued to Taxpayers defaulting on arrangements where a liability order has previously been granted.

3.6.3 In practice there is a big response to this notice. Capita will deal with enquiries before bailiffs are instructed.

3.7 **Bailiff Action for Council Tax**

3.7.1 The following cases will be subject to Bailiff action following the issue of the pre-bailiff notice:

- (a) No payment arrangement made
- (b) Taxpayers defaulting on existing arrangements
- (c) No contact made

- 3.7.2 The Bailiff operates under the Association of Civil Enforcement Agencies Code of Conduct.

The bailiff may make charges in accordance with the Regulations.

The bailiff has discretion to make arrangements. He/she is requested to return the Liability Order back to the council within three months if he/she is unable to collect unless otherwise authorised.

- 3.7.3 The bailiff firms currently used are authorised by the London Borough of Brent for both Council Tax and NNDR are:

- (a) Newlyn Collection Services Ltd
- (b) Equita
- (c) Ross and Roberts

3.8 Bankruptcy, Charging Orders and Committal to prison

In cases where all other recovery methods have failed we will seek to obtain a charging order or force of sale against a property, a bankruptcy order or to seek the Taxpayer's committal to prison. Which course of action is taken will depend upon individual circumstances and their payment history.

3.9 Other Methods

Other methods have been trialled to assess their effectiveness in collecting unpaid Council Tax. This includes outbound telephoning and visits to those properties where there have been no payments for greater than 3 months with comparisons made between the various methods. It has shown that the most successful is outbound telephone calling, this method will be expanded to supplement the other recovery options detailed previously.

In addition where mobile telephone numbers are held customers are sent text messages to remind them of missed instalments.

3.10 Customers who are identified as experiencing financial hardship

The Anti Poverty Policy was devised to assist customers who are experiencing financial difficulties and as a result are having problems either paying their Council Tax arrears or adhering to their current year instalments. It came into force on 1st April 2007.

If a customer contacts the Council advising they have financial difficulties, we will review their outstanding balance(s) for Council Tax. Customers will also always be encouraged to consider applying for Council Tax Benefit and other Discounts and Exemptions, they may qualify for. Where potential entitlement is identified payment arrangements will be made pending assessment of benefit to ensure arrears do not increase. These may need to be reviewed if Council Tax Benefit is awarded.

If a customer contacts the Council following a recovery notice and advises that they cannot meet the payment demanded, consideration will be given to reinstating and extending their instalments. Where a customer indicates that they will require longer than 6 months to repay arrears or they are unable to meet their in year liability by 31st March, the case will be passed to the Capita Recovery team for consideration.

3.11 **Fast Tracking Benefit Enquiry**

Where a Taxpayer makes a late application for Council Tax Benefit after recovery has started or provides information enabling their claim to be assessed then the assessment will be fast tracked. This means the customer will be offered an appointment with an assessment officer within 24 hours and informed what information they need to bring to the interview in order to have their entitlement assessed. The outcome of the benefit assessment could mean there is full or partial entitlement to Council Tax benefit that reduces the balance due or the claimant is advised they have no entitlement to Council Tax benefit.

4.0 **BRENT POLICY FOR NNDR RECOVERY**

4.1 The following documents are currently used for NNDR up to bailiff stage:

- Reminder (s)
- Summons for a Liability Order Hearing

4.2 **Summons for a Liability Order Hearing**

This document is issued in accordance with legislation. Summonses are issued under the Collection and Enforcement Regulations (SI 1989/1058) and 14 days must have elapsed between the Summons Service and the hearing.

Note that the summons contains all the requirements of a legal summons and also contains notification that summons costs of £140.00 have been incurred and that the payment must include the costs.

4.3 **Bailiff Action for NNDR**

4.3.1 The following cases will be subject to Bailiff action

- (a) No payment arrangement made
- (b) Taxpayers defaulting on existing arrangements

4.3.2 The Bailiff operates under the Association of Civil Enforcement Agencies Code of Conduct.

The bailiff may make charges in accordance with the Regulations.

The bailiff has discretion to make arrangements. He/she is requested to return the Liability Order within three months if he/she is unable to collect unless otherwise authorised.

4.3.3 The bailiff firms currently used are authorised by the London Borough of Brent for both Council Tax and NNDR. They are:

- (a) Newlyn Collection Services Ltd
- (b) Equita
- (c) Ross and Roberts

4.4 **Bankruptcy, Charging Orders and Committal to prison**

In cases where all other recovery methods have failed we may seek to obtain a charging order, undertake insolvency proceedings or to seek the Taxpayer's committal to prison. Which course of action is taken will depend upon individual circumstances and their payment history.

5.0 **Liability Order Costs**

5.1.1 Summons costs are applied for when the Complaint is laid and the costs are put on the account shortly after this. Both the summons and the summons insert give details of these costs. These summons costs will only be cancelled if the summons is withdrawn or in special circumstances where the costs are waived. Summons costs for Non-Domestic Rates are £140 and for Council Tax £90.

5.1.2 Liability Order costs for both council tax and non-domestic rates are £30.00. They are incurred when a Liability Order is granted. These costs can be asked for at Court even where the remaining balance outstanding relates to costs only. Taxpayers who therefore pay before the hearing date without settling Summons Costs may incur a further £30.00. Liability Order Costs will be applied for all cases where a balance remains outstanding on the Court list.

6.1 **Policy Review**

6.1 This policy document reflects the current initiatives employed and is not prescriptive. It is recognised that policies and the wording of documents are subject to change to meet changing circumstances and legislation. Any review of the Anti Poverty is likely to also impact on this policy.

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	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Service Area Budgets (SABs)					
Children & Families	57,831	51,402	51,402	51,402	51,402
Environment and Neighbourhood Services	42,567	34,073	34,073	34,073	34,073
Adult Social Services	92,155	89,552	89,552	89,552	89,552
Regeneration & Major Projects	21,974	33,277	33,277	33,277	33,277
Finance & Corporate Services / Central Services					
- Central Services	12,543	10,074	10,074	10,074	10,074
- Finance & Corporate Services	13,864	22,256	22,256	22,256	22,256
	240,934	240,634	240,634	240,634	240,634
Savings					
Service Savings	0	0	(7,400)	(11,152)	(11,152)
One Council Savings	(31)	(734)	(2,633)	(4,083)	(5,083)
Civic Centre		0	(2,000)	(3,000)	(3,500)
	(31)	(734)	(12,033)	(18,235)	(19,735)
Cost Pressures for Service Areas					
Cost Pressures	2,000	0	2,196	3,389	4,039
Inflation Provision	2,520	2,025	4,574	7,073	10,772
	4,520	2,025	6,770	10,462	14,811
Other Budgets					
Central Items	45,965	41,180	41,663	40,858	42,878
One Council Enabling Fund	0	3,500	5,500	5,500	5,500
	45,965	44,680	47,163	46,358	48,378
Grants & Balances					
Government Grants Unallocated	(23,414)	(24,638)	(24,638)	(24,638)	(24,638)
Council Tax Freeze Grant	(2,585)	(2,575)	0	0	0
Contribution to/(from) Balances	2,500	1,000	920	0	0
	(23,499)	(26,213)	(23,718)	(24,638)	(24,638)
Total Budget Requirement	267,889	260,392	258,816	254,581	259,450
Funding					
Formula Grant	165,911	155,420	152,086	138,958	136,383
The Formula Grant has been calculated based upon best estimates within the Spending Review					
Less (Deficit) /Surplus on the Collection Fund	(1,006)	774	0	0	0
Council Tax Income	102,984	104,198	108,709	112,212	115,821
Total	267,889	260,392	260,795	251,170	252,204
Reductions required if Council Tax increase is 0% in 2012/13, 3.5% 2013/14 and 2.5% subsequently					
Forecasted Budget Surplus /(Gap)	0	(0)	1,979	(3,411)	(7,246)

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Council Tax Calculation					
Brent Council Tax Requirement 97,252 in 2011/12, 98,398 in 2012/13 and assuming 0.8% increase in 2013/14 and 0.7% for future years.	1,058.94	1,058.94	1,096.02	1,123.47	1,151.55
% Increase in Brent part of CT	0.0%	0.0%	3.5%	2.5%	2.5%
Balances					
Balances Brought Forward	7,580	10,080	11,080	12,000	12,000
Underspends/(Overspends)	0	0	0	0	0
Contribution to/(Use of Balances)	2,500	1,000	920	0	0
Balances Carried Forward	10,080	11,080	12,000	12,000	12,000

Cost Centre Code	Budget Description	2011/12 Schools Budget	2012/13 Schools Budget
		£	£
	ISB (Excluding 6th Form)	192,871,013	193,813,329
	Pupil Premium	5,258,000	8,673,000
	Total Devolved Resources	198,129,013	202,486,329
AA00	SEN Developments	188,119	188,119
AC10	Educational Psychology	162,850	162,850
AC42	Children with Disabilities	182,759	182,759
AC65-AC71	Recoupment & Other SEN Placements	14,625,428	14,625,428
AC70	Recoupment Income	-814,758	-814,758
AC74	Provision for Disabled Pupils	130,925	130,925
AC75	Statemented Pupils in IB Mainstream	1,402,252	1,402,252
AC76	Educational support for children with Medical Needs	56,551	56,551
AC80	E Years - Area SENCOs for PVI's	185,305	185,305
AC81	SEN Transport	500,000	500,000
AC90	Schools Causing Concern	184,801	184,801
	Services to Schools	364,796	364,796
AE41	SEN & Inclusive Education	519,134	519,134
AF01	EMTAS	754,830	754,830
AG21	Behaviour Support - Key Stage 4 PRU - Poplar Grove	940,214	940,214
AG22	New PRU Key Stage 3/4 - Church Lane	699,450	699,450
AG23	Behaviour Support - Key Stage 3 PRU - Stag Lane	823,790	823,790
AG25	Intervention - Non PRU support	262,410	262,410
AG27	Day 6 Exclusion	145,960	145,960
AG30	Brent Education Tuition Service	1,689,442	1,689,442
AH03	Gordon Brown Outdoor Education Centre	50,000	50,000
BE04	FSS LAC Education Team	346,405	346,405
BG01	Educational costs of Social Care placed children	698,610	698,610
CL01	Early Years Including Childrens Centres	936,367	936,367
CB50	Early Years Payments - NEG	5,068,250	5,188,250
CC51	Speech & Language Therapy	346,107	346,107
CD30	Early Intervention Team	400,000	400,000
DK04	Maternity & Jury Service	351,224	351,224
DK06	Schools Forum	33,693	33,693
DK07	Subscriptions	105,340	105,340
DK08	Statemented Pupils Contingency	3,684,205	2,929,375
DK09	Rising Rolls Contingency etc	629,957	629,957
DK41	Out of School - Pupils Without a Place	2,997,518	2,997,518
DK45	School Admissions	637,054	637,054
	Deficit Recovery Contingency	1,200,000	3,200,000
	Total Expenditure	238,618,000	244,340,486
DM10	DSG Grant Income + Pupil Premium	-238,618,000	-244,340,486
	Net Budget	0	0
NOTES:			
Pupil No. Growth based on prudent pupil forecasts. If Pupil growth is greater than forecast growth of 370 then the amount passed onto to schools would increase by the standard AWPU rates multiplied by the additional pupils. Similarly if pupil number growth is less than the forecast the amount passed onto schools would correspondingly reduce.			
Sixth Form funding is excluded from the above figures. The amount of sixth Form funding provided by the YPLA is passed on directly to schools with no adjustments and will be added to the ISB line shown above.			
The Pupil Premium figures shown above are estimates based upon DfE information presented in the settlement announcement. Due to the changed methodology regarding the Premium and the adoption of an "ever 6" measure, the DfE are still to determine the basis for measuring this and therefore these figures should be treated as indicative only.			

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HRA Probable Budget 2011-12 and Draft Budget 2012-13				
Description	(1) Original Budget 2011-12 £000's	(2) Revised Budget 2011-12 £000's	(3) Probable Budget 2011-12 £000's	(4) Draft Budget 2012-13 £000's
Provision For Bad Debts	200	258	976	658
Rent & Rates	573	1,478	1,648	1,638
Services	590	590	590	590
Capital Financing	20,659	20,659	20,183	11,456
Depreciation (Major Repairs Allowance (MRA))	8,078	8,078	8,078	13,720
Leaseholder Service Charges Income	0	-2,705	-3,120	-3,120
HRA Subsidy (incl MRA)	-8,552	-8,552	-8,076	0
Rent Income	-46,934	-46,934	-47,345	-50,518
Non Dwelling Rent	-379	-379	-329	-379
Other Income	-280	-280	-280	-142
General Management	10,074	11,816	12,083	11,813
Special Management	4,950	4,950	5,022	4,942
Housing Repairs	11,763	11,763	11,713	11,528
Net Expenditure	742	742	1,143	2,186
Surplus B/Fwd	-466	-466	-1,163	-696
To/(from) Earmarked Reserve	-676	-676	-676	-1,890
Surplus C/Fwd	400	400	696	400
Total	0	0	0	0

Nb. The revised budget 2011-12 results from a reclassification exercise and is neutral on the HRA

HRA Probable Budget 2011-12 and Budget 2012-13			
<u>Subjective Analysis</u>			
	(1)	(2)	(3)
	Approved	Probable	Budget
	Budget	Budget	Budget
	2011-12	2011-12	2012-13
Description	£000	£000	£000
Employees	2,034	1,384	1,369
Premises	17,121	17,134	16,883
Transport	30	30	29
Supplies and Services	3,314	3,908	3,528
Third Party Payments	8,559	8,773	8,561
Tfr Payments/Capital Financing	28,456	27,979	25,033
Support Services	508	1,396	1,394
Total Expenditure	60,022	60,604	56,797
Direct Income	-58,990	-59,227	-54,378
Recharged Income	-290	-234	-233
Total Income	-59,280	-59,461	-54,611
Deficit (Surplus) for the Year	742	1,143	2,186
Surplus B/Fwd	-466	-1,163	-696
To/(From) Earmarked Reserve	-676	-676	-1,890
Surplus C/Fwd	400	696	400
Total	0	0	0

