

NON-SERVICE AREA BUDGETS - CENTRAL ITEMS

1. SUMMARY

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

2. DETAIL

- 2.1 Table 1 to this Appendix summarises the budgetary costs to the Council for 2004/2005 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 BUDGETS

- 3.0 Table 2 sets out the proposed budgets.

3.1 MAGISTRATES COURTS

- 3.1.1 There are two elements to the budget:-

- (a) Since April 2001, the Greater London Magistrates Courts Authority (GLMCA) has been responsible for running the Magistrates Courts Service for the whole of London. Prior to this, each outer London borough had a separate courts committee. 80% of the GLMCA's budget is met by central government, with the remaining 20% being apportioned to the London boroughs on the basis of council tax base figures.
- (b) There are also debt charges relating to the building and equipping of the Willesden Courthouse, which opened in 1989. The loan charges relating to capital expenditure up to March 1990 are still met by individual boroughs, and 80% grant is received on these costs. The estimated net cost to Brent is £280,000 in 2004/2005

- 3.1.2 Brent's revenue contribution to the GLMCA in 2003/04 is £548,900. The draft budget for 2004/05 released by the GLMCA, has Brent's contribution as £549,300. Therefore, Brent's is virtually unchanged, compared to an overall London wide increase of around 1%. The difference is due to a five year transitional formula for calculating authority contributions, whereby Brent's increase will be less than the average up to 2005/06.

- 3.1.3 An additional payment is for the funding of the Middlesex Area Advisory Committee on Justices of Peace. Brent's contribution is £4k.

- 3.1.4 The total costs to Brent in 2004/05, including the debt charge element are therefore estimated at £833k.

3.1.5 It is proposed that the GLMCA will be absorbed into a new national organisation. The financial arrangements are not yet known so for future years no change is assumed.

3.2 CORONERS COMMITTEE

3.2.1 Brent is one of five boroughs forming the London Northern District Coroners Courts Committee, namely Haringey (the lead borough), Brent, Barnet, Enfield and Harrow. Haringey deals with all the administration, and charges the other boroughs on a population basis. Brent's share for 2003/04 is £132,800.

3.2.2 The 2004/05 budget is not yet available and is not expected before the Brent budget is set. It would normally be expected to rise roughly in line with inflation, although in 2003/04 there was a larger increase (9%) due to additional costs relating to the need to update I.T. systems, and increases in costs relating to new contracts for removal of bodies. If the 2004/05 budget increases in line with inflation, taking account of changes in Brent's population figure, Brent's estimated contribution for 2004/05 would rise to approximately £139,000.

3.3 LOCAL AUTHORITY ASSOCIATIONS

3.3.1 The Council is a member of the Local Government Association (LGA) and the Association of London Government (ALG). The objectives of both organisations are to protect and promote the interests of member authorities, including discussions with central government on legislative issues, and to provide research and statistical information. The ALG concentrates on issues affecting London boroughs.

3.3.2 The LGA subscription was £56k in 2003/2004. Annual increases in the subscription are now linked to each class of authority's rise in adjusted overall Formula Spending Share. For London Boroughs this amounts to 6% and the subscription will thus rise to £59k in 2004/2005.

3.3.3 The ALG subscription covers a number of cross London bodies. The 2004/2005 subscription will be levied as follows:

	2004/05	2003/04
	£'000	£'000
Association of London Government (Core)	140	102
ALG Grants Scheme		
- Admin. Grant	57	54
- Grants to Organisations	922	958
London Housing Unit	40	40
GLPC/Employee and Organisational Development	19	19
Transport and Environment Committee	5	5
Total	1,183	1,178

3.3.4 This budget is only required to fund £140k as the balance for the other elements is held by Service Areas. However the ALG has adopted a strategy, which was also in place in 2003/2004, whereby funds are redirected towards the core subscription while reducing the ALG Grants scheme element. A transfer of budgets between these Central Items and Education, Arts and Libraries of £33k has been made to reflect this.

