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 2006/07 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 Table 2 sets out the proposed budgets.

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 share for 2005/06 was originally estimated at £156k, but the revised forecast is £163k.

3.2.2 The 2006/07 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 and 2004/05 there were larger increases (16.5% over the two years) 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 2006/07 budget were to increase in line with inflation, the charge would rise to approximately £168k.

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 It was agreed by the LGA to freeze subscriptions in 2006/07 for all of its member authorities. Therefore, the LGA subscription is unchanged at £68k.

3.3.3 The ALG subscription covers a number of cross London bodies. The 2006/07 subscription will be levied as follows:

	2006/07 £'000	2005/06 £'000
Association of London Government (Core)	150	144
ALG Grants Scheme		
- Admin. Grant	58	57
- Grants to Organisations	897	903
London Housing Unit	39	41
GLPC/Employee and Organisational Development	20	20
Transport and Environment Committee	5	5
London 2012 Olympics	5	-
Total	**1,175**	**1,170**

3.3.4 The subscription to the ALG for the London 2012 Olympics is a new subscription, and will last for six years. Funding will be used to create three new posts within the ALG to work on the London 2012 Olympics.

3.3.5 This budget is only required to fund the Core and London 2012 Olympics subscriptions of £155k as the balance for the other elements is held by service areas.

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. The subscription is £19k for 2006/07 and is likely to remain at this level for future years.

3.5 WEST LONDON ALLIANCE

3.5.1 The West London Alliance is a cross-party partnership between the six west London Local Authorities (Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon and Hounslow), which aims to provide a clear single voice by lobbying on behalf of the area's residents, service providers and business communities. The subscription is £20k for 2006/07.

3.6 PARK ROYAL PARTNERSHIP

3.6.1 The Park Royal Partnership was established in the early 1990's and has been successful in securing grant funding from the Single Regeneration Budget to promote the regeneration of the Estate. Park Royal together with adjacent Wembley has been designated a priority regeneration area for the London Development Agency. Brent provides an annual contribution of £25k.

3.7 COPYRIGHT LICENSING

3.7.1 The Copyright Licensing Agency licenses public and private bodies to photocopy and scan material from books, journals and periodicals. The budget for the 2006/07 subscription is £12k.

3.8 EXTERNAL AUDIT

3.8.1 This budget amounts to £410k and relates to the work undertaken by PricewaterhouseCoopers and excludes the various inspection regimes which are budgeted for elsewhere. It is the net figure after charges for grant claims to service areas.

3.8.2 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 in line with inflation (2.5%).

3.9 CORPORATE INSURANCE

3.9.1 This budget encompasses the policies for public liability, fidelity guarantees, employers' liability, officials' indemnity, money handling, personal accident, engineering and terrorist insurance not linked directly to specific properties. It also includes claims handling. In 2005/06 overall premiums rose only slightly against 2004/05 though this was offset due to renegotiating elements of the cover. Overall insurance cover cost £1.255m in 2005/06 of which £404k was met centrally from this budget. The balance is recharged through the insurance fund in the form of premiums to units and service areas. These policies primarily cover premises and vehicles.

3.9.2 Our position within the insurance market still remains weak with few wishing to be involved with local authorities. It is anticipated that £440k, a 5% increase over the 2005/06 budget, will be sufficient to cover the cost of the policy renewals in 2006/07. Negotiations are continuing with our providers and it is likely final figures will not be available until March.

4. CAPITAL FINANCING CHARGES/NET INTEREST RECEIPTS AND PRUDENTIAL REGIME FINANCING CHARGES

4.1 These items are closely linked and influenced by the Treasury Management Strategy included in Section 11 of the main report and prevailing rates of interest. It also reflects the overall level of the capital programme (see Section 10).

(a) Net interest receipts are those which the council estimates it will receive from positive cash flow and holding reserves during 2006/07.

(b) Capital Financing Charges are the principal repayments and interest on the council's borrowing. It includes two elements:

(i) charges for borrowing which are supported and account taken of within the Local Government Finance Settlement (see Section 6).