CAPITAL PROGRAMME 2011/12

General Fund

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £000	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000
RESOURCES: GENERAL FUND					
Capital Grants and other contributions					
Government Grant - SCE (C)	(11,693)	(11,693)	(11,693)	(9,680)	2,014
Primary Capital Programme	(4,072)	(4,072)	(4,072)	(4,072)	0
Basic Need Grant - Additional Primary Places	(12,775)	(12,775)	(12,775)	(12,775)	0
Devolved Formula Capital	(3,609)	(3,609)	(3,609)	(3,615)	(6)
Other External Grant	(27,755)	(29,494)	(29,345)	(34,231)	(4,886)
Capital Receipts in Year - Right to Buy Properties	(500)	(500)	(500)	(400)	100
Corporate Property Disposals	(3,585)	(3,585)	(3,585)	(5,861)	(2,276)
Other Receipts	(10,843)	(10,958)	(10,958)	(9,246)	1,712
Additional Contributions	(2,030)	(3,714)	(3,714)	(2,247)	1,467
S106 Funding	(16,058)	(16,058)	(16,058)	(13,595)	2,463
Borrowing					
Unsupported Borrowing	(20,981)	(22,322)	(22,322)	(12,545)	9,775
Unsupported Borrowing (Self Funded)	(51,181)	(51,181)	(53,172)	(33,409)	19,764
Invest to Save Schemes					
External Grant Funding	(130)	(130)	(130)	(130)	0
Total Resources	(165,212)	(170,091)	(171,933)	(141,806)	30,127
EXPENDITURE: GENERAL FUND					
Regeneration and Major Projects					
<u>Business Transformation</u>					
Civic Centre	50,981	50,981	50,981	29,501	(21,479)
<u>Children and Families</u>					
School Schemes	46,121	47,805	47,805	53,144	5,339
Extended Schools	454	454	454	454	0
Co-Location Capital Grant	(564)	564	564	564	0
Playbuilder Capital Grant	(106)	106	106	0	(106)
Practical Cooking Spaces	193	193	193	193	0
Myplace Grant (Big Lottery Fund) - Roundwood Youth Centre	4,741	4,741	4,741	4,782	41
<u>Adults and Social Care</u>					
Individual Schemes	172	39	39	0	(39)
<u>Housing Schemes</u>					
New Units	100	100	100	100	0
Individual Schemes	527	527	527	527	0
<u>Corporate</u>					
Property Schemes	2,266	2,266	2,482	2,482	0
PRU Schemes	16,175	16,308	16,658	14,749	(1,910)
S106 Works	15,518	15,519	15,302	12,839	(2,463)
Total Regeneration and Major Projects	136,578	139,603	139,952	119,335	(20,617)
Children and Families					
Non-School Schemes	0	170	170	0	(170)
Ringfenced Grant Notifications	682	682	682	0	(682)
Devolved Formula Capital	3,609	3,609	3,609	0	(3,609)
Total Children & Families	4,291	4,461	4,461	0	(4,461)
Environment & Neighbourhoods					
TfL Grant Funded Schemes	4,000	4,140	4,146	4,146	0
Estate Access Corridor	1,794	1,794	1,794	1,794	0
Stadium Access Corridor	30	30	30	30	0
Leisure & Sports Schemes	1,354	1,354	1,354	1,354	0
Environmental Initiative Schemes	0	1,429	2,655	2,699	45
Highways Schemes	2,975	2,975	2,975	2,975	0
Parks & Cemeteries Schemes	940	940	1,201	1,201	0
Total Environment & Neighbourhoods	11,093	12,662	14,155	14,199	45
Adults Social Services					
Ringfenced Grant Notifications for Adult Care	1,724	1,724	1,724	1,200	(524)
Total Adults Social Services	1,724	1,724	1,724	1,200	(524)
Housing					
PSRSG and DFG council	7,219	7,219	7,219	5,031	(2,189)
Individual Schemes	0	115	115	115	0
Total Housing	7,219	7,334	7,334	5,146	(2,189)
Corporate					
ICT Schemes	806	806	806	806	0
Central Items	3,501	3,501	3,501	1,120	(2,381)
Total Corporate	4,307	4,307	4,307	1,926	(2,381)
Total Service Expenditure	165,212	170,091	171,933	141,806	(30,127)
Surplus carried forward	0	0	0	0	0
Deficit to be funded	0	0	0	0	0

CAPITAL PROGRAMME 2011/12

Housing Revenue Account

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £000	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000
RESOURCES: HOUSING REVENUE ACCOUNT					
Grant					
Loft Conversion Grant	0	(400)	(400)	(400)	0
Contributions					
Major Repairs Reserve	(7,000)	(8,078)	(8,078)	(4,227)	3,851
Contributions	(3,517)	(4,788)	(4,788)	(4,077)	711
Unsupported Borrowing	(7,252)	(7,252)	(7,252)	(5,953)	1,299
Unsupported Borrowing - Self Funded	(11)	(11)	(81)	(11)	70
Total Resources	(17,780)	(20,529)	(20,599)	(14,668)	5,931
EXPENDITURE: HOUSING REVENUE ACCOUNT					
Housing Revenue Account					
ALMO	600	600	600	600	0
Individual Schemes	17,180	19,929	19,999	14,068	(5,931)
Total Expenditure	17,780	20,529	20,599	14,668	(5,931)
(Surplus)/Deficit	0	0	0	0	0

CAPITAL PROGRAMME 2011/12

Summary of Position

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £000	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000
RESOURCES					
General Fund	(165,212)	(170,091)	(171,933)	(141,806)	30,127
Housing Revenue Account	(17,780)	(20,529)	(20,599)	(14,668)	5,931
Total Resources	(182,992)	(190,620)	(192,532)	(156,474)	36,058
EXPENDITURE:					
General Fund	165,212	170,091	171,933	141,806	(30,127)
Housing Revenue Account	17,780	20,529	20,599	14,668	(5,931)
Total Expenditure	182,992	190,620	192,532	156,474	(36,058)
Surplus carried forward	0	0	0	0	0
Deficit (to be funded)	0	0	0	0	0

CAPITAL PROGRAMME 2011/12

General Fund - Corporate Capital Programme

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
ICT Schemes					
Combined Property and ICT Initiatives (To be used on Sharepoint Initiative in 2010/11)	806,268	806,268	806,268	806,268	0
Total ICT Schemes	806,268	806,268	806,268	806,268	0
Central Items					
Provision for Liabilities	683,000	683,000	683,000	683,000	0
Carbon Trust Works	254,707	254,707	254,707	254,707	0
Grange Road Acquisition	140,000	140,000	140,000	140,000	0
Surestart	42,000	42,000	42,000	42,000	0
Total Central Items	1,119,707	1,119,707	1,119,707	1,119,707	0
Forecast Levels of Slippage in Year	2,381,000	2,381,000	2,381,000	0	2,381,000
Total Finance & Corporate Resources Capital Programme	4,306,975	4,306,975	4,306,975	1,925,975	2,381,000
Funding					
Grant					
Salix Grant Funding (Carbon Trust Works)	(129,690)	(129,690)	(129,690)	(129,690)	0
Unsupported Borrowing - General Fund					
Provision for Liabilities	(683,000)	(683,000)	(683,000)	(683,000)	0
Carbon Trust Works	(125,017)	(125,017)	(125,017)	(125,017)	0
Grange Road Acquisition	(140,000)	(140,000)	(140,000)	(140,000)	0
Surestart	(42,000)	(42,000)	(42,000)	(42,000)	0
Combined Property and ICT Initiatives	(806,268)	(806,268)	(806,268)	(806,268)	0
Forecast Levels of Slippage in Year	(2,381,000)	(2,381,000)	(2,381,000)	0	(2,381,000)
Total Housing HRA Funding	(4,306,975)	(4,306,975)	(4,306,975)	(1,925,975)	(2,381,000)
Funding Gap	0	0	0	0	0

CAPITAL PROGRAMME 2011/12

General Fund - Regeneration and Major Projects

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
Business Transformation Schemes					
Civic Centre (Self Funded)	50,980,638	50,980,638	50,980,638	29,501,253	(21,479,385)
Total Business Transformation Capital Programme	50,980,638	50,980,638	50,980,638	29,501,253	(21,479,385)
Funding					
Unsupported Borrowing (Self Funded)					
Civic Centre	(50,980,638)	(50,980,638)	(50,980,638)	(29,501,253)	21,479,385
Total Business Transformation Funding	(50,980,638)	(50,980,638)	(50,980,638)	(29,501,253)	21,479,385
Funding Gap	0	0	0	0	0
Children and Families Schemes					
Devolved Capital	0	0	0	3,614,986	3,614,986
Extended Schools	453,555	453,555	453,555	453,555	0
Co-Location Capital Grant	(563,853)	563,853	563,853	563,853	0
Playbuilder Capital Grant	(106,402)	106,402	106,402	0	(106,402)
Cooking in the Curriculum	192,652	192,652	192,652	192,652	0
Myplace Grant (Big Lottery Fund) - Roundwood Youth Centre	4,741,119	4,741,119	4,741,119	4,782,119	41,000
Total direct funded schemes	4,717,071	6,057,581	6,057,581	5,992,179	(65,402)
Access Initiatives	455,911	455,911	455,911	455,911	0
Targeted Capital Fund Grant (TCF)					
Additional TCF Funding (14-19 diplomas, Special Educational Needs and disabilities) THE VILLAGE SCHOOL	5,304,953	5,304,953	5,304,953	5,304,953	0
Schools Kitchens and Dining Areas	449,185	449,185	449,185	449,185	0
Targeted Capital Fund Grant	5,754,139	5,754,139	5,754,139	5,754,139	0
Individual School Schemes					
Ark Academy	1,300,000	1,300,000	1,300,000	2,169,298	869,298
Ark Academy (Additional DCSF Funding)	1,300,000	1,300,000	1,300,000	0	(1,300,000)
Ark Academy (ICT) (Additional DCSF Funding)	270,702	270,702	270,702	270,702	0
Alperton School Underpinning	2,000	2,000	2,000	0	(2,000)
Wembley Manor Re-build and Expansion	434,673	434,673	434,673	434,673	0
Crest Academies - PFS Contributions	0	0	0	6,977,622	6,977,622
Crest Academies - Council Contribution	2,735,154	2,735,154	2,735,154	2,735,154	0
Crest Academies - Environmental Improvement Government Grant	320,000	320,000	320,000	320,000	0
Wykeham School	81,000	81,000	81,000	0	(81,000)
Oliver Goldsmith	109,000	109,000	109,000	0	(109,000)
Chalkhill Nursery (Caretakers House Scheme)	83,364	83,364	83,364	0	(83,364)
Schools share of capital receipts derived from sale of caretakers houses	166,000	166,000	166,000	0	(166,000)
Individual School Schemes	6,801,893	6,801,893	6,801,893	12,907,449	6,105,556
Asset Management Plan:					
Asset Management Plan Works	2,266,544	2,266,544	2,266,544	1,266,544	(1,000,000)
Asset Management Plan Schemes	2,266,544	2,266,544	2,266,544	1,266,544	(1,000,000)
Hut Replacement Programme:					
Preston Park	32,000	32,000	32,000	0	(32,000)
Braintcroft (replacement of 3 huts with 2 due to asbestos)	12,000	12,000	12,000	0	(12,000)
Hut Replacement Programme Schemes	44,000	44,000	44,000	0	(44,000)
New Opportunities Fund Works					
St Mary's CofE - multi use games area	80,000	80,000	80,000	0	(80,000)
Claremont High - pitch drainage	35,000	35,000	35,000	0	(35,000)
Queens Park Community - fitness suite	78,000	78,000	78,000	0	(78,000)
New Opportunities Fund Works	193,000	193,000	193,000	0	(193,000)
Primary Capital Programme (PCP grant) + BNSV					
Sudbury School (PCP)	2,940,008	4,042,608	4,042,608	4,042,608	0
Sudbury School (BNSV)	(581,400)	0	0	0	0
Islamia	0	2,932,000	2,932,000	0	(2,932,000)
Wembley High Primary School (PCP)	1,132,000	0	0	0	0
Anson (PCP)	(207)	0	0	0	0
Park Lane (BNSV)	1,412,722	1,412,722	1,412,722	1,412,722	0
Brentfield (BNSV)	2,768,648	2,768,648	2,768,648	2,768,648	0
Newfield (BNSV)	2,639,759	2,639,759	2,639,759	2,639,759	0
St Robert Southwell (BNSV)	(16,112)	0	0	0	0
Preston Manor (BNSV)	6,577,756	6,577,756	6,577,756	6,577,756	0
Contingency (unallocated)	41,000	24,681	24,681	0	(24,681)
Primary Capital Programme (PCP grant)	16,914,173	20,398,173	20,398,173	17,441,492	(2,956,681)