3.4 LOCAL GOVERNMENT INFORMATION UNIT

3.4.1 The Council subscribes to the Unit. It is an independent research and information organisation supported by over 140 Councils. The subscription is £20k for 2004/2005.

3.5 EMERGENCY PLANS

3.5.1 Under current arrangements the Council is required to make a contribution to Emergency Planning in addition to officer time and overheads. The sum of £5k has therefore been provided in central budgets for this purpose.

3.6 EXTERNAL AUDIT

3.6.1 This budget amounts to £386k and relates to the work undertaken by PricewaterhouseCoopers and excludes the various Inspection regimes which are budgeted for elsewhere.

3.6.2 The Audit Commission has recently published a document setting out its draft operational plan and proposed fees for the next financial year. It has decided to increase its fee scales by 3%. However, The Commission has stated its intention to seek to reduce the burden of regulation on audited and inspected bodies, including less work on grant claims, which will help to reduce overall fees. It is currently unclear how much and when this will be reflected in Brent's costs although it is more likely that the benefits will accrue in later years. Thus a 3% increase is proposed for 2004/2005.

3.7 CORPORATE INSURANCE

3.7.1 This encompasses the policies for public liability, fidelity guarantees, employers liability, officials' indemnity and terrorist insurance not linked directly to specific properties and claims handling. Last year premiums rose by up to 25%. Our position within the insurance market is weak with few wishing to be involved with local authorities. However increases will not be as dramatic this year and it is anticipated that the £380k (9.5%) previously agreed will be sufficient to cover the cost of the policy renewals. Final figures will not be available until late March.

4. CAPITAL FINANCING CHARGES/NET INTEREST RECEIPTS

- 4.1 These two items are closely linked and influenced by the Treasury Management Strategy included in Section 8 of the main report and prevailing rates of interest.
- (a) Net interest receipts are those which the Council estimates it will receive from positive cash flow and holding reserves during 2004/2005.
 - (b) Capital Financing Charges are the principal repayments and interest on the Council's borrowing. From 2004/2005 it includes only charges for borrowing which are supported and part of the Capital Financing FSS within the Local Government Finance Settlement (see Section 10). Any debt charges generated by borrowing for schemes which are unsupported has a separate budget (see Section 5).
- 4.2 The amount of debt attributable to the HRA is a crucial factor in the charge falling on the General Fund. This is governed by a complex set of regulations based around Housing Subsidy. To minimise the net cost to Brent the Council should ensure that the maximum allowable under the rules falls on the HRA as this receives 100% subsidy.
- 4.3 The Council's expenditure is significantly above the allowance made by the Government through the FSS for capital financing. There are a number of factors contributing towards this.
- 4.4 The Council is estimated to have £478m of long-term debt outstanding at 31st March 2004. This has been taken out over a number of decades for periods of up to 60 years. The average interest rate payable is around 7.2%. Current long-term rates are averaging slightly below 5%. The relatively expensive debt cannot be repaid early without incurring significant premiums. Further details are set out in Section 8 of the report.
- 4.5 In calculating the FSS the Government assumes that local authorities have allocated their borrowing approvals to the HRA and General Fund in line with the annual capital guidelines in place prior to the prudential regime. However in most years a relatively small proportion has been allocated to the HRA in comparison to the Housing ACG. Each £1m diverted to the General Fund will cost around £100k in principal and interest charges in a full year. For example in 2003/2004 Brent could have utilised £7.8m on HRA Housing Schemes. All but £2.8m was used for General Fund schemes (including General Fund Housing) and the full debt costs of £500k fall on the General Fund while the Government support went to the HRA.
- 4.6 The Council is still paying interest on the monies outstanding on the deferred purchase arrangements. There is no allowance for this in the FSS and will amount to around £40k in 2004/2005 (£80k in 2003/2004).