(ii) debt charges generated by borrowing for schemes through the use of the prudential regime which have no specific revenue support. The costs have to be met at the expense of other priorities or through a higher council tax. (See Section 10).

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 maximum allowable under the rules falls on the HRA as this receives 100% subsidy.

4.3 The forecast budget requirement has reduced by £2.4m for 2006/07 compared with our estimate prepared as part of last year's budget process. This reflects lower long-term interest rates, successful debt restructuring exercises, slippage in the capital programme and higher than anticipated capital receipts and balances.

4.4 The council is estimated to have £577m of long-term debt outstanding at 31st March 2006. This has been taken out over a number of decades for periods of up to 60 years. The average interest rate payable is around 6.3%. Current long-term rates are averaging slightly below 3.7%. The relatively expensive debt cannot be repaid early without incurring significant premiums. Further details are set out in Section 11 of the report.

4.5 The budget for 2006/07 is £20.757m, made up of £24.748m for capital financing charges offset by £3.991m of net income for interest receipts. The table at the end of this appendix shows this split between debt charges/net interest receipts of £18.155m and prudential regime financing charges of £2.602m.

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 Children and Families budget.

5.2 At the end of March 2005, the Home Office announced that all asylum seekers currently supported by local authorities under the Interim Scheme would be transferred to NASS support during 2005/06. Once this transfer is complete, local authorities' duty to support asylum seekers under the Interim Provisions ends.

5.3 This process has taken longer than originally expected. However the number of households supported directly by the authority under the Interim Provisions has steadily decreased.

5.4 Officers expect that the transfer process will be fully completed by the end of the current financial year. Staffing levels have been reduced as numbers have decreased, and the team will be formally closed once numbers reach zero.

5.5 Local authority expenditure on asylum seekers is currently grant funded by the Home Office, with any shortfall between expenditure on service provision and maximum grant payable met by the local authority from the General Fund. A budget of £250k has been included for 2005/06 to cover this shortfall.

5.6 It is expected that the authority will not be able to claim any grant income in 2006/07. However, there will be residual functions still remaining for some time and one-off closure cost, although the majority of direct costs will be eliminated. In addition some overhead costs, such as reception accommodation, will remain. It is felt it would be prudent to maintain the current £250k Asylum Seekers budget in 2006/07 given the uncertain position, with reductions factored into future years.

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 The levies to be paid for 2006/07 are shown below.

	2005/06 £'000	2006/07 £'000
Lee Valley Regional Park	270	279
London Pensions Fund Authority	249	256
Environment Agency	172	109
West London Waste Authority	5,815	5,049
	6,506	**5,693**

6.3 At the General Purposes Committee on 13th December 2005 a council tax base of 94,047 was agreed. All the levies, except the West London Waste Authority levy for 2006/07, are calculated on each authority's relative tax base. This means that increases in levies paid by Brent may not be exactly the same as increases in the budgets of the levying bodies.

6.4 Lee Valley Regional Park Authority (LVRPA)

The LVRPA have increased their overall budget by 3%. 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 Pension Fund. It is split between all London Boroughs but Inner London Boroughs bear significantly higher charges. They increased their levy to outer London authorities by 2.5% compared to 2005/06.

6.6 Environment Agency

For 2006/07 most expenditure will again be funded directly by the Department for Food and Rural Affairs (Defra). As last year, a small element remains payable relating to regional schemes, many of them to improve flood defences. On Thursday 12th January 2006 it was decided to reduce councils' levies by 36.7%. Brent will pay £109k next year.

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 For some years the Government has been trying to change Waste Disposal Authorities (WDAs) levies to be based on tonnages delivered by Waste Collection Authorities (WCAs). This would give WCAs a greater incentive for waste minimisation than using the current council tax base. On 26th August 2005 Defra issued a consultation paper for WDAs and WCAs on proposals to change the method of calculating WDA levies from 1st April 2006 through secondary legislation.