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
Expansion of Secondary/Primary School Places					
Strategy for development of school places	467,000	467,000	467,000	0	(467,000)
Building Schools for the Future Capacity Building					
Two new temp primary classrooms for Sept 09	222,000	222,000	222,000	0	(222,000)
Stonebridge (2008/09 Expansion)	13,245	13,245	13,245	0	(13,245)
Park Lane Expansion	1,000,000	1,000,000	1,000,000	1,361,000	361,000
Bulge Classrooms 2010/11	745,000	745,000	745,000	745,000	0
St Robert Southwell	16,000	16,000	16,000	0	(16,000)
Brentfield (contribution to BNSV scheme)	534,513	534,513	534,513	766,866	232,353
Newfield (contribution to BNSV scheme)	681,887	681,887	681,887	1,375,741	693,854
Preston Manor (contribution to BNSV scheme)	984,867	984,867	984,867	1,234,658	249,791
Provision for Temporary School Expansion	0	0	0	1,670,000	1,670,000
Provision for Permanent School Expansion (Allowance for expansion scheme retriptions in year £500k and initial consultant costs on next phase of schemes £500k)	3,823,200	2,023,200	2,023,200	1,000,000	(1,023,200)
Expansion of Secondary/Primary School Places	8,487,712	6,687,712	6,687,712	8,153,265	1,465,553
Special Educational Needs Schemes					
The Village School (Grove Park/Hay Lane Rebuild)	500,000	500,000	500,000	2,209,131	1,709,131
The Village School (Grove Park/Hay Lane Rebuild) - Aiming High Grant	152,325	152,325	152,325	152,325	0
The Village School (Grove Park/Hay Lane Rebuild) - Local Authorities Short Breaks Funding	0	0	0	169,820	169,820
Commitments carried forward from previous years (TO BE USED TO FUND THE VILLAGE SCHOOL)	818,861	818,861	818,861	818,861	0
Special Educational Needs Schemes	1,471,186	1,471,186	1,471,186	3,350,137	1,878,951
Contingency for final accounts	200,000	200,000	200,000	200,000	0
Surplus Capital Grant not yet Allocated to Schemes	3,532,000	3,532,000	3,532,000	0	(3,532,000)
Total Children and Families Schemes	50,837,630	53,862,140	53,862,140	59,136,103	5,273,963
Funding					
Grant					
Central Government - SCE (C) (Modernisation Allocation)	(63,486)	(63,486)	(63,486)	(63,486)	0
Central Government Grant (per 2010 Settlement) - Basic Need	(7,411,000)	(7,411,000)	(7,411,000)	(7,411,000)	0
Central Government Grant (per 2010 Settlement) - Capital Maintenance for LA schools	(4,219,000)	(4,219,000)	(4,219,000)	(1,338,619)	2,880,381
DFE Basic Need Allocation (per re-directed £500m pot announcement Nov 2011)	0	0	0	(866,605)	(866,605)
Devolved Formula Capital	0	0	0	(3,614,985)	(3,614,985)
Primary Capital Programme	(4,072,008)	(4,072,008)	(4,072,008)	(4,072,008)	0
Basic Need Safety Valve Grant - Additional Primary Places	(12,775,115)	(12,775,115)	(12,775,115)	(12,775,115)	0
Harnessing Technology Grant (BNSV schemes)	0	0	0	(430,268)	(430,268)
Extended Schools	(453,555)	(453,555)	(453,555)	(453,555)	0
Ark Academy (Additional DCSF Funding)	(1,570,702)	(1,570,702)	(1,570,702)	(270,702)	1,300,000
Ark Academy - Football Foundation Grant	0	0	0	(217,679)	(217,679)
Crest Academies - PFS Contributions	0	0	0	(6,977,622)	(6,977,622)
Crest Academies - Environmental Improvement Government Grant	(320,000)	(320,000)	(320,000)	(320,000)	0
Co-Location Capital Grant	(563,853)	(563,853)	(563,853)	(563,853)	0
Playbuilder Capital Grant	(106,402)	(106,402)	(106,402)	0	106,402
Practical Cooking Spaces (via Standards Fund) - Cooking in the Curriculum	(192,652)	(192,652)	(192,652)	(192,652)	0
Youth Capital Fund	(44,575)	(44,575)	(44,575)	(44,575)	0
Youth Capital Grant	(24,363)	(24,363)	(24,363)	(24,363)	0
Myplace Grant (Big Lottery Fund) - Roundwood Youth Centre	(4,741,119)	(4,741,119)	(4,741,119)	(4,741,119)	0
Targeted Capital Funding (TCF) (Education)					
Additional TCF Funding (14-19 diplomas, Special Educational Needs and disabilities)	(5,304,953)	(5,304,953)	(5,304,953)	(5,304,953)	0
TCF - School Kitchen and Dining Areas	(449,185)	(449,185)	(449,185)	(449,185)	0
New Opportunities Fund Expenditure	(454,581)	(454,581)	(454,581)	(261,581)	193,000
Aiming High for Disabled Children (The Village School)	(152,325)	(152,325)	(152,325)	(152,325)	0
Local Authorities Short Breaks Funding (The Village School)	0	0	0	(169,820)	(169,820)
Contributions					
Grove Park/Hay Lane Revenue Contribution to Capital Outlay (RCCO)	(150,000)	(150,000)	(150,000)	(150,000)	0
Housing S106 Contribution - Repayment due to Capital Funding A/C from 2009/10 transactions	(0)	(0)	(0)	(0)	0
Brentfield School Contribution	0	0	0	(100,000)	(100,000)
Schools Contribution	0	(1,684,000)	(1,684,000)	0	1,684,000
Environment Contribution	0	0	0	0	0
Housing Contribution (Roundwood Scheme Clerk of Works)	0	0	0	(41,000)	(41,000)
Capital Receipts					
Capital Receipts in Year - Right to Buy Properties	0	0	0	0	0
Former LRB/Ex-GLC Properties	0	0	0	0	0
Corporate Property Disposals	(185,000)	(185,000)	(185,000)	(185,000)	0
Unsupported Borrowing - General Fund					
Individual School Schemes	(1,661,474)	(1,661,474)	(1,661,474)	(1,220,110)	441,364
Asset Management Plan Schemes	(1,468,544)	(1,468,544)	(1,468,544)	(468,544)	1,000,000
Hut Replacement Programme Schemes	(44,000)	(44,000)	(44,000)	(44,000)	0
Expansion of Secondary/Primary School Places	(2,143,677)	(2,143,677)	(2,143,677)	(2,143,677)	0
Special Educational Needs Schemes	(1,318,861)	(1,318,861)	(1,318,861)	(1,318,861)	0
School Expansion	(947,200)	(2,287,710)	(2,287,710)	(1,039,710)	1,248,000
Unsupported Borrowing (Self Funded)					
The Village School	0	0	0	(1,709,131)	(1,709,131)
Total Children and Families Funding	(50,837,630)	(53,862,140)	(53,862,140)	(59,136,103)	(5,273,963)
Funding Gap	(0)	(0)	(0)	(0)	(0)

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
Adults Social Services Schemes					
Learning Disabilities Kiosk Project	14,000	14,000	14,000	0	(14,000)
Albert Road	4,000	4,000	4,000	0	(4,000)
Knowles House	122,000	0	0	0	0
Passenger Lift at Kensal Rise Senior Club	32,000	21,000	21,000	0	(21,000)
Total Adults Social Services Schemes	172,000	39,000	39,000	0	(39,000)
Funding					
Unsupported Borrowing - General Fund					
Learning Disabilities Kiosk Project	(14,000)	(14,000)	(14,000)	0	14,000
Albert Road	(4,000)	(4,000)	(4,000)	0	4,000
Knowles House	(122,000)	0	0	0	0
Passenger Lift at Kensal Rise Senior Club	(32,000)	(21,000)	(21,000)	0	21,000
Total Adults and Social Care Funding	(172,000)	(39,000)	(39,000)	0	39,000
Funding Gap	0	0	0	0	0
Housing Schemes					
New Units	100,000	100,000	100,000	100,000	0
Chalkhill (funded by MHT contribution)	526,995	526,995	526,995	526,995	0
Total Housing Capital Programme	626,995	626,995	626,995	626,995	0
Funding					
Contributions					
MHT Contribution to Chalkhill	(526,995)	(526,995)	(526,995)	(526,995)	0
Unsupported Borrowing - General Fund					
New Units	(100,000)	(100,000)	(100,000)	(100,000)	0
Total Housing Funding	(626,995)	(626,995)	(626,995)	(626,995)	0
Funding Gap	0	0	0	0	0
Property Schemes					
Total Priority 1 Backlog Repairs	957,061	957,061	957,061	957,061	0
Minor Works	100,705	100,705	100,705	100,705	0
Project Management - to provide additional resources to Service Areas	430,955	430,955	430,955	430,955	0
Carbon Reduction Measures (to include Salix match funding) - Self Funded	200,000	200,000	200,000	200,000	0
Asbestos Surveys	56,225	56,225	56,225	56,225	0
Inspections of Non-Housing Property	159,660	159,660	159,660	159,660	0
Doorway to Desktop (Revenue Contribution to Capital Outlay from Reserve)	19,000	19,000	19,000	19,000	0
Combined Property and ICT Initiatives	100,000	100,000	100,000	100,000	0
Brent House Generator	92,005	92,005	92,005	92,005	0
Dollis Hill House - Council Contribution	150,000	150,000	150,000	150,000	0
Dollis Hill House - S106 Contribution	0	0	216,755	216,755	0
Total Property Schemes	2,265,611	2,265,611	2,482,366	2,482,366	0
Funding					
Contributions					
Doorway to Desktop - Revenue Contribution to Capital Outlay (RCCO) from Reserve	(12,000)	(12,000)	(12,000)	(12,000)	0
Environment and Culture S106 Funding	0	0	(216,755)	(216,755)	0
Unsupported Borrowing - General Fund					
Total Priority 1 Backlog Repairs	(957,061)	(957,061)	(957,061)	(957,061)	0
Minor Works	(100,705)	(100,705)	(100,705)	(100,705)	0
Project Management - to provide additional resources to Service Areas	(430,955)	(430,955)	(430,955)	(430,955)	0
Asbestos Surveys	(56,225)	(56,225)	(56,225)	(56,225)	0
Inspections of Non-Housing Property	(159,660)	(159,660)	(159,660)	(159,660)	0
Doorway to Desktop	(7,000)	(7,000)	(7,000)	(7,000)	0
Combined Property and ICT Initiatives	(100,000)	(100,000)	(100,000)	(100,000)	0
Brent House Generator	(92,005)	(92,005)	(92,005)	(92,005)	0
Dollis Hill House	(150,000)	(150,000)	(150,000)	(150,000)	0
Willesden Green Development	(0)	(0)	(0)	(0)	0
Unsupported Borrowing (Self Funded)					
Carbon Reduction Measures (to include Salix match funding)	(200,000)	(200,000)	(200,000)	(200,000)	0
Total Property Funding	(2,265,612)	(2,265,612)	(2,482,367)	(2,482,367)	0
Funding Gap	(0)	(0)	(0)	(0)	0

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
Strategy, Partnership and Improvement Schemes					
South Kilburn Regeneration Project	14,754,239	14,887,239	14,887,239	12,983,670	(1,903,569)
The Growth Fund - Programme of Development	1,365,000	1,365,000	1,365,000	1,365,000	0
Willesden Green Library Development	0	0	0	50,000	50,000
Willesden High Street Shop Fronts - Outer London Fund Grant	0	0	350,000	350,000	0
Safer Stronger Communities Grant	56,000	56,000	56,000	0	(56,000)
Total Strategy Partnership and Improvement Schemes	16,175,239	16,308,239	16,658,239	14,748,670	(1,909,569)
Funding					
Grant					
The Growth Fund	(1,365,000)	(1,365,000)	(1,365,000)	(1,365,000)	0
The Growth Fund - Contribution to South Kilburn Regeneration	(3,630,000)	(3,630,000)	(3,630,000)	(3,630,000)	0
Outer London Fund Grant	0	0	(350,000)	(350,000)	0
Safer Stronger Communities Grant	(56,000)	(56,000)	(56,000)	0	56,000
Capital Receipts					
South Kilburn Regeneration Earmarked Land Receipts	(10,642,923)	(10,642,923)	(10,642,923)	(9,070,670)	1,572,253
Contributions					
South Kilburn NDC Contribution to Regeneration Project	(281,316)	(281,316)	(281,316)	0	281,316
South Kilburn Trust Contribution to Regeneration Project	(200,000)	(200,000)	(200,000)	(150,000)	50,000
Willesden Green Library Development - Contractor Contribution	0	0	0	(50,000)	(50,000)
Unsupported Borrowing					
South Kilburn - Councils Contribution	0	(133,000)	(133,000)	(133,000)	0
Total PRU Funding	(16,175,239)	(16,308,239)	(16,658,239)	(14,748,670)	1,909,569
Funding Gap	0	0	0	(0)	(0)
S106 Funded Works					
Environmental Health	256,000	256,000	256,000	256,000	0
Landscape & Design	896,000	896,000	896,000	896,000	0
Public Art	372,000	372,000	372,000	372,000	0
Parks	749,867	749,867	533,112	533,112	0
Planning	1,272,000	1,272,000	1,272,000	1,272,000	0
Street Care	228,000	228,000	228,000	228,000	0
Sports	990,000	990,000	990,000	990,000	0
Sustainable Strategy	27,000	27,000	27,000	27,000	0
Transportation	5,828,292	5,828,292	5,828,292	5,828,292	0
Education	3,473,000	3,473,000	3,473,000	1,010,000	(2,463,000)
Housing	402,000	402,000	402,000	402,000	0
Brent into Work	969,000	969,000	969,000	969,000	0
General	57,000	57,000	57,000	57,000	0
Total S106 Funded Works	15,520,159	15,520,159	15,303,404	12,840,404	(2,463,000)
Funding					
S106					
Children and Families S106 Funding - General	(3,473,000)	(3,473,000)	(3,473,000)	(1,010,000)	2,463,000
Environment and Culture S106 Funding	(10,676,159)	(10,676,159)	(10,459,404)	(10,459,404)	0
Housing and Community Care: Housing S106 Funding	(402,000)	(402,000)	(402,000)	(402,000)	0
Corporate: Brent into Work S106 Funding	(969,000)	(969,000)	(969,000)	(969,000)	0
Total S106 Funding	(15,520,159)	(15,520,159)	(15,303,404)	(12,840,404)	2,463,000
Funding Gap	0	0	0	0	0
TOTAL REGENERATION & MAJOR PROJECTS CAPITAL PROGRAMME	136,578,272	139,602,782	139,952,782	119,335,791	(20,616,991)
TOTAL REGENERATION & MAJOR PROJECTS CAPITAL FUNDING	(136,578,273)	(139,602,783)	(139,952,783)	(119,335,791)	20,616,991
TOTAL REGENERATION & MAJOR PROJECTS FUNDING GAP	0	0	0	0	0

CAPITAL PROGRAMME 2011/12

General Fund - Children and Families Capital Programme

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
Expenditure					
Devolved Capital	3,609,477	3,609,477	3,609,477	(0)	(3,609,477)
Additional Grant Notifications (Ringfenced):					
- Harnessing Technology Grant	431,871	431,871	431,871	0	(431,871)
- Other ICT	9,641	9,641	9,641	0	(9,641)
- City Learning Centres	240,000	240,000	240,000	0	(240,000)
Additional Grant Notifications (Ringfenced):	681,512	681,512	681,512	0	(681,512)
Total direct funded schemes	4,290,989	4,290,989	4,290,989	0	(4,290,989)
Non School Schemes					
Youth Services	0	169,820	169,820	0	(169,820)
Total Non School Schemes	0	169,820	169,820	0	(169,820)
Total Children & Families Forecast Capital Programme	4,290,989	4,460,809	4,460,809	0	(4,460,809)
Funding					
Grant					
Devolved Formula Capital	(3,609,477)	(3,609,477)	(3,609,477)	0	3,609,477
Additional Grant Notifications (Ringfenced):					
Harnessing Technology Grant	(431,871)	(431,871)	(431,871)	(0)	431,871
Other ICT	(9,641)	(9,641)	(9,641)	(0)	9,641
City Learning Centres	(240,000)	(240,000)	(240,000)	0	240,000
Local Authorities Short Breaks Funding	0	(169,820)	(169,820)	0	169,820
Total Children & Families Funding	(4,290,989)	(4,460,809)	(4,460,809)	(0)	4,460,809
Funding Gap	0	0	0	0	0