- 4.7 The relaxation in the set-aside rules for capital receipts from September 1998, while beneficial for the Capital Programme has revenue consequences for the General Fund. Again each £1m utilised for expenditure and not set-aside for debt redemption adds £100k to the debt charge expenditure.
- 4.8 The current budget is £24.753m for supported capital financing charges (this includes £1.7m held in the Magistrates Courts and Corporate Landlord Account budgets) offset by £2.0m of net income for interest receipts. The FSS for these items is £13.5m a shortfall of £9.3m.

5. ASYLUM SEEKERS

- 5.1 This budget covers expenditure incurred supporting destitute asylum seekers falling under the categories of Single Adults and Children with Families. Unaccompanied Minors are included within a different grant regime and are part of the Social Services budget.
- 5.2 This remains an area of high risk due to the continuing uncertainties involved.
- (a) On the 24th October 2003 the Home Secretary announced that 15,000 asylum seeking families with children that claimed asylum before 2nd October 2000 would on request be granted Indefinite Leave to Remain (ILR).

It was stated that the programme will take 6 months to implement although it is clear that it will not be completed until well into 2004/2005. Current numbers of eligible families are as follows:

	In Borough	Out of Borough	Total
Placed by Brent	229	71	300
NASS (being managed by Brent)	23		23
Placed by other Boroughs in Brent	48		48
Total	300	71	371

Families once accepted will transfer from the Asylum Seekers Grant regime and will be eligible to apply for other support if appropriate to their circumstances. The programme aims to enable asylum seekers to remain in their own accommodation ensuring continuity of schooling and other contacts. This potentially will add additional costs to other Council budgets. For example, if the Council has an obligation to house a family their current property may be above the threshold on which Housing Benefit is fully payable. Any excess would fall on the Council if the same property was retained. Similarly, if the tenancy cannot be sustained the Council would potentially have to provide hotel accommodation under the Homelessness legislation. The Home Office have agreed to support

Local Authorities in such circumstances but the nature and level of this has still to be confirmed. This will obviously be an area of budget risk.

(b) The Government has not announced its intentions on asylum seekers not covered by the above scheme. Currently we have responsibility for 60 singles and 335 families. It was previously thought that all asylum seekers would transfer to NASS on 5th April 2004. This now appears unlikely and the Council will remain responsible for those not covered by the ILR scheme until a decision is taken on their status. There are a number of issues:

- (i) The grant regime has yet to be announced for 2004/2005.
- (ii) As numbers decline the Council's fixed costs have to be absorbed from a lower total level of grant as it is calculated based on the numbers supported. This will be difficult to manage as we have no indication as to when and at what rate numbers will decline from the ILR scheme.

5.3 A budget of £250k is included for 2004/2005 and Members are advised that this is considered the minimum given the risks involved.

6. LEVYING BODIES

6.1 Levying bodies are defined by statute. They have an absolute right to demand payment from the Council and that payment must be met from the General Fund.

6.2 Levies are estimated to total £6,343k for 2004/2005 as shown below. However, formal notification has not yet been received from all of the bodies so the figures below could be subject to change.

	2003/2004 Actual £'000	2004/2005 Latest Estimate £'000	% Increase/ (Decrease)
Lee Valley Regional Park	244	257	5.3
London Pensions Fund Authority	292	243	(16.8)
Environment Agency	1,388	160	(88.5)
West London Waste Authority	5,365	5,683	(5.9)
	7,289	6,343	(13.0)

6.3 At the Council Meeting on 26th January a Council taxbase of 92,643 was agreed. All the levies are calculated on each authority's relative taxbase. Brent's has increased relative to the average so the percentage increase in our levy is more than the overall increase in budget for each Body.