6.9 The main proposals on the consultation papers were:

(1) Future levies for WDAs will be in two parts. Boroughs will pay for the budgeted costs of the disposal of household waste based on tonnages delivered in the last full financial year for which data is available. This means that this part of the 2006/07 levy will be apportioned using tonnages delivered in 2004/05. Other expenditure covering all remaining budgeted costs, including civic amenity waste and administration, will be apportioned to boroughs on their council tax bases.

(2) Constituent boroughs will continue to pay for non-household waste through S52(9) of the 1990 Environmental Protection Act payments to WLWA. WLWA have suggested increasing S52(9) payments in 2006/07 so that they are the same as household waste figures - basically from marginal to average cost per tonne. This would mean that boroughs would have no financial incentive to disagree with WLWA about whether

any particular tonnages of waste were from households or were commercial or industrial in future.

(3) WDAs would no longer pay recycling credits to WCAs. If boroughs increase recycling they will send lower tonnages to their WDA to be disposed of and hence pay less through the levy. This inherently provides a financial incentive for recycling (although there will be a delay of 2 years before the benefits are felt).

(4) No transitional relief was proposed by Defra. WLWA figures indicated that the extra costs to Brent from the introduction of a tonnage based levy could be around £600k.

(5) There was no mention in the consultation paper of rectifying a defect in the original legislation when WLWA was set up. This allows boroughs collecting trade waste at their civic amenities (CA) sites to keep all the income but not pay anything towards WLWA's costs of disposal. In contrast where boroughs collect trade waste in vehicles they have to pay S52(9) charges of £40 per tonne (including VAT). The income to boroughs from collecting trade waste is £100 per tonne (including VAT) i.e. £85.10 per tonne excluding VAT. Brent is the biggest loser from this legislative defect as we do not collect any trade waste at our CA site. Using the disposal costs of £40 per tonne, Brent is currently paying about £300k per annum through the levy to cover the costs of disposing of trade waste collected by other boroughs at their CA sites.

6.10 Brent responded to Defra's consultation on 24th October 2005. The response included broad support for the principle of calculating WDA levies based on waste tonnages but strong concerns about some of the detailed proposals. The principle of removing the duty to pay recycling credits was supported. Brent's letter supported the introduction of transitional arrangements to reduce the extra costs for some authorities arising from a tonnage based levy. The response also strongly referred to the costs incurred by some authorities arising from other authorities collecting trade waste at their CA sites. The letter said that the defect in the legislation gave some boroughs an incentive to collect as much trade waste as possible at their CA sites which is contrary to the principle of waste minimisation – the reason for introducing a tonnage based levy. In addition, the use of tonnage figures from two years ago penalises authorities whose recycling performance has improved since then.

6.11 Defra announced their proposals in response to the consultation on 13th January 2006. The tonnage based levy for household waste would be introduced for 2006/07. However, transitional arrangements would apply so that the full gains and losses would be brought in over 3 years. Defra also proposed to alter the draft regulations so that boroughs which collect trade waste at their CA sites would have to pay the costs of disposal to WLWA. The new Regulations were made on 6th February, laid before parliament on 8th February, and come into force on 1st March.

6.12 Despite the pressure on costs, WLWA's net expenditure would have remained the same in 2006/07 as it was in 2005/06 had the method of calculating the levy and all 6 boroughs council tax bases remained the same. The increase in Landfill Tax by £3 per tonne is offset by savings from lower tonnages of waste for disposal and the use of balances.

6.13 Two meetings were held by WLWA to set their 2006/07 budget on 1st February and 13th February. The payment to be made by Brent in 2006/07 is affected by the tonnage of household waste delivered by Brent in 2004/05 as well as the council tax base. WLWA have now provisionally notified Brent that the 2006/07 levy will be £5.049m. However this is not comparable with the 2005/06 figure of £5.815m. The introduction of the new levying arrangements will lead to significant increases in costs for Environment and Culture and resulting transfers of budgets between this levy budget and waste costs held in Streetcare will need to happen. This is for two reasons:

(a) WLWA are assuming Brent will deliver less household waste than was the case for 2004/05. The difference between total waste delivered and the household waste tonnage used for setting the levy incurs non-household waste charges. These were previously only charged at marginal costs (£40 per tonne in 2005/06). The charge will now be increased to average cost (£48 per tonne in 2006/07). This is the same charge as household waste charged through the levy.