CAPITAL PROGRAMME 2011/12

General Fund - Environment & Neighbourhoods Capital Programme

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
Transport for London Grant Funded Schemes	4,000,000	4,140,185	4,146,180	4,146,180	0
Estate Access Corridor	1,794,039	1,794,039	1,794,039	1,794,039	0
Stadium Access Corridor	29,659	29,659	29,659	29,659	0
Environment Individual Schemes					
Waste Contract - Acquisition of of Caddies & Kerbside Containers (Self Funded)	0	0	1,730,734	1,737,410	6,676
St Raphaels Estate (Contaminated Land Grant)	(0)	1,427,644	922,525	922,525	0
Air Quality Works (Grant Funded)	0	1,532	1,532	39,532	38,000
Environment Programme Works					
<u>Highways:</u>					
Pavements and Roads	2,895,000	2,895,000	2,895,000	2,895,000	0
Donnington Road non car access improvements (funded from provisions)	55,000	55,000	55,000	55,000	0
Streetscene/Street Trees	25,000	25,000	25,000	25,000	0
<u>Parks & Cemeteries:</u>					
Parks Infrastructure	70,000	70,000	70,000	70,000	0
Parks Equipment - Tractor and Mowers (Self Funded)	0	0	261,000	261,000	0
Chalkhill Park (Funded from Chalkhill Reserve)	848,934	848,934	848,934	848,934	0
Cemetery and Mortuary Service	10,000	10,000	10,000	10,000	0
Burial Vaults at Willesden New Cemetery (Self Funded)	5,000	5,000	5,000	5,000	0
Cemetery Improvements (funded from donation)	5,609	5,609	5,609	5,609	0
<u>Leisure & Sports</u>					
Delivering the Sports Strategy	1,189,199	1,189,199	1,189,199	1,189,199	0
Gladstone Park Netball Courts and MUGA:					
- London Marathon Charitable Trust Grant	52,219	52,219	52,219	52,219	0
- Main Programme (from Sports Strategy)	110,000	110,000	110,000	110,000	0
Gibbons Recreation Ground Changing Rooms:					
- S106	3,000	3,000	3,000	3,000	0
Total Environment Capital Programme	5,268,961	6,698,137	8,184,752	8,229,428	44,676
Total Environment & Culture Capital Programme	11,092,659	12,662,020	14,154,630	14,199,306	44,676
Funding					
Grant					
TFL Grant Income (Borough Spending Plan)	(4,000,000)	(4,140,185)	(4,146,180)	(4,146,180)	0
Contaminated Land Programme (Grant Determination No 2)	0	(1,427,644)	(922,525)	(922,525)	0
Gladstone Park Netball Courts and MUGA (London Marathon Charitable Trust Grant)	(52,218)	(52,218)	(52,218)	(52,218)	0
Air Quality Grant	0	(1,532)	(1,532)	(39,532)	(38,000)
Contributions					
EAC/SAC S106 funding	(534,659)	(534,659)	(534,659)	(534,659)	0
Environment and Culture S106 Funding	(3,000)	(3,000)	(3,000)	(3,000)	0
Estate Access Corridor Destination Wembley Reserve	(188,039)	(188,039)	(188,039)	(188,039)	0
Chalkhill Park (Funded from Chalkhill Reserve)	(848,934)	(848,934)	(848,934)	(848,934)	0
Cemetery Improvements (funded from donation)	(10,609)	(10,609)	(10,609)	(10,609)	0
Capital Receipts					
Capital Receipts in Year - Right to Buy Properties	0	0	0	0	0
Former LRB/Ex-GLC Properties	0	0	0	0	0
Corporate Property Disposals - Highways Schemes/Leisure Schemes	(1,000,000)	(1,000,000)	(1,000,000)	(3,275,570)	(2,275,570)
Unsupported Borrowing - General Fund					
EAC/SAC	(1,101,000)	(1,101,000)	(1,101,000)	(1,101,000)	0
Individual Schemes	0	0	0	0	0
Highways Schemes	(1,920,000)	(1,920,000)	(1,920,000)	0	1,920,000
Parks	(70,000)	(70,000)	(70,000)	(70,000)	0
Cemeteries	(10,000)	(10,000)	(10,000)	(10,000)	0
Leisure & Sports	(1,299,199)	(1,299,200)	(1,299,200)	(943,630)	355,570
Central Items - Provision for Liabilities	(55,000)	(55,000)	(55,000)	(55,000)	0
Unsupported Borrowing (Self Funded)					
Waste Contract - Acquisition of of Caddies & Kerbside Containers (Self Funded)	0	0	(1,730,734)	(1,737,410)	(6,676)
Parks Equipment - Tractor and Mowers (Self Funded)	0	0	(261,000)	(261,000)	0
Total Environment Funding	(11,092,659)	(12,662,020)	(14,154,630)	(14,199,306)	(44,676)
Funding Gap	0	0	0	0	0

CAPITAL PROGRAMME 2011/12

General Fund - Adults Social Services Capital Programme

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
Additional Grant Notifications (Ringfenced):					
Framework-I Implementation (Social Care/Mental Care SCP(C)) - St Gabriels/Walm Lane	622,000	622,000	750,000	750,000	0
Campus Reprovision Programme (PCT Grant Funded)	450,000	450,000	450,000	450,000	0
Surplus Capital Grant not yet Allocated to Schemes	652,000	652,000	524,000	0	(524,000)
Total Housing & Community Care: Adults	1,724,000	1,724,000	1,724,000	1,200,000	(524,000)
Funding					
Grant					
Social Care SCP (C) (Framework-I Funding)	(328,000)	(328,000)	(328,000)	(328,000)	0
Mental Health SCP (C) (Framework-I Funding)	(294,000)	(294,000)	(294,000)	(294,000)	0
PCT Learning Disabilities Grant	(450,000)	(450,000)	(450,000)	(450,000)	0
Adults PSS Grant	(652,000)	(652,000)	(652,000)	(128,000)	524,000
Total Adults Funding	(1,724,000)	(1,724,000)	(1,724,000)	(1,200,000)	524,000
Funding Gap	0	0	0	0	0

CAPITAL PROGRAMME 2011/12

General Fund - Housing Capital Programme

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
Housing Schemes					
Private Sector Renewal Support Grant and Disabled Facilities Grant council	7,219,330	7,219,330	7,219,330	5,030,677	(2,188,653)
Granville New Homes	0	115,000	115,000	115,000	0
Total Housing Capital Programme	7,219,330	7,334,330	7,334,330	5,145,677	(2,188,653)
Total Housing & Community Care: Housing Capital Programme	7,219,330	7,334,330	7,334,330	5,145,677	(2,188,653)
Funding					
Grant					
Disabled Facilities Grant	(1,680,000)	(1,680,000)	(1,680,000)	(1,763,444)	(83,444)
Contributions					
WLA Contribution to Housing Grants	0	0	0	(357,002)	(357,002)
Capital Receipts					
Capital Receipts in Year - Right to Buy Properties - PSRSG & DFG Council Grant	(500,000)	(500,000)	(500,000)	(400,000)	100,000
Former LRB/Ex-GLC Properties - PSRSG & DFG Council Grant	(200,000)	(200,000)	(200,000)	(60,000)	140,000
Corporate Property Disposals - PSRSG & DFG Council Grant	(2,400,000)	(2,400,000)	(2,400,000)	(2,400,000)	0
Granville New Homes Earmarked Receipt From Sale to BHP	0	(115,000)	(115,000)	(115,000)	0
Unsupported Borrowing - General Fund					
Private Sector Renewal Support Grant and Disabled Facilities Grant council	(2,439,330)	(2,439,330)	(2,439,330)	(50,231)	2,389,099
Total Housing Funding	(7,219,330)	(7,334,330)	(7,334,330)	(5,145,677)	2,188,653
Funding Gap	0	0	0	0	0

CAPITAL PROGRAMME 2011/12

Housing Revenue Account - Housing Capital Programme

Programme Details	2011/12	2011/12	2011/12	2011/12	2011/12
	Amended Capital Programme £	PFR QTR1 Capital Programme £	PFR QTR2 Capital Programme £	PFR QTR3 Capital Programme £	Variance £
Disabled Facilities Works (Unsupported Borrowing)	600,000	600,000	600,000	600,000	0
Installation of Digital TV to Blocks (Unsupported Borrowing Self Funded)	11,652	11,652	82,000	88,722	6,722
Rooftop Aerials to Housing Blocks (Earmarked Reserve)	787,686	787,686	787,686	0	(787,686)
Health & Safety Works in South Kilburn (Unsupported Borrowing)	1,668,917	1,668,917	1,668,917	1,225,898	(443,019)
Health & Safety Works in South Kilburn - Revenue Contribution to Capital Outlay (RCCO)	1,045,000	0	0	0	0
Health & Safety Works to Housing Blocks (Unsupported Borrowing)	3,000,000	3,000,000	3,000,000	2,143,629	(856,371)
External decorations to Housing Blocks (Unsupported Borrowing)	1,983,073	1,983,073	1,983,073	1,983,073	0
Loft Conversions (Grant Funded)	0	399,786	399,786	399,786	0
Major Repairs Allowance Works	7,000,000	8,077,835	8,077,835	4,226,841	(3,850,994)
Main Programme RCCO (HRA)	1,684,000	4,000,000	4,000,000	4,000,000	0
Total Housing Capital Programme	17,780,328	20,528,949	20,599,297	14,667,949	(5,931,348)
Total Housing Capital Programme	17,780,328	20,528,949	20,599,297	14,667,949	(5,931,348)
Funding					
Grant					
Loft Conversion Grant	0	(399,786)	(399,786)	(399,786)	0
Contributions					
Main Programme Revenue Contribution to Capital Outlay (RCCO) (HRA)	(1,684,000)	(4,000,000)	(4,000,000)	(4,000,000)	0
Health & Safety Works in South Kilburn (RCCO)	(1,045,000)	0	0	0	0
Major Repairs Reserve	(7,000,000)	(8,077,835)	(8,077,835)	(4,226,841)	3,850,994
Rooftop Aerials to Housing Blocks (Earmarked Reserve)	(787,686)	(787,686)	(787,686)	(77,070)	710,616
Unsupported Borrowing - Housing Revenue Account:					
Disabled Facilities Works	(600,000)	(600,000)	(600,000)	(600,000)	0
Health & Safety Works to Housing Blocks	(3,000,000)	(3,000,000)	(3,000,000)	(2,143,629)	856,371
External decorations to Housing Blocks	(1,983,073)	(1,983,073)	(1,983,073)	(1,983,073)	0
Health & Safety Works in South Kilburn	(1,668,917)	(1,668,917)	(1,668,917)	(1,225,898)	443,019
Unsupported Borrowing (Self Funded)					
Installation of Digital TV to Blocks	(11,652)	(11,652)	(82,000)	(11,652)	70,348
Total Housing HRA Funding	(17,780,328)	(20,528,949)	(20,599,297)	(14,667,949)	5,931,348
Funding Gap	0	0	0	0	0

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CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS

General Fund

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
RESOURCES: GENERAL FUND							
Capital Grants and other contributions							
Government Grant - SCE (C)	(11,630)	(11,630)	(35,607)	(23,977)	(19,235)	(20,307)	(10,411)
Devolved Formula Capital	(631)	(631)	(566)	65	(570)	(570)	(570)
Other External Grant	(7,463)	(7,463)	(20,839)	(13,376)	(20,306)	(12,281)	(6,330)
Capital Receipts in Year - Right to Buy Properties	(600)	(600)	(400)	200	(400)	(400)	(400)
Corporate Property Disposals	(3,630)	(3,630)	(9,142)	(5,512)	(970)	(728)	(728)
Other Receipts	(5,365)	(5,365)	(14,233)	(8,868)	(5,945)	(7,687)	(21,192)
Additional Contributions	0	0	(4,364)	(4,364)	(6,942)	0	0
S106 Funding	(11,523)	(11,523)	(14,156)	(2,633)	(15,781)	(8,523)	(7,940)
Borrowing							
Unsupported Borrowing	(5,541)	(5,541)	(2,280)	3,261	(6,730)	(6,972)	(6,972)
Unsupported Borrowing (Self Funded)	(36,652)	(36,652)	(80,453)	(43,801)	(1,718)	(200)	(200)
Invest to Save Schemes							
External Grant Funding	(50)	(50)	(50)	0	(50)	(50)	(50)
Total Resources	(83,085)	(83,085)	(182,090)	(99,005)	(78,647)	(57,718)	(54,793)
EXPENDITURE: GENERAL FUND							
Regeneration and Major Projects							
<u>Business Transformation</u>							
Civic Centre	36,452	36,452	62,393	25,941	1,518	0	0
<u>Children and Families</u>							
School Schemes	11,630	11,630	71,461	59,831	33,781	26,828	10,981
<u>Corporate</u>							
Property Schemes	610	610	610	0	610	610	610
PRU Schemes	6,290	6,290	17,502	11,212	12,827	7,627	21,132
S106 Works	11,523	11,523	13,986	2,463	15,781	8,523	7,940
Total Regeneration and Major Projects	66,505	66,505	165,952	99,447	64,517	43,588	40,663
Children and Families							
Devolved Formula Capital	631	631	0	(631)	0	0	0
Total Children & Families	631	631	0	(631)	0	0	0
Environment Neighbourhoods							
TfL Grant Funded Schemes	4,000	4,000	4,000	0	4,000	4,000	4,000
Leisure & Sports Schemes	535	535	535	0	535	535	535
Highways Schemes	2,920	2,920	2,920	0	3,550	3,550	3,550
Parks & Cemeteries Schemes	80	80	80	0	165	165	165
Total Environment & Neighbourhoods	7,535	7,535	7,535	0	8,250	8,250	8,250
Adults Social Services							
Ringfenced Grant Notifications for Adult Care	658	658	1,184	526	650	650	650
Total Adults Social Services	658	658	1,184	526	650	650	650
Housing							
PSRSG and DFG council	4,780	4,780	6,969	2,189	4,780	4,780	4,780
Total Housing	4,780	4,780	6,969	2,189	4,780	4,780	4,780
Corporate							
ICT Schemes	400	400	400	0	400	400	400
Central Items	2,576	2,576	50	(2,526)	50	50	50
Total Corporate	2,976	2,976	450	(2,526)	450	450	450
Total Service Expenditure	83,085	83,085	182,090	99,005	78,647	57,718	54,793
Surplus carried forward	0	0	0	0	0	0	0
Deficit to be funded	0	0	0	0	0	0	0

CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS

Housing Revenue Account

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £001
RESOURCES: HOUSING REVENUE ACCOUNT							
Contributions							
Major Repairs Reserve	(7,000)	(7,000)	(11,451)	(4,451)	(7,600)	(7,600)	(7,600)
Contributions	(1,684)	(1,684)	(2,395)	(711)	(1,684)	(1,684)	(1,684)
Unsupported Borrowing	(600)	(600)	0	600	0	0	0
Total Resources	(9,284)	(9,284)	(13,846)	(4,562)	(9,284)	(9,284)	(9,284)
EXPENDITURE: HOUSING REVENUE ACCOUNT							
Housing Revenue Account							
ALMO	600	600	600	0	600	600	600
Individual Schemes	8,684	8,684	13,246	4,562	8,684	8,684	8,684
Total Expenditure	9,284	9,284	13,846	4,562	9,284	9,284	9,284
(Surplus)/Deficit	0	0	0	0	0	0	0

CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS

Summary of Position

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £001
RESOURCES							
General Fund	(83,085)	(83,085)	(182,090)	(99,005)	(78,647)	(57,718)	(54,793)
Housing Revenue Account	(9,284)	(9,284)	(13,846)	(4,562)	(9,284)	(9,284)	(9,284)
Total Resources	(92,369)	(92,369)	(195,936)	(103,567)	(87,931)	(67,002)	(64,077)
EXPENDITURE:							
General Fund	83,085	83,085	182,090	99,005	78,647	57,718	54,793
Housing Revenue Account	9,284	9,284	13,846	4,562	9,284	9,284	9,284
Total Expenditure	92,369	92,369	195,936	103,567	87,931	67,002	64,077
Surplus carried forward	0	0	0	0	0	0	0
Deficit (to be funded)	0	0	0	0	0	0	0

CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS

General Fund - Regeneration and Major Projects

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
Business Transformation Schemes							
Civic Centre (Self Funded)	36,452,000	36,452,000	62,393,253	25,941,253	1,517,569	0	0
Total Business Transformation Capital Programme	36,452,000	36,452,000	62,393,253	25,941,253	1,517,569	0	0
Funding							
Contributions							
S106 Funding	0	0	(170,000)	(170,000)	0	0	0
Unsupported Borrowing (Self Funded)							
Civic Centre	(36,452,000)	(36,452,000)	(62,223,253)	(25,771,253)	(1,517,569)	0	0
Total Business Transformation Funding	(36,452,000)	(36,452,000)	(62,393,253)	(25,941,253)	(1,517,569)	0	0
Funding Gap	0	0	0	0	0	0	0
Children and Families Schemes							
Devolved Capital	0	0	565,550	565,550	570,000	570,000	570,000
Access Initiatives	451,000	451,000	451,000	0	451,000	451,000	451,000
Individual School Schemes							
Crest Academies - PIS Contributions	0	0	12,850,000	12,850,000	13,975,500	5,951,077	0
Individual School Schemes	0	0	12,850,000	12,850,000	13,975,500	5,951,077	0
Asset Management Plan:							
Health & Safety	50,000	50,000	50,000	0	50,000	50,000	50,000
Asset Management Plan Works	197,000	197,000	3,500,000	3,303,000	2,500,000	2,500,000	2,000,000
Asset Management Plan Schemes	247,000	247,000	3,550,000	3,303,000	2,550,000	2,550,000	2,050,000
Primary Capital Programme (PCP grant) + BNSV							
Islamia	0	0	2,932,000	2,932,000	0	0	0
Primary Capital Programme (PCP grant)	0	0	2,932,000	2,932,000	0	0	0
Building Schools for the Future Capacity Building	0	0	0	0	0	0	0
Provision for Temporary School Expansion	0	0	2,440,000	2,440,000	0	0	0
Provision for Permanent School Expansion	4,590,000	4,590,000	13,067,000	8,477,000	0	0	0
Expansion of Secondary/Primary School Places	4,590,000	4,590,000	15,507,000	10,917,000	0	0	0
Special Educational Needs Schemes							
The Village School (Grove Park/Hay Lane Rebuild)	0	0	18,564,152	18,564,152	0	0	0
Special Educational Needs Schemes	0	0	18,564,152	18,564,152	0	0	0
Contingency for final accounts	200,000	200,000	200,000	0	200,000	200,000	200,000
Surplus Capital Grant not yet Allocated to Schemes	6,142,000	6,142,000	16,840,892	10,698,892	16,034,000	17,106,000	7,710,000
Total Children and Families Schemes	11,630,000	11,630,000	71,460,594	59,830,594	33,780,500	26,828,077	10,981,000
Funding							
Grant							
Central Government Grant (per 2010 Settlement) - Basic Need	(7,411,000)	(7,411,000)	(24,092,325)	(16,681,325)	(7,411,000)	(7,411,000)	(7,411,000)
Central Government Grant (per 2010 Settlement) - Capital Maintenance for LA schools	(4,219,000)	(4,219,000)	(6,286,455)	(2,067,455)	(3,000,000)	(3,000,000)	(3,000,000)
DfE Basic Need Allocation (per re-directed £500m pot announcement Nov 2011)	0	0	(5,228,395)	(5,228,395)	(8,824,000)	(9,896,000)	0
Devolved Formula Capital	0	0	(565,550)	(565,550)	(570,000)	(570,000)	(570,000)
Crest Academies - PIS Contributions	0	0	(12,850,000)	(12,850,000)	(13,975,500)	(5,951,077)	0
Contributions							
Schools Contribution	0	0	(1,750,000)	(1,750,000)	0	0	0
Capital Receipts							
Capital Receipts in Year - Right to Buy Properties	0	0	0	0	0	0	0
Former LRB/Ex-GLC Properties	0	0	0	0	0	0	0
Corporate Property Disposals	0	0	(895,000)	(895,000)	0	0	0
Clement Close (Contributing to The Village School)	0	0	(410,000)	(410,000)	0	0	0
Unsupported Borrowing - General Fund							
Asset Management Plan Schemes	0	0	(105,000)	(105,000)	0	0	0
School Expansion	0	0	(1,248,000)	(1,248,000)	0	0	0
Unsupported Borrowing (Self Funded)							
The Village School	0	0	(18,029,869)	(18,029,869)	0	0	0
Total Children and Families Funding	(11,630,000)	(11,630,000)	(71,460,594)	(59,830,594)	(33,780,500)	(26,828,077)	(10,981,000)
Funding Gap	0	0	0	0	0	0	0
Property Schemes							
Project Management - to provide additional resources to Service Areas	200,000	200,000	200,000	0	200,000	200,000	200,000
Carbon Reduction Measures (to include Salix match funding) - Self Funded	200,000	200,000	200,000	0	200,000	200,000	200,000
Asbestos Surveys	30,000	30,000	30,000	0	30,000	30,000	30,000
Inspections of Non-Housing Property	80,000	80,000	80,000	0	80,000	80,000	80,000
Combined Property and ICT Initiatives	100,000	100,000	100,000	0	100,000	100,000	100,000
Total Property Schemes	610,000	610,000	610,000	0	610,000	610,000	610,000
Funding							
Unsupported Borrowing - General Fund							
Project Management - to provide additional resources to Service Areas	(200,000)	(200,000)	(200,000)	0	(200,000)	(200,000)	(200,000)
Asbestos Surveys	(30,000)	(30,000)	(30,000)	0	(30,000)	(30,000)	(30,000)
Inspections of Non-Housing Property	(80,000)	(80,000)	(80,000)	0	(80,000)	(80,000)	(80,000)
Combined Property and ICT Initiatives	(100,000)	(100,000)	(100,000)	0	(100,000)	(100,000)	(100,000)
Unsupported Borrowing (Self Funded)							
Carbon Reduction Measures (to include Salix match funding)	(200,000)	(200,000)	(200,000)	0	(200,000)	(200,000)	(200,000)
Total Property Funding	(610,000)	(610,000)	(610,000)	0	(610,000)	(610,000)	(610,000)
Funding Gap	0	0	0	0	0	0	0
Strategy, Partnership and Improvement Schemes							
South Kilburn Regeneration Project	6,290,000	6,290,000	14,887,608	8,597,608	5,884,573	7,626,583	21,132,489
Willesden Green Library Development	0	0	2,614,000	2,614,000	6,942,000	0	0
Total Strategy Partnership and Improvement Schemes	6,290,000	6,290,000	17,501,608	11,211,608	12,826,573	7,626,583	21,132,489
Funding							
Grant							
The Growth Fund - Contribution to South Kilburn Regeneration	(1,125,000)	(1,125,000)	(1,125,000)	0	0	0	0
Capital Receipts							
South Kilburn Regeneration Earmarked Land Receipts	(5,165,000)	(5,165,000)	(13,762,608)	(8,597,608)	(5,884,573)	(7,626,583)	(21,132,489)
Contributions							
Willesden Green Library Development - Contractor Contribution	0	0	(2,614,000)	(2,614,000)	(6,942,000)	0	0
Total PRU Funding	(6,290,000)	(6,290,000)	(17,501,608)	(11,211,608)	(12,826,573)	(7,626,583)	(21,132,489)
Funding Gap	0	0	0	0	0	0	0

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
S106 Funded Works							
Environmental Health	121,000	121,000	121,000	0	140,000	100,000	100,000
Landscape & Design	414,000	414,000	414,000	0	552,000	200,000	200,000
Public Art	107,000	107,000	107,000	0	141,000	100,000	100,000
Parks	583,000	583,000	583,000	0	682,000	500,000	500,000
Planning	406,000	406,000	406,000	0	542,000	300,000	300,000
Street Care	64,000	64,000	64,000	0	32,000	100,000	100,000
Sports	342,000	342,000	342,000	0	453,000	200,000	200,000
Sustainable Strategy	13,000	13,000	13,000	0	15,000	10,000	10,000
Transportation	4,033,000	4,033,000	4,033,000	0	5,367,000	3,000,000	3,000,000
Education	4,738,000	4,738,000	7,201,000	2,463,000	7,000,000	3,583,000	3,000,000
Housing	386,000	386,000	386,000	0	509,000	200,000	200,000
Brent into Work	264,000	264,000	264,000	0	279,000	200,000	200,000
General	52,000	52,000	52,000	0	69,000	30,000	30,000
Total S106 Funded Works	11,523,000	11,523,000	13,986,000	2,463,000	15,781,000	8,523,000	7,940,000
Funding							
S106							
Children and Families S106 Funding - General	(4,738,000)	(4,738,000)	(7,201,000)	(2,463,000)	(7,000,000)	(3,583,000)	(3,000,000)
Environment and Culture S106 Funding	(6,135,000)	(6,135,000)	(6,135,000)	0	(7,993,000)	(4,540,000)	(4,540,000)
Housing and Community Care: Housing S106 Funding	(386,000)	(386,000)	(386,000)	0	(509,000)	(200,000)	(200,000)
Corporate: Brent into Work S106 Funding	(264,000)	(264,000)	(264,000)	0	(279,000)	(200,000)	(200,000)
Total S106 Funding	(11,523,000)	(11,523,000)	(13,986,000)	(2,463,000)	(15,781,000)	(8,523,000)	(7,940,000)
Funding Gap	0	0	0	0	0	0	0
TOTAL REGENERATION & MAJOR PROJECTS CAPITAL PROGRAMME	66,505,000	66,505,000	165,951,455	99,446,455	64,515,642	43,587,660	40,663,489
TOTAL REGENERATION & MAJOR PROJECTS CAPITAL FUNDING	(66,505,000)	(66,505,000)	(165,951,455)	(99,446,455)	(64,515,642)	(43,587,660)	(40,663,489)
TOTAL REGENERATION & MAJOR PROJECTS FUNDING GAP	0	0	0	0	0	0	0

CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS
General Fund - Children and Families Capital Programme

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
Expenditure							
Devolved Capital	631,000	631,000	0	(631,000)	0	0	0
Total Children & Families Forecast Capital Programme	631,000	631,000	0	(631,000)	0	0	0
Funding							
Grant							
Devolved Formula Capital	(631,000)	(631,000)	0	631,000	0	0	0
Total Children & Families Funding	(631,000)	(631,000)	0	631,000	0	0	0
Funding Gap	0	0	0	0	0	0	0

CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS

General Fund - Environment & Neighbourhoods Capital Programme

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
Transport for London Grant Funded Schemes	4,000,000	4,000,000	4,000,000	0	4,000,000	4,000,000	4,000,000
Environment Programme Works							
Pavements and Roads	2,895,000	2,895,000	2,895,000	0	3,500,000	3,500,000	3,500,000
Streetscene/Street Trees	25,000	25,000	25,000	0	50,000	50,000	50,000
Parks & Cemeteries:							
Parks Infrastructure	70,000	70,000	70,000	0	145,000	145,000	145,000
Cemetery and Mortuary Service	10,000	10,000	10,000	0	20,000	20,000	20,000
Leisure & Sports							
Delivering the Sports Strategy	535,000	535,000	535,000	0	535,000	535,000	535,000
Total Environment Capital Programme	3,535,000	3,535,000	3,535,000	0	4,250,000	4,250,000	4,250,000
Total Environment & Culture Capital Programme	7,535,000	7,535,000	7,535,000	0	8,250,000	8,250,000	8,250,000
Funding							
Grant							
TFL Grant Income (Borough Spending Plan)	(4,000,000)	(4,000,000)	(4,000,000)	0	(4,000,000)	(4,000,000)	(4,000,000)
Capital Receipts							
Capital Receipts in Year - Right to Buy Properties	0	0	0	0	0	0	0
Former LRB/Ex-GLC Properties	0	0	0	0	0	0	0
Corporate Property Disposals - Highways Schemes/Leisure Schemes	(1,430,000)	(1,430,000)	(3,535,000)	(2,105,000)	0	0	0
Unsupported Borrowing - General Fund							
Highways Schemes	(1,490,000)	(1,490,000)	0	1,490,000	(3,550,000)	(3,550,000)	(3,550,000)
Parks	(70,000)	(70,000)	0	70,000	(145,000)	(145,000)	(145,000)
Cemeteries	(10,000)	(10,000)	0	10,000	(20,000)	(20,000)	(20,000)
Leisure & Sports	(535,000)	(535,000)	0	535,000	(535,000)	(535,000)	(535,000)
Total Environment Funding	(7,535,000)	(7,535,000)	(7,535,000)	0	(8,250,000)	(8,250,000)	(8,250,000)
Funding Gap	0	0	0	0	0	0	0

CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS
General Fund - Adults Social Services Capital Programme

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
Surplus Capital Grant not yet Allocated to Schemes	658,000	658,000	1,183,940	525,940	650,000	650,000	650,000
Total Adults	658,000	658,000	1,183,940	525,940	650,000	650,000	650,000
Funding							
Grant							
Adults PSS Grant	(658,000)	(658,000)	(1,183,940)	(525,940)	(650,000)	(650,000)	(650,000)
Total Adults Funding	(658,000)	(658,000)	(1,183,940)	(525,940)	(650,000)	(650,000)	(650,000)
Funding Gap	0	0	0	0	0	0	0

CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS

General Fund - Housing Capital Programme

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
Housing Schemes							
Private Sector Renewal Support Grant and Disabled Facilities Grant council	4,780,000	4,780,000	6,968,653	2,188,653	4,780,000	4,780,000	4,780,000
Total Housing Capital Programme	4,780,000	4,780,000	6,968,653	2,188,653	4,780,000	4,780,000	4,780,000
Total Housing & Community Care: Housing Capital Programme	4,780,000	4,780,000	6,968,653	2,188,653	4,780,000	4,780,000	4,780,000
Funding							
Grant							
Disabled Facilities Grant	(1,680,000)	(1,680,000)	(1,680,000)	0	(1,680,000)	(1,680,000)	(1,680,000)
Capital Receipts							
Capital Receipts in Year - Right to Buy Properties - PSRSG & DFG Council Grant	(600,000)	(600,000)	(400,000)	200,000	(400,000)	(400,000)	(400,000)
Former LRB/Ex-GLC Properties - PSRSG & DFG Council Grant	(200,000)	(200,000)	(60,000)	140,000	(60,000)	(60,000)	(60,000)
Corporate Property Disposals - PSRSG & DFG Council Grant	(2,200,000)	(2,200,000)	(4,712,250)	(2,512,250)	(970,000)	(727,500)	(727,500)
Unsupported Borrowing - General Fund							
Private Sector Renewal Support Grant and Disabled Facilities Grant council	(100,000)	(100,000)	(116,403)	(16,403)	(1,670,000)	(1,912,500)	(1,912,500)
Total Housing Funding	(4,780,000)	(4,780,000)	(6,968,653)	(2,188,653)	(4,780,000)	(4,780,000)	(4,780,000)
Funding Gap	0	0	0	0	0	0	0

CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS

Housing Revenue Account - Housing Capital Programme

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
Disabled Facilities Works (Unsupported Borrowing)	600,000	600,000	600,000	0	600,000	600,000	600,000
Rooftop Aerials to Housing Blocks (Earmarked Reserve)	0	0	710,616	710,616	0	0	0
Major Repairs Allowance Works	7,000,000	7,000,000	10,850,994	3,850,994	7,000,000	7,000,000	7,000,000
Main Programme RCCO (HRA)	1,684,000	1,684,000	1,684,000	0	1,684,000	1,684,000	1,684,000
Total Housing Capital Programme	9,284,000	9,284,000	13,845,610	4,561,610	9,284,000	9,284,000	9,284,000
Total Housing Capital Programme	9,284,000	9,284,000	13,845,610	4,561,610	9,284,000	9,284,000	9,284,000
Funding							
Contributions							
Main Programme Revenue Contribution to Capital Outlay (RCCO) (HRA)	(1,684,000)	(1,684,000)	(1,684,000)	0	(1,684,000)	(1,684,000)	(1,684,000)
Health & Safety Works in South Kilburn (RCCO)	0	0	0	0	0	0	0
Major Repairs Reserve	(7,000,000)	(7,000,000)	(11,450,994)	(4,450,994)	(7,600,000)	(7,600,000)	(7,600,000)
Rooftop Aerials to Housing Blocks (Earmarked Reserve)	0	0	(710,616)	(710,616)	0	0	0
Unsupported Borrowing - Housing Revenue Account:							
Disabled Facilities Works	(600,000)	(600,000)	0	600,000	0	0	0
Total Housing HRA Funding	(9,284,000)	(9,284,000)	(13,845,610)	(4,561,610)	(9,284,000)	(9,284,000)	(9,284,000)
Funding Gap	0	0	0	0	0	0	0

CAPITAL PROGRAMME 2012/13 AND FUTURE YEARS

General Fund - Corporate Capital Programme

Programme Details	2012/13	2012/13	2012/13	2012/13	2013/14	2014/15	2015/16
	PFR QTR1 Capital Programme £000	PFR QTR2 Capital Programme £000	PFR QTR3 Capital Programme £000	Variance £000	Capital Programme £000	Capital Programme £000	Capital Programme £000
ICT Schemes							
Combined Property and ICT Initiatives (To be used on Sharepoint Initiative in 2010/11)	400,000	400,000	400,000	0	400,000	400,000	400,000
Total ICT Schemes	400,000	400,000	400,000	0	400,000	400,000	400,000
Central Items							
Carbon Trust Works	50,000	50,000	50,000	0	50,000	50,000	50,000
Total Central Items	50,000	50,000	50,000	0	50,000	50,000	50,000
Forecast Levels of Slippage in Year	2,526,000	2,526,000	0	(2,526,000)	0	0	0
Total Finance & Corporate Resources Capital Programme	2,976,000	2,976,000	450,000	(2,526,000)	450,000	450,000	450,000
Funding							
Grant							
Salix Grant Funding (Carbon Trust Works)	(50,000)	(50,000)	(50,000)	0	(50,000)	(50,000)	(50,000)
Unsupported Borrowing - General Fund							
Combined Property and ICT Initiatives	(400,000)	(400,000)	(400,000)	0	(400,000)	(400,000)	(400,000)
Forecast Levels of Slippage in Year	(2,526,000)	(2,526,000)	0	2,526,000	0	0	0
Total Housing HRA Funding	(2,976,000)	(2,976,000)	(450,000)	2,526,000	(450,000)	(450,000)	(450,000)
Funding Gap	0	0	0	0	0	0	0

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**London Borough of Brent
Disposals Schedule - 3 Year Rolling Programme.**

DISPOSALS, 2011-2012

Barham Park Caretakers Site
Neasden-Alperton Wayleave
Clifford Cemeteries Office
Salisbury Road Car Park
130, Acton Lane
51, Kilburn High Road
1 - 5 Peel Road
58, Palermo Road
5, The Mead
58 & 86, The Avenue

Possible Disposals 2012-2013

Church Road Car Park
Quality House
Charteris Sports Centre
Willesden Cemetery Lodges
Bryan Avenue Stores
1, Alliance Close
Clement Close Respite Home
Stonebridge Day Centre

Potential Disposals Post- 2013

Vestry Hall
Clock Cottage/Scouts Hut, Kenton Road

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ANNUAL INVESTMENT STRATEGY 2012/13

1. Brent Council has regard to the Department for Communities and Local Government Guidance on Local Government Investments (“Guidance”) and CIPFA’s ‘Treasury Management in the Public Services’.
2. **Investment Principles**
 - 2.1 All investments will be in sterling. The general policy objective is the prudent investment of the council’s treasury balances. The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.
 - 2.3 The Guidance maintains that the borrowing of monies purely to invest or on-lend to make a return is unlawful. The council will not engage in such activity.
3. **Specified and Non-Specified Investments**
 - 3.1 Investment instruments identified for use in the financial year are listed in Appendices L(ii) and L(iii) under the ‘Specified’ and ‘Non-Specified’ investments categories. These are defined as follows:
 - a) Specified Investments (as set out in the Guidance) are those that offer high security and liquidity. Such investments will be in sterling, with a maturity of no more than one year, and will be made to bodies with high credit ratings – UK or local government, banks, building societies, money market funds, and supra-national institutions.
 - b) Non-specified Investments (as set out in the Guidance) are those that may either entail more risk or are more complex, such as gilts, certificates of deposit or commercial paper.
 - 3.2 Appendices L(ii) and L(iii) also set out:
 - (a) the advantages and associated risk of investments under the category of “non-specified” category;
 - (b) the upper limit to be invested in each ‘non-specified’ asset category;
4. **Liquidity**
 - 4.1 Based on its cash flow forecasts, the council anticipates its fund balances in 2012/13 to range between £30m and £60m.
 - 4.2 Giving due consideration to the council’s level of balances over the next three years, the need for liquidity, its spending commitments and provisioning for contingencies, the council has determined that up to £20m may be held in ‘non specified’ investments during the year.

- 4.3 Appendices L(ii) and L(iii) set out the maximum periods for which funds may be prudently committed in each asset category. The duration of cash deposits has been shortened to three years (from five years) following severe volatility seen in the recent credit crisis. However, the current lending list will continue to use the shorter limit of one year to recognise that the banking system has not yet healed from the credit crisis.

5. Security of Capital: The Use of Credit Ratings

- 5.1 Credit quality of counterparties (issuers and issues) and investment schemes will, in the first instance, be determined by reference to credit ratings published by Fitch IBCA, Standard and Poor's, and Moody's (long-term/short-term, individual, support and sovereign), but the council will use the lowest ratings from the three companies. The Council will also use group and national limits to assist in proper diversification of investments, as well as duration limits.

5.2 Monitoring of credit ratings:

- All credit ratings will be monitored continuously. Brent Council is alerted to changes in ratings through the adviser's (Arlingclose) website and emails.
- If it is anticipated that a downgrading may occur following adverse economic developments; the Head of Exchequer & Investments or a dealer will have discretion to remove the counterparty from the lending list.
- If a downgrade results in the counterparty/investment scheme / country no longer meeting the council's minimum criteria, its further use as a new investment / investment venue will be withdrawn as soon as possible.
- If a counterparty/investment scheme is upgraded so that it fulfils the council's criteria, the Director of Finance & Corporate Resources will consider including it on the lending list.
- The council will also use other sources of information to assess the credit worthiness of counter-parties and general market intelligence. Information will be gleaned from the treasury adviser, financial publications, asset managers and Capital Economics.
- Dealers are expected to act prudently and may decline to use particular counterparties if there is any cause for concern.

6. Investments Defined as Capital Expenditure

- 6.1 The acquisition of share capital or loan capital in any body corporate is defined as capital expenditure. Brent Council will not use any investment which will be deemed capital expenditure.

7. Investment Strategy to be followed In-House

- 7.1 Investments will be made with reference to the core balance (around £40m), cash flow requirements and the outlook for short and medium-term interest rates (i.e. rates for investments up to 3 years).

- 7.2 Once stability has returned, the council will seek to utilise its business reserve accounts and short-dated deposits (1-3 months) in order to benefit from the compounding of interest at potentially higher rates, while looking for longer-term opportunities when the market becomes too pessimistic about rising rates. Brent Council has identified 2% as an attractive trigger rate to consider 1-year lending and 5% for 2 and 3 year lending. The 'trigger points' will be kept under review and discussed with Arlingclose so that investments can be made at the appropriate time. The current market environment makes it extremely unlikely that longer term opportunities will arise.

8. External Cash Fund Management

- 8.1 Brent Council does not currently use an external fund manager.

9 The role of the treasury adviser

- 9.1 The treasury adviser (Arlingclose) gives advice on debt restructuring opportunities, interest rate movements, economic forecasts, external treasury managers and current capital finance developments. The adviser also provides credit ratings, and details of changes / possible changes in ratings.
- 9.2 However, it is for the council to take decisions on whether or not to act on the advice given. Other sources of market information and intelligence will also be sought.

10 Borrowing in advance

- 10.1 The council has previously used the Capital Financing Requirement (CFR) as a measure of borrowing need, but the low level of short term interest rates means that either short term loans will also be taken or internal cash balances used. The CFR reflects the total capital expenditure of the authority.
- 10.2 The council plans that total borrowing should be at, or about, CFR at the year end. However, the capital programme may be delayed, leading to total borrowing being above CFR. Other factors will also affect borrowing decisions. If it is expected that long-term rates may rise, borrowing may be undertaken early. This will be particularly important if there is a major project being undertaken, such as the new Civic Centre. If long term rates are high, but short term rates very low (as at present), borrowing may be delayed to reduce funding costs.
- 10.3 If borrowing is undertaken in advance of need, the balance will be placed with a secure counterparty. If large sums are involved, consideration will be given to purchasing an appropriate government gilt, to preserve capital.

11 Staff training

- 11.1 There are three main treasury management training 'areas'. First, dealing, which requires understanding of cash flow issues, information systems, the

lending list, dealing and settlement of deals. Second, authorisation of deals, which requires knowledge of the lending list and information systems. Third, management requires an understanding of the market, treasury management codes, economic background, and current treasury management policies and strategies.

- 11.2 Staff training is reviewed on an ongoing basis to ensure that trainee accountants are given an initial treasury induction, and that dealers / managers are given access to market developments and technical updates on treasury issues (particularly changes to the lending list) and regular dealing practice.
- 11.3 Training needs are met through a variety of methods. New dealers are given on the job induction training, to enable them to deal competently, as well as attendance at relevant external conferences and seminars. Ongoing learning is through conferences, workshops and seminars provided by the main treasury organisations, CIPFA and economics consultancies. The principal treasury officer has passed the course in Treasury Management organised by the Association of Corporate Treasurers and CIPFA.