6.4 Lee Valley Regional Park Authority (LVRPA)

The LVRPA have increased their overall budget by 4.9%. The Authority was set up in 1966. They have stated that their purpose is to “*regenerate, develop and manage some 10,000 acres of Lee Valley which had become largely derelict and transform it into a unique leisure and nature conservation resource for the benefit of the whole community.*” LVRPA is funded by a levy on all London Boroughs, Essex and Hertfordshire County Councils and Thurrock Unitary Authority.

6.5 London Pensions Fund Authority (LPFA)

The LPFA levy is to meet expenditure on premature retirement compensation relating to former employees of the Greater London Council as this cannot be charged to the Brent Pension Fund. Their levy is split between all London Boroughs but Inner London Boroughs bear significantly higher charges. They reduced their levy by roughly 17% compared to 2003/2004. They have stated that this is because of reductions in provisions held against potential asbestosis claims. They expect this to be a one-off reduction.

6.6 Environment Agency

For 2004/2005 most of the levy will now not fall on Local Authorities. It will be funded directly by the Environment Agency. The Council's level of grant has been reduced by a corresponding amount (£1,229k). A small element remains payable relating to regional schemes, many of them to improve flood defences. This is expected to be £160k. A decision on the total levy was made on Thursday 15th January.

6.7 West London Waste Authority (WLWA)

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

6.8 WLWA's budget will be increased due to a rise in the cost of Landfill Tax (£1.00 per metric tonne), increased costs relating to abandoned vehicles, increased recycling credit payments to the boroughs and increases in green waste which is not charged to the boroughs.

6.9 WLWA's budget meeting was held on 28th January. A levy increase of 5.03% was agreed. However, the amount Brent pays will be higher because of the increase in our taxbase. This is discussed further in para 6.12.

- 6.10 The levy pays for the amount of waste Brent delivers to WLWA which is assumed to come from households. Environment have to pay an amount in addition to the levy depending on how much “*non household*” waste we produce (section 52(9) payments). The household allowance was calculated at 16kg per household per week for 2003/2004. The figure for the number of households came from the GLA for the 2001/2002 budget and they were not able to provide updated figures before WLWA’s 2003/2004 budget was set in January 2003. The 2003/2004 WLWA budget was the third year these household figures have been used and they were already out of date. At the 2003/2004 WLWA budget meeting, Members were advised that they had no alternative to using these figures since it would be impossible to get all six boroughs to agree to an alternative in time. The GLA provided revised household numbers shortly after the 2003/2004 WLWA budget was set. These household numbers were reported to the next WLWA meeting in April 2003 and subsequent meetings. However WLWA Members have not agreed to update their non-household waste formula for 2003/2004. If the formula had been updated, there would have been savings of roughly £220,000 from Environment’s 2003/2004 budget.
- 6.11 WLWA Members voted in December to use up to date household numbers when charging boroughs for non-household waste in 2004/2005. Legal advice suggests that it is illogical to use current household numbers for next year, but not for the current financial year. Payments to WLWA would not reflect the reasonable costs of disposing of commercial and industrial waste for 2003/2004. Environment have received two bills for section 52(9) for the current year. They have recalculated the charges using up to date household numbers and paid the appropriate amounts to WLWA.
- 6.12 If WLWA were to agree to use up to date household numbers for 2003/2004, their income would be reduced so the amount they estimate as the difference between Brent’s charges based on using old household numbers and current household numbers (£224,000) has not been assumed as income by WLWA for 2003/2004. This has reduced WLWA’s assumed balances at 31st March 2004. Similarly WLWA’s balances at 31st March 2005 have been assumed to reduce by £284,000 because Richmond and Hillingdon have now said they disagree with using updated household numbers in the S52(9) formula and have threatened to refuse to pay part of their charges next year. These amounts held by WLWA as contingencies against non-payment have reduced their estimated balances. This in turn has reduced their scope for using money from balances to offset the levy increase. On 28th January 2004, WLWA Members voted to use £800,000 from balances to reduce the budget increase to 5.03%. Another significant factor is the increase in Brent’s taxbase mentioned in para 6.3. This has a greater effect on the WLWA levy than on other levies. This is because there are only 6 constituent boroughs in WLWA compared to over 30 in the other levying bodies. In addition, the WLWA levy is considerably higher than the other levies. Brent’s levy increase will be £318,000. This is a 5.9% increase.