(b) Brent will no longer receive recycling credits from WLWA which were part of the Environment and Culture budget. Recycling reduces waste tonnages sent to WLWA and hence household levy payments so there is no need for recycling credits. However recycling credits were paid at a higher rate than average cost so there will be financial effects from the loss of recycling credits.

6.14 In total we estimated the budget for non-household waste payments to WLWA and the loss of recycling credits amount to around £2m. The charge through Section 52(9) will depend on the amount of waste delivered during the year. This figure has fluctuated and as the number of households continues to grow this will need to be monitored closely. The levy figure though will remain unchanged in 2006/07. Allowing for the required virements to Environment and Culture, the total budget for levies shown in Table 1 (£7.7m) should be sufficient to meet all costs set out in this appendix of the report.

6.15 Members should be aware of the longer term effects from the introduction of the new method of calculating the WLWA levy and the impact of government policy. Brent will pay more on the new basis. The transitional scheme has offered protection for 2006/07, but it is less generous in 2007/08 and falls out by 2008/09. The WLWA budget will also rise as costs increase and the Landfill Allowances Trading Scheme (LATS) has a greater effect. These will lead to a significant rise in costs above inflation in the foreseeable future.

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. (September 2005 2.7%). It is estimated that a provision of £4.170m will be required in 2006/07.

8. MIDDLESEX HOUSE AND LANCELOT ROAD SCHEME

8.1 A new funding agreement for the scheme was agreed in 2000/01 with the then 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 £392k for 2006/07. The contributions for future years have been reviewed with the aim of equalising these until 2019/20 with annual growth of 7.6%. This corresponds to the assumptions in the 30 year business plan (see Section 7).

9. REMUNERATION STRATEGY

9.1 The council faces a range of significant challenges in its approach to pay for its staff. These include implementation of the single status agreement by April 2007, 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 suitable skilled staff.

9.2 These are some of the key issues to address set out within the Brent People Management Strategy endorsed by the Executive in December 2005. £500k has been included for this purpose.

10. SOUTH KILBURN DEVELOPMENT

10.1 Work on the development of South Kilburn is continuing. For example, the show homes are nearing completion, and the delivery partner to carry forward the Masterplan to its conclusion will soon be chosen. The budget of £250k in 2005/06 is to meet the delivery vehicle appointment process and associated costs. In 2006/07, the budget increases to £500k. This is to meet: the additional costs to the temporary accommodation budget as the number of units available to the council to house families falls, as work begins on homes in the area; and additional legal, independent advice for residents and other consultant fees.

11. INVESTMENT IN INFORMATION TECHNOLOGY

11.1 From its inception in the mid-1990's the Systems Development Fund has been used to fund corporate initiatives including the migration from the mainframe, new IT investment for service areas and expenditure on Year 2000 issues.

11.2 Since 2002/03 the emphasis of the fund has shifted to the funding of the authority's E-Government programme and other major IT requirements.

11.3 The council has a range of needs for investment in IT to meet new requirements or upgrade existing systems. These range from corporate requirements, such as an upgrade to the Customer Relationship Management system and the development of a Client Index to a whole programme of service area projects. These projects have been funded by specific capital budgets, the Systems Development Fund (which will be close to zero by the end of March 2006), and ongoing revenue funding which has allocated £900k in 2005/06 and £820k per annum provisionally thereafter. These sums are to be used to fund a small amount of new development in 2006/07, to pay the debt charges for previously implemented projects, and to meet the ongoing costs of maintenance and support. Details of the new projects are currently going through a prioritisation process and will be reported to Members shortly.