**LOCAL GOVERNMENT INVESTMENTS
SPECIFIED INVESTMENTS**

All "Specified Investments" listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable Within 12 Months?	Security/ Minimum Credit Rating	Capital Expenditure?	Circumstance of Use	Maximum Period
Debt Management Agency Deposit Facility	No	Yes	Govt-backed	No	In-house	1 year
Term or callable deposits with the UK government or with UK local authorities	No	Yes	High security although local authorities are not credit rated.	No	In-house	1 year
Term or callable deposits with credit-rated deposit takers (banks and building societies)	No	Yes	Yes-varied	No	In-house	1 year
Gilts : with maturities up to 1 year	No	Yes	Govt-backed	No	In house	1 year
Money Market Funds (i.e. a highly rated collective investment scheme)	No	Yes	Yes- minimum : AAA	No	In-house	<i>Subject to cash flow and liquidity requirements</i>

Investment	Share/ Loan Capital?	Repayable/ Redeemable Within 12 Months?	Security/ Minimum Credit Rating	Capital Expenditure?	Circumstance of Use	Maximum Period
Forward deals with credit rated banks and building socs	No	Yes	Yes-varied	No	In-house	1 year in aggregate

LOCAL GOVERNMENT INVESTMENTS
NON-SPECIFIED INVESTMENTS

Investment	(A) Why Use It? (B) Associated Risks?	Share/ Loan Capital?	Repayable/ Redeemable Within 12 Months?	Security/ Minimum Credit Rating	Capital Expenditure?	Circumstance of Use	Max % of Overall Investments	Maximum Maturity of Investment
Term deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	(A) <ul style="list-style-type: none"> (i) Certainty of rate of return over period invested. (ii) No movement in capital value of deposit despite changes in interest rate environment. (B)(i) Liquid : as a general rule, but cannot usually be traded or repaid prior to maturity. (ii) Return is fixed even if interest rates rise after making the investment. (iii) Credit risk : potential for greater deterioration in credit quality over longer period	No	No	Yes-varied	No	In-house, authorised by senior management	100%	3 years

Investment	(A) Why Use It? (B) Associated Risks?	Share/ Loan Capital?	Repayable/ Redeemable Within 12 Months?	Security/ Minimum Credit Rating	Capital Expenditure?	Circumstance of Use	Max % of Overall Investments	Maximum Maturity of Investment
Forward deposits with credit rated banks and building societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)	(A)(i) Known rate of return over period the monies are invested ~ aids forward planning. (B)(i) Credit risk is over the whole period, not just when monies are actually invested. (ii) Cannot renege on making the investment if credit rating falls or interest rates rise in the interim period.	No	No	Yes - varied	No	To be used in-house, authorised by senior management	50%	3 years

Investment	(A) Why Use It? (B) Associated Risks?	Share/ Loan Capital?	Repayable/ Redeemable Within 12 Months?	Security/ Minimum Credit Rating	Capital Expenditure?	Circumstance of Use	Max % of Overall Investments	Maximum Maturity of Investment

* **The prohibition on the use of derivatives** : This prohibition effectively relies on the judgement of the House of Lords in the case of *Hazell v The Council of the London Borough of Hammersmith and Fulham and Others* in 1991. Their Lordships held that local authorities have no power to enter into interest rate swaps and similar instruments.

Our treasury adviser, Arlingclose, believes that as this ruling still stands and was not rescinded by the introduction of the Local Government Act 2003, local authorities do not have the power to use derivative instruments.

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ADVICE FROM THE DRECTOR OF LEGAL AND PROCUREMENT

1. INTRODUCTION

This appendix sets out in some detail Members' individual responsibilities to set a legal budget and how Members should approach the task. It also reminds Members about the rules concerning personal and prejudicial interests.

The paper concludes with specific legal advice over aspects of the budget which potentially give rise to difficulties.

2. WHEN THE BUDGET MUST BE SET

Under Section 32 of the Local Government Finance Act 1992, budget calculations have to be made before 11th March, but they are not invalid merely because they are made on or after 11th March. However, delay in setting the Council Tax will have very serious financial consequences. It will render the Council vulnerable to legal proceedings requiring it to set the tax. In any event, it is important that the tax is set well in advance of 1st April as no sum is payable for Council Tax until 14 days after the date of posting bills. Serious financial losses will accrue very soon from a late setting of Council Tax as income is delayed and interest is foregone.

An important feature of Council Tax is that the statutory budget calculation must be followed exactly. If not the Council Tax resolution will be invalid and void. Detailed advice will therefore be available at the Council meeting.

3. NOTICE

There is a requirement to publish notice of the amount set for Council Tax in at least one local paper within 21 days. There is also a duty to consult with representatives of Non-Domestic Ratepayers about the proposed revenue and capital expenditure before the budget requirement is calculated.

4. MEMBERS' FIDUCIARY DUTIES

The obligation to make a lawful budget each year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer.

The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which they were conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement,

Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.

Within this overall framework, there is of course considerable scope for discretion. Members will bear in mind that in making the budget commitments are being entered which will have an impact on future years. Some such commitments are susceptible to change in future years, such as staff numbers which are capable of upward or downward adjustment at any time. Other commitments however impose upon the Council future obligations which are binding and cannot be adjusted, such as loan charges to pay for capital schemes.

Only relevant and lawful factors may be taken into account and irrelevant factors must be ignored. A Member who votes in accordance with the decision of his or her political group but who does so after taking into account the relevant factors and professional advice will be acting within the law. Party loyalty and party policy are capable of being relevant considerations for the individual Member provided the member does not blindly toe the party line without considering the relevant factors and professional advice and without properly exercising any real discretion.

Under the Brent Member Code of Conduct members are required when reaching decisions to have regard to relevant advice from the Chief Finance Officer (the Director of Finance and Corporate Services) and the Monitoring Officer (the Borough Solicitor). If the Council should fail to set a budget at all or fail to set a lawful budget, contrary to the advice of these two officers there may be a breach of the Code by individual members if it can be demonstrated that they have not had proper regard to the advice given.

5. ARREARS OF COUNCIL TAX AND VOTING

In accordance with section 106 of the Local Government Finance Act 1992, where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the Member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting:

- (a) Any decision relating to the administration or enforcement of Council Tax.
- (b) Any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax.
- (c) Any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation.

Members should note the following points:

- (i) These rules are extremely wide in scope. Virtually any Council decision which has financial implications is one which might affect the making of

the budget underlying the Council Tax for next year and thus is caught. The former DoE (now DCLG) shared this interpretation as it made clear in its letter to the AMA dated 28th May 1992.

- (ii) The rules do not apply just to full Council meetings but extend to committees and sub-committees of the Council and to the Executive and its Highways Committee.
- (iii) Members who make a declaration are not entitled to vote on the matter in question but are not prevented by the section from taking part in the discussion. However, where questions of enforcement are under consideration, Members with any arrears of Council Tax are likely to have a prejudicial interest under the Brent Members Code of Conduct. In these circumstances Members are disentitled from taking part in discussions as well as from voting, and must declare an interest whether or not their arrears have been outstanding for two months and must leave the room.
- (iv) Members will have a defence under section 106 if they did not know that the section applied to them (i.e., that they were in arrears to the relevant extent) at the time of the meeting. Thus unwitting Members who for example can prove that they did not know and had no reason to suppose at the time of the meeting that their bank has failed to honour a standing order will be protected should any prosecution arise.
- (v) It is not enough to state that a benefit application has been submitted which has not yet been determined, as Members remain liable to pay pending determination.
- (vi) Breach of the rules is a criminal offence under section 106 which attracts a maximum fine of £1,000.

6. PERSONAL AND PREJUDICIAL INTERESTS

Under the code of conduct, a member will have a personal interest in an item of business if a decision in relation to that business might reasonably be regarded as affecting his or her well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision.

A relevant person is (a) a member of your family or any person with whom you have a close association; or (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or (d) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority or any body (aa) exercising functions of a public nature; (bb) directed to charitable purposes; or (cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

Any member with such an interest will, generally, have to declare that interest at the start of the agenda item. However, the business of the meeting relates to or is likely to affect any of the following categories of people then you need only disclose to the meeting the existence and nature of that interest if you actually address the meeting on that business:

- i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;
- ii) any body exercising functions of a public nature.

Members will receive more detailed advice prior to the meeting about the interests they may or may not need to declare at the meeting but members should seek early advice to avoid any confusion on the night of the meeting.

A personal interest will also be a prejudicial interest if it is one that members of the public, knowing the facts, would reasonably regard as so significant as to be likely to prejudice the Member's judgement of the public interest. However, under the new code, a member will not have a prejudicial interest if the business under consideration — (a) does not affect your financial position or the financial position of a connected person (listed in paragraph 8 of the Code) nor (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any connected person or body. There are other specified exemptions relating to school meals, council tenancies, allowances, etc.

If a member does have a prejudicial interest then the Member concerned must withdraw from the meeting and leave the room. A failure to comply with the Code puts the member at risk of suspension or disqualification. Again, members will receive more detailed advice on this prior to the meeting but if any member is aware of any interest that may amount to a prejudicial interest then he or she should seek advice well before the meeting in question in order for the issues to be considered fully.

Dispensations

Dispensations are available in respect of prejudicial interest under the Brent Code of Conduct but only in very limited circumstance and only from the Standards Committee. As the dispensation now has to be given by the Standards Committee and not the Secretary of State there are also time limits to be considered which are new. The Standards Committee can only meet on 5 clear days notice and, unless certified as urgent, business can only be transacted if 5 clear days notice of it has been given. There is no Standards Committee meeting currently fixed before the budget setting meeting.

7. RESPONSIBILITIES OF CHIEF FINANCIAL OFFICER AND AUDITORS' POWERS

Chief Financial Officer and Monitoring Officer

Section 114 of the Local Government Finance Act 1988 places the Chief Financial Officer under an obligation to prepare a report (to full Council) if it appears to him that the expenditure the Authority proposes to incur in a financial year is likely to exceed its resources available to meet that expenditure. A failure to take note and act on such a report could lead to a complaint to the Standards Board. Similarly, the Council's Monitoring Officer is required to report to Full Council if it appears to her that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration.

Under section 25 of the Local Government Act 2003 the Chief Financial Officer is now required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council. These are the estimates which the Executive is required to determine and submit to Full Council and are contained within this report. However, if the Council were minded to agree a budget based on different estimates e.g. if Council did not agree with the estimates provided by the Executive then those estimates which the Council would adopt would effectively become 'the estimates' for the purpose of Section 25 and as such should be subject to a report by the Chief Financial Officer.

External Auditors' Powers

Section 91 of the Local Government Act 2000 provides that an External Auditor may issue an "Advisory Notice" if he has reason to believe that an Authority is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency. This power is to be used where the matter is significant either in amount or in principle or both.

While the advisory notice has effect it is not lawful for the authority to implement or take the course of action in question unless it has considered the issues raised in the notice and given the auditor notice that it intends to proceed with that course of action in a specified period and that period has expired.

In addition, it is also open to the Auditor to apply for judicial review on any decision of an Authority or failure to act which it is reasonable to believe would have an effect on the accounts of an Authority.

8. SPECIFIC BUDGET ADVICE

Balances and Other Budget Calculations

A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular local authorities are required by section 32 of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council faces various contingent liabilities set out in the main budget report. Furthermore the Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. Members will need to pay careful attention to the advice of officers here.

In addition to advising on the robustness of the estimates as set out above, the Chief Financial Officer is also required to report on the robustness of the proposed financial reserves. The same advice applies to these as to the other calculations required to be made by the Council. The Director of Finance and Corporate Services' view of the level of reserves is contained within the report.

Having considered the officer's report the Council is then required to "*have regard to the report*" but it is not required to adopt the recommendations in it. However, Members must demonstrate they have acted reasonably if they do not adopt the recommendations.

Alternative Proposals

If alternative proposals to those contained in this report are moved at the budget setting meeting, the Chief Financial Officer will need to consider if the estimates or proposed financial reserves contained in this report are affected and whether a further report (which may be oral) is required under section 25 of the Local Government Act 2003. If the Chief Financial Officer is unable to report on the estimates or the reserves because of the lateness of the alternative proposals then he will not be able to comply with this statutory requirement. The Act does not say what happens if this duty is not fulfilled and nor does it say whether the Council can set the budget without that advice. It follows from this then that there is no express statutory prohibition. However, the authority is at risk of a Judicial Review by an interested person e.g. a resident or the Audit Commission if the Council has failed to have regard to a report of the Chief Financial Officer on the estimates and reserves used for its budget calculations.

Capital Programme

The requirements of the "*Prudential Code*" established in the Local Government Act 2003 are set out in the report.

Expenditure Charged to the Housing Revenue Account

Members will be aware that the Housing Revenue Account (HRA) is by law to be maintained separately from the General Fund and there are strict rules which determine to which account any expenditure must be charged. There are only very limited areas of discretion here. Members should bear in mind that if they wished to review any current determination which affects the apportionment of charges between the General Fund and HRA, they would need to do so on the basis of an officers' report and specific legal advice. The Housing Revenue Account must be maintained in balance throughout the year by Section 76 Local Government and Housing Act 1989.

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Scheme of Transfers and Virements under Standing Order 17(a)

Definitions

Unless specified to the contrary within the specific paragraphs, each of the following words within this Scheme of Transfers and Virements has the precise meaning assigned to it in this scheme.

Accounts – For the purposes of this scheme, the Council shall be considered to be operating three “accounts” – the General Fund, the Housing Revenue Account, and the Capital Programme.

Budget – The Council’s budget agreed by Full Council for a financial year is set at a Council meeting at the same time as the Council Tax levels are set for the financial year and is amended from time to time in accordance with this scheme or other relevant powers.

The budget includes planned expenditure and income for the Accounts, as well as transfers into and out of Reserves and Provisions.

The General Fund budget for each financial year for each service area is summarised in the General Fund Budget Summary Appendix of the Report. The matrices in the Service Area Budget Summary Appendix of the Report show budget heads within each service area.

The Housing Revenue Account budget for each financial year is set out in the Housing Revenue Account Appendix of the Report.

The Capital Programme is set out in Capital Programme Forecast Appendix of the Report. This is set in the context of the Prudential limits set out in of the Report.

Full Council may amend the Budget at any time during the financial year, and the amended budget will replace the budget set at the budget setting Council meeting held before the start of the financial year.

Reserves and Provisions – The Council sets aside amounts from its Accounts from time to time to meet potential future specific or general liabilities or risks. Collectively the cumulative values of these amounts are called the Council’s Reserves and Provisions.

The values of Reserves and Provisions which are subject to the Transfer provisions of this scheme are those that appeared in the Council’s accounts as at 31st March of the previous financial year in respect of that year (for example, the values for 2009/10 were the values for 2008/09 as they appeared in the accounts as at 31st March 2009) as amended by appropriations contained in the other elements of the budget.