7. PREMATURE RETIREMENT COMPENSATION

- 7.1 This is the ongoing revenue cost of pensions caused by premature retirements, that do not fall on the Pension Fund, which took place primarily up to 31st March 1994. Those costs generated by action taken after 1st April 1994 are charged directly to the Service Area where the decision was taken. The amount paid to pensioners is uplifted by the inflation rate applicable in the previous September. (This year 2.8%). It is estimated that a provision of £4,150k will be required in 2004/2005.

8. MIDDLESEX HOUSE AND LANCELOT ROAD SCHEME

- 8.1 A new funding agreement for the scheme was agreed in 2000/2001 with Network Housing Association. It has received the required consent from the Secretary of State for Environment, Transport and the Regions. This budget covers the maximum General Fund requirement under the arrangement and amounts to £335k. The 2003/2004 contribution of £175k was deferred until 2004/2005 and this has also been included within that budget. The contributions for future years have been reviewed with the aim of equalising these until 2019/2020 with annual growth of 7.6%. This corresponds to the assumptions in the 30 year business plan (see Section 11).

9. SYSTEM DEVELOPMENT FUND

- 9.1 No contribution is required in 2004/2005 from this Central Items budget. Section 5 covers the main IT investment requirements.

10. LEASING COSTS

- 10.1 As part of the 2000/2001 budget it was agreed that where appropriate and resources allowed the use of operating leases should be phased out. Items were purchased from the Capital Programme, which originally were to be leased and service areas are charged a notional rather than an actual rental. In subsequent years a mixed approach has been adopted and each proposal reviewed on the items involved and resources available. This budget is the estimate of the revenue resulting from the internal leasing costs. This amounts to £250k in 2004/2005 with a decline in future years.

11. OTHER ITEMS

Details are set out in Table 3 to this Appendix.

11.1 Defer Capitalised PRC Contributions

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

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

11.1.2 This is not a legal requirement but follows what is regarded as best practice. It was agreed in previous budget decisions that amounts contributed from 2000/2001 to 2002/2003 be utilised in the 2001/2002 and 2002/2003 revenue budgets and paid into the Pension Fund in subsequent years with interest. This ensures the position for the Pension Fund is neutral but the spending reflects the estimated flow of resources within the Medium Term Financial Strategy. £235k has been repaid in 2003/2004 and £725k has been provided in 2004/2005 which covers the whole amount involved.

11.2 Neighbourhood Renewal Fund

11.2.1 Brent has been informed it will receive £2.3m from this Fund in 2004/2005 (£2.3m in 2003/2004).

11.2.2 Neighbourhood Renewal Fund money is "non-ringfenced" and can be used to fund any service (Council or non-Council). However, the Government's guidance sets out a number of constraints on its use:

- spend should be used to improve outcomes in local authorities more deprived areas, in whatever way is suitable for local circumstances;
- spend should be in accordance with a local Neighbourhood Renewal Strategy;
- each year the local authority should produce a statement of use for NRF funding and agree it with the Local Strategic Partnership;
- decisions about where and how the money should be spent are to be taken locally, close to where people live and work. This flexibility is important because local people know best where the pockets of deprivation lie, what problems these areas face and what the best solutions are.

11.2.3 In 2003/2004 in agreement with our partners part of the NRF was used to help deprived communities in the Borough through the following Council programmes:

	£
<u>Education</u>	
Sporting Playgrounds	132,500
Education Truancy	30,000
BRAIN	20,000
Teenage Pregnancy Awareness	15,729
Total	198,229
<u>Environmental Services</u>	
Driving Out Abandoned Vehicles	25,000
Reducing Domestic Item Dumping	25,000
Graffiti Removal	12,000
Anti Litter	25,000
Combating Fly-Tipping	25,700
Increasing External Sports Facilities	25,000
Green Space Maintenance	46,000
Church End Open Space	15,000
Total	198,700
<u>Housing</u>	
Homelessness Prevention	120,000
Neighbourhood Wardens	140,000
Reduce Doorstep Crime	35,000
Cricklewood Homeless Concern	100,000
Total	395,000
<u>Policy and Regeneration Unit</u>	
Preventing Violent Crime	16,000
Brent In2 Work	50,000
Safe Haven	345,547
Curzon Crescent Nursery	100,000
St Raphael's Project Team	100,153
Brent Business Brokerage	30,000
LSP Support Officer	55,000
Neighbourhood Development Fund	50,000
St Raphael's Household Employment Pact	15,000
Total	761,700

An additional £1,205k was allocated to support similar objectives through our partners.

11.2.4 The Council's Regeneration Action Plan identifies 8 themes for NRF expenditure in 2004/2005:

- Widening participation;
- Tackling worklessness;
- Improving educational attainment;
- Reducing crime;
- Improving health;
- Improving housing conditions;
- Addressing specific local priorities; and
- Piloting Neighbourhood Management.

11.2.5 In line with Government guidance, in 2004/05 Neighbourhood Plans from St Raphaels/Brentfield, Harlesden, Stonebridge, Church End and Roundwood will form the basis for spending decisions using NRF.

11.2.6 It is proposed that a report containing detailed options for the use of NRF funding in 2004/2005 will be brought to the Executive in March. The future of NRF funding beyond 2004/2005 is unclear.

11.3 Advertising and Other Sponsorship Income

11.3.1 The target figure was not achieved in 2003/2004 primarily because of difficulties in securing new sites for advertising hoardings and delays in the scheme to secure advertising on streetlights. A preferred contractor has now been selected and subject to planning permission income will begin to be generated in 2004/2005. The budget is £119k.

11.4 Employers' Pension Fund Contributions

11.4.1 The Council's actuaries fix the employers' contribution to the Pension Fund every 3 years as a percentage of the salary for those staff who are in the Pension Fund. The last valuation which took place assessed the position at 31st March 2001. New employer's rates were set and effective from 2002/2003. These are as follows:

	%
2002/2003	16.2
2003/2004	18.6
2004/2005	18.6

11.4.2 £75k has been retained to cover staff not included within service area budgets such as Trading Units, and contingent items.

11.4.3 The next valuation, based at 31st March 2004, will set rates from 1st April 2005. It is anticipated given the overall decline in performance, despite recent improvements, on world stock markets that rates will need to rise again from 2005/2006. The provisional budget has therefore been increased from that year to meet that eventuality. The results of the valuation will be known before the 2005/2006 budget is set.

11.5 Insurance Fund

11.5.1 The Council operates an Insurance Fund in order to self insure its buildings and contents as well as to cover employee and third party legal liabilities and professional indemnity, though it does have insurance policies to limit the Council's overall exposure. The Authority has an excess of £250k on any particular claim and has a maximum exposure of £3.2m in any financial year. These arrangements are in place to minimise the Council's costs as opposed to covering all costs through external insurance. Contributions are made to the Fund by Services in lieu of insurance premiums for buildings and contents. The level of the Fund is reviewed against the known and potential level of liabilities for claims. Members have been informed in previous years that the Fund was insufficient and significant contributions would be required to ensure the Fund has resources to meet likely claims. Therefore, an ongoing budget of £1.8m has been agreed by Members.

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

(i) Fire Damage to Buildings

In the last three years a number of significant fire damage claims have had a major effect on the Insurance Fund. Alperton Sports Pavilion, the Willesden High School and the Welsh Harp all incurred costs to the Fund in the region of £200k - £250k.