Reserves and Provisions Established by the Director of Finance and Corporate Services - The Director of Finance and Corporate Services may agree that reserves be established by a Service Area at the end of the Financial Year for a specified purpose, where the Service Area has sought permission from the Director of Finance and Corporate Services to apply some or all of that reserve to expenditure for that specified purpose in the next Financial Year and the Director of Finance and Corporate Services is of the opinion that this is a reasonable and prudent use of the resources.

The Report - References to the “Report” are references to the “Budget and Council Tax” report as agreed by Full Council at the budget setting meeting held to set the budget before the start of the current financial year.

Virements – A virement is an increase in any budget or budgets or part of a budget or budgets that is matched by an equal and opposite decrease in any other budget or budgets or part of budgets within the same Account, such that when the total changes are aggregated the net change across all budgets within that Account is zero.

Schedule of Earmarked Reserves and Provisions - the Schedule of Earmarked Reserves and Provisions approved by Full Council at the budget setting meeting held before the start of the financial year.

Transfers – For the purposes of this scheme, a Transfer is a movement of funds from any reserve, provision or Account to any other reserve, provision or Account.

New Spending – Any increase in gross expenditure or reduction in gross income above the aggregates included in each Account is considered to be “*new spending*” for the purposes of this scheme.

Earmarked Supported Borrowing – A permission to borrow issued by a Department of State limited to a specific purpose and coming with a commitment to include the financing charges within the calculation of Revenue Support Grant or Housing Subsidy.

GENERAL PROVISION

1. Except where explicitly stated to the contrary, no virement, transfer, or new spending is authorised by this scheme if it is in conflict with the Policy Framework or if it conflicts with anything specifically agreed by Full Council as part of the budget setting process other than by a decision of Full Council.

TRANSFERS

General

2. Spending on any Account above that allowed for in the Budget, or a shortfall in income below that estimated in the Budget will result in a charge to Reserves unless compensating changes are made. This follows from the

Accounting Code of Practice, which has Statutory force. It is acknowledged that such transfers may result in a conflict with the Policy Framework. Statute provides procedures for dealing with such transfers, especially where the resultant transfers exhaust Reserves and Provisions. This scheme does not deal with these transfers, although limits are placed on the Executive's action to minimise the chance that such circumstances arise.

3. In certain circumstances where such overspends on Accounts arise, there is a choice as to which Reserve the charge should be made. There may also be circumstances in which Provisions can be used to prevent Reserves being exhausted. These are matters that are reserved to Full Council.

Earmarked Reserves and Provisions for Specified Purposes

4. Certain reserves and provisions have been established to aid the smooth running of the Council's finances, and it will be normal to charge costs to those reserves and provisions subject to financial regulations and local procedures and policies. These are listed in Part A of the Schedule of Earmarked Reserves and Provisions, and officers may make transfers from these reserves and provisions up to the amounts in them for the specified purposes.
5. Part B of the Schedule of Earmarked Reserves and Provisions lists those other reserves and provisions from which transfers may only be made on the authority of the Executive, up to the limits of the amounts in them and for the purposes for which they were established.
6. Transfers from Reserves and Provisions Established by the Director of Finance and Corporate Services may be made by the Director of Finance and Corporate Services up to the amount of £250k. Transfers of any greater amount may only be made on the authority of the Executive.
7. Transfers from Reserves and Provisions not included in the Schedule of Earmarked Reserves and Provisions or transfers from Reserves and Provisions for purposes other than those for which they were established require the approval of Full Council, unless otherwise allowed by this scheme.

Executive Powers

8. The Executive shall have the power to approve any Transfer that does not result in New Spending across Accounts, on the recommendation of the Director of Finance and Corporate Services, for the purposes of the efficient management of the Council's affairs.
9. For the purposes of maintaining Reserves at a prudent level (as determined by the Executive on advice from the Director of Finance and Corporate Services.), the Executive may make any Transfer from any Account to the appropriate Reserve if there is a reported saving in that Account.

10. The Executive may make one or more Transfers up to a total of £500,000 in the financial year from any Reserve to any appropriate Account for the purposes of New Spending provided that:
 - (a) Reserves are maintained at a prudent level after considering the effect of the Transfer and any risks that fall upon Reserves;
 - (b) The Account to which the Transfer is to be made is not immediately prior to making the transfer forecast to overspend; and
 - (c) The New Spending is for an objective contained within the Policy Framework, the Corporate Strategy, a legislative requirement or a contractual obligation.

VIREMENTS – GENERAL FUND

Officers

11. Officers may make any virement within a budget line in a service area (i.e. within any one line in the Service Area Budget Summary Appendix of the Report).
12. Subject to paragraph 11, officers may agree any virement within their area of responsibility which:
 - (a) Is designed to keep function and finance together (as determined by the Director of Finance and Corporate Services); or
 - (b) Increases the budget of a unit that is overspending by reducing that of a unit that is underspending.
13. Virements in paragraph 11 may only be agreed by officers provided that:
 - (a) They do not result in a commitment which would itself lead to an increased overspend in the current financial year or give rise to unfunded expenditure in future years;
 - (b) They are consistent with the Service Plan;
 - (c) They do not conflict with any prior decision made or policy or plan or strategy adopted by the Executive; and
 - (d) They are reported to the Director of Finance and Corporate Services.
14. The Director of Finance and Corporate Services may agree any virement between areas of responsibility of different Officers whose effect falls within the criteria set out in paragraph 11 subject to the constraints in paragraph 13(a) to 13(d).

Executive

15. Subject to paragraph 14, the Executive may agree any virement either within or between any Service Area which:
 - (a) Falls within the purposes of paragraph 11;
 - (b) Helps to maintain prudent levels of Reserves; or
 - (c) Helps to keep expenditure within the overall budget totals; or
 - (d) Finances new initiatives supporting the Policy Framework or the Corporate Strategy but not explicitly included in the Service Development Plan and Budget.
16. The Executive may only agree virements under paragraph 15 if it has received advice from the Director of Finance and Corporate Services that after the virement:
 - (a) Reserves remain at prudent levels; and
 - (b) No unfunded expenditure commitments arise in future years.

New Spending

17. Where additional resources arise during the year and these are limited for a specific use (e.g. because of grant conditions), then officers may commit the New Spending provided that:
 - (a) There is no unfunded spending commitment for future years;
 - (b) Any match funding for the current year is met from identified underspends; and
 - (c) The Director of Finance and Corporate Services certifies that the criteria in paragraph 16 apply.
18. Where additional resources arising from additional income, grant not limited for a specific use, or underspends of budgets are identified, then the Executive may agree New Spending, subject to the criteria in paragraphs 15 and 16.

VIREMENTS - CAPITAL PROGRAMME

General

19. The Capital Programme consists of individual projects and sums allocated for work of a particular type. Financial Regulations dictate that the latter type of expenditure can generally only be spent after approval by Executive of project schemes within that type.
20. Capital projects often span more than one year, and include provisions for contingencies, provisional sums and the like. This generates a degree of flexibility available for managing the overall programme and this scheme takes advantage of that flexibility.
21. Many funding streams for Capital projects are limited to particular types of projects. Nothing in this scheme allows virement between projects if the funding stream cannot be vired because of some other condition or limitation restricting or precluding a virement.
22. The Capital Programme is funded by a combination of capital receipts, grants and other direct external contributions and borrowing. The total amount of permitted borrowing can be varied during the financial year under the terms of Local Government Act 2003 and relevant regulations. Apart from any contingencies agreed in the Budget, this scheme does not permit any increase in the level of permitted borrowing beyond that agreed in the Budget. Such increases require approval by Full Council in the context of advice from the Director of Finance and Corporate Services and subject to CIPFA's *"The Prudential Code for Capital Finance in Local Authorities."*

Officers

23. Officers should make such virements as are necessary to ensure that the overall capital spend is kept within the sums allocated for that purpose within their area of responsibility provided that:
 - (a) They do not stop or significantly change projects approved by Full Council or the Executive except where as part of project approval the Full Council or Executive has delegated authority to officers to revise or reschedule such projects;
 - (b) They do not commit expenditure beyond resources available in future years; and
 - (c) They report changes to the Director of Finance and Corporate Services.

Executive

24. The Executive may make such virements within the Capital Programme as are necessary to ensure that overall spending is within the resources available, and it can bring forward, delay or stop projects as necessary to achieve this.
25. The Executive may vire funding from one set of capital projects to another without limit provided that:
 - (a) Reductions are not made to funding of projects below the level that is contractually committed;
 - (b) Spending commitments in future years are not made beyond the resources available to fund them.

New Spending

26. Where new Capital resources, not limited to specific purposes, are identified during the year, the Executive may commit new expenditure from the reserve list, where such a list exists, in its own priority order providing that:
 - (a) The Capital Programme is not projected to overspend its resources;
 - (b) Spending commitments in future years are not made beyond the resources available to fund them.
27. Where new Capital resources, not limited to specific purposes, are identified during the year, and the reserve list has been fully funded, the Executive may commit new expenditure on other capital schemes provided that:
 - (a) The Capital Programme is not projected to overspend its resources;
 - (b) Spending commitments in future years are not made beyond the resources available to fund them;
 - (c) The new spending meets objectives set out in the Policy Framework or the Corporate Strategy.
28. Where new Capital resources, limited for use for a specific purpose, are identified during the year that do not require matched funding, the Executive may commit new expenditure provided that:
 - (a) Spending commitments in future years are not made beyond the resources available to fund them;
 - (b) If the new funding is by Supplementary Credit Approval, a report is received from the Director of Finance and Corporate Services indicating that the cost of the new borrowing is affordable;

- (c) The new spending meets objectives set out in the Policy Framework or the Borough Plan.
29. Where new Capital resources, limited for use for a specific purpose, are identified during the year that do require matched funding, the Executive may commit new expenditure on that match funding provided that:
- (a) The Reserved List, where such a list exists, has been fully committed and there are sufficient capital resources available to meet the match funding requirements directly or by virement, OR additional revenue resources have been identified to meet the match funding requirements;
 - (b) Spending commitments in future years are not made beyond the resources available to fund them.

VIREMENTS – HOUSING REVENUE ACCOUNT

30. The Director of Housing and Community Care may make any virements necessary for the efficient running of the Housing Revenue Account within the Account, including the use of revenue resources for capital purposes, provided that:
- (a) Spending commitments in future years are not made beyond the resources available to fund them; and
 - (b) The changes are reported to the Director of Finance and Corporate Services.

REPORTING ARRANGEMENTS

31. Subject to paragraph 30, all Transfers, Virements and New Spending are to be reported to Full Council whether or not they require Full Council's approval. Normally this will be done by means of the regular expenditure monitoring reports made by the Director of Finance and Corporate Services. The reports will classify changes by whether Officer, Executive or Full Council approval was required.
32. Virements within one line of the Service Area Budget Summary Appendix of the Report, Transfers falling within Part A of the Schedule of Earmarked Reserves and Provisions and Virements within the HRA will not normally be reported to Full Council but will be reported if the Director of Finance and Corporate Services or the monitoring officers consider that a report should be submitted.
33. Any failure to report to or notify the Director of Finance and Corporate Services on any matter as required under this scheme will not invalidate the decision by virtue of that failure to report or notify alone.

Schedule 1

Earmarked Reserves and Provisions

PART A Officers have the authority to make transfers from these reserves and provisions up to the amounts in them for the specified purpose.

Reserves

Care of the Elderly	English National Stadium
Nurseries	John Lyons Trust
Standards Fund	Hospital Sunday Fund
Property & Civic Centre	Kellogg's Fund
Single Regeneration Budget	LA Horticultural Apprentice Grant
JFS School PFI	Consumer Support Network Grant
Brent Performance Fund	NNDR Revaluation Refunds
Willesden Sports Centre PFI	Stakeholder
Remuneration Strategy	Payroll Liabilities
Local Housing Allowance	Best Bar None
Wembley Youth and Community	English National Stadium
Long Term Sickness	Housing Client Deposits
Local Development Framework	Carpenders Park Cemetery
Working Neighbourhood Fund	Library/arts projects
Area Child Protection	Legal Disputes
Destination Wembley	Poplar Grove Lease agreement
Homeless Strategy	Salix
External Schools Active Grant	Proceeds of Crime - Trading Standards
Affordable Housing PFI	CLG Funding Balance
Preventing Homelessness	Retention For Thames Court Building project
CLG Funding Secondment Officer	Mortgage Repossession Fund Grant
Transformation	Private Landlords Rent Deposit Scheme
Edward Harvist Trust	West London Alliance Olympic Fund
John Lyons Trust	Stonebridge HAT Project
Hospital Sunday Fund	Viewstar Project
Kellogg's Fund	Finance systems
LA Horticultural Apprentice Grant	Telecom Equipment Income
Consumer Support Network Grant	Insurance Fund
NNDR Revaluation Refunds	HRA Subsidy
Stakeholder	Private Housing Services-Legal Costs
Payroll Liabilities	ALMO Interest
Best Bar None	

Provisions

Insurance	Compulsory Purchase orders
Disrepair cases	London LETTS
Provision - Repairs PSL Scheme	St Raphael's
Quainton Street	

PART B Transfers may only be made on the authority of the Executive for the following earmarked reserves:

S106 and Commuted Car Parking
Brent NHS JET Fund
Capital Funding
Chalkhill Community Building

BACKGROUND INFORMATION

2011/12 Revenue Budget and Council Tax – Report to Council on 28 February 2011.

Budget Strategy 2012/13 – 2015/16 – Report to the Executive on 18 July 2011.

First Reading debate on the 2011/12 Budget Report – Report from Director of Finance and Corporate Services to Council on 21 November 2011.

Performance and Finance Review Quarter 2 – Report to the Executive on 12 December 2011.

Collection Fund Surplus/Deficit at 31 March 2012 Report – Report to the Executive on 12 December 2011.

Calculation of Council Tax Base 2012/13 – Report to General Purposes on 24 January 2012.

Housing Revenue Account Budget Report 2012/13 – Report to the Executive on 13 February 2011.

Local Government Finance Settlement 2012/13 – Various Papers

Budget Guidelines, 2012/13 – 2015/16

CIPFA Code of Practice for Treasury Management in Local Authorities.

Treasury Management Policy Statement and Systems Documentation.

General Budget Working Papers

Any person wishing to inspect these documents should contact Clive Heaphy, Director of Finance and Corporate Services, Room 114, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD. Tel (020) 8937 1424.

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