(ii) Woolf Reforms

These reforms have set deadlines on claims and additional responsibilities on Local Authorities to respond to claims, make offers of Settlement backed by payments to Courts and in general to show good intentions when dealing with claims. Consequently Brent is now settling cases more quickly, having to make more court payments and is only taking cases to court as a last resort.

(iii) Tree Roots

The Council operates a Tree Root Fund in order to cover structural damage to third party properties. The Tree Root Fund runs on a self insurance basis and there are no insurance policies limiting the Council's exposure. In recent years insurers have reassessed the way they undertake and deal with subsidence claims and these matters are now being fast tracked with the previous average of some three to four years in settling a claim being brought down to 18 months. This has

had the effect of compressing later claims earlier into the normal cycle of settlement. Insurers have also been seeking an increasingly higher percentage contribution to damages from Local Authorities. This has led the Council to amend its tree maintenance policy and to let a new tree maintenance contract from April 2004.

11.6 HRA Recharges and Rent Rebates

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

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

11.6.2 Any split is calculated on a number of differing factors which seek to reflect and measure a reasonable charge for activity in relation to the HRA. As the number of properties within the HRA has reduced (15,081 in March 1996 to an estimated 10,000 in March 2004) and more property leases have switched to the General Fund, the charge to the HRA has fallen consistently over that period. The establishment of Brent Housing Partnership also has brought the issue sharply into focus as a number of services provided to it are linked to Service Level Agreements with direct charges for the work undertaken. The results of the assessment suggest that around £900k of General Fund charges to the HRA need to be removed as they are no longer fully justifiable. This is a significant sum given that only £300k has been previously assumed in the Medium Term Financial Strategy.

11.6.3 However, there is another factor relating to charges between the General Fund and the HRA in 2004/2005. There is a major change in the accounting arrangements for the HRA. Rent Rebate expenditure, which is expenditure in respect of assistance given to Council tenants to meet their housing costs, are no longer chargeable to the HRA. Similarly the reimbursement of this expenditure through Housing Revenue Account Subsidy ceases to be credited to the HRA. Tenants will continue to receive their rent rebates as before, however the expenditure/subsidy will now be debited/credited to the Council's 'General Fund'. In broad terms this change should be neutral for local authorities although this is not the case for the effect between the HRA and the General Fund. There is a financial advantage to the HRA of this change and this nationally has been recognised by Government allowing local authorities discretion to make a transfer to the General Fund for a period of three years as compensation for the additional burden to the General Fund. Figures provided by the Local Authority Associations and accepted by the ODPM is that the Brent HRA will gain £600k from not meeting net Rent

Rebate expenditure. It is proposed that under the Government's allowable discretion £600k will be transferred to the General Fund from the HRA in 2004/2005 and £300k in 2005/2006. This will provide a staged method to fund the other changes to recharges within the parameters of the MFTS. £200k is included in this budget and £100k within Housing Services for 2004/2005.

11.7 Residual Community Development Costs

11.7.1 The functions of the Community Development Service Area were transferred to other Service Areas during 2002/2003. This budget covers the residual costs of closure which primarily relate to premature retirement compensation and the capital cost of early retirement.

11.8 Civic Facility

11.8.1 A report to Executive on 9th February on an initial feasibility study for the possible construction of a multi-purpose Civic Centre made it clear that there was not "*a do nothing option*" given the condition of current municipal office accommodation. The costs included here are an initial estimate based on the cost of debt charges as well as net cost/saving of running the new facility compared to the current cost of buildings that will be disposed of or given up. Alternatively they are the increased costs associated with keeping the existing building by investing in them to bring them up to a reasonable standard and meeting increased rental and other charges. This equates to the assumptions in the 30 year business plan. A more detailed feasibility study will now be undertaken. Costings and timings in future years are still very provisional but provide a prudent estimate of the possible requirement.