12. WARD WORKING

12.1 It was originally planned that another 5-6 additional wards would be introduced during 2005/06 to add to the 6 wards piloted in 2004/05 at total cost of £500k. The position now is that for 2005/06 no further wards will be introduced this financial year but it is planned that a full roll out of the remaining 15 wards will occur by October 2006. The costs of this will be £900k in 2006/07 with full year costs of £1.020m in 2007/08.

13. FREEDOM PASS SCHEME

13.1 In 2005/06 Transport for London (TFL) and the ALG agreed a 3-year budget deal for the scheme which is intended to provide greater certainty for authorities when budgeting for concessionary fares. As part of the 3-year scheme, payments have increased by £15.3m, or 7.7 per cent, in 2006/07 and will increase by £12.2m in 2007/08. The reasons for the increases in 2006/07 are:

- £14.9m, or 7.9%, increase in contributions to London Transport Buses and Underground;
- £312k, or 3.1%, increase in ALG Transport and Environment Committee (TEC)contributions
- £105k decrease in contributions from ALG TEC reserves.

13.2 Brent's subscription to the TFL concessionary fare scheme is £7.72m in 2006/07 compared with £7.17m in 2005/06. This increase has been included in the Housing and Community Care budget for 2006/07. Subsequent adjustments will be made to reflect actual passes issued compared with those assumed. There is therefore a risk of this figure increasing. £400k of additional monies per annum has been included in the medium term financial strategy to cover rises over the rate of inflation in future years and this sum is held as a central item.

14. COUNCIL ELECTIONS

14.1 It was agreed at the July Executive that £300k originally included within the Medium Term Financial Strategy for 2006/07 to fund the May 2006 council elections should be provided for within 2005/06 as a proportion of the costs will have to be met in 2005/06 in preparation for the election. An earmarked reserve will be set up from the remaining monies to cover the 2006/07 spend.

15. OTHER ITEMS

15.1 Details are set out in Table 3 to this Appendix.

15.2 <u>Neighbourhood Renewal Fund</u>

15.2.1 The government has announced a continuation of Neighbourhood Renewal Funding (NRF) for Brent for the financial years 2006/07 and 2007/08. Brent has been allocated £2.279m for both 2006/07 and 2007/08 (£2.279m in 2005/06).

15.2.2 There are a number of principles that underpin the allocation, and which the council must adhere to:

- NRF allocations must be agreed through the Local Strategic Partnership (LSP);
- NRF must be spent on contributing towards the government's floor targets for reducing the gaps between Brent's most deprived neighbourhoods and the rest of the country;
- NRF must not be used to substitute for mainstream funding already being spent within the most deprived neighbourhoods.

15.2.3 An assessment of the way we allocate and spend NRF is critical to the LSP performance management regime, which in turn feeds into the council's CPA rating. For the current financial year Brent has a 'green' rating for its LSP – the highest possible rating. Essential to this has been the clear strategic framework through which NRF is allocated (i.e. in accordance with our Regeneration Strategy and Action Plan) and our ability to balance 'top down' strategic priorities with 'bottom up' community priorities as evidenced in the household survey and through our locally based teams. In particular we have made efforts in the last year to focus on those issues where the gaps are greatest – employment, income, crime, fear of crime and teenage pregnancy.

15.2.4 The proposed allocation process is as with previous years. Each neighbourhood team will work to produce a full 'business plan' for the allocation of funding by the early February 2006. These will then be scrutinised by the regeneration team before being presented to the LSP for discussion and approval at its meeting on 15th March 2006. Given that this is likely to be the final allocation round for NRF, it is proposed that the business plans set out indicative allocations covering 2 years in order to allow for ongoing discussions about the sustainability of projects beyond 2008 to progress.

15.2.5 In 2005/06 in agreement with our partners NRF funds were used to help deprived communities in the borough through the following programmes:

	£
<u>LSP Support</u>	
LSP Co-Ordinator	50,000
Total	**50,000**
<u>St. Raphael's</u>	
Income & Employment	200,000
Crime & Community Safety	400,000
Quality of Life	300,000
Total	**900,000**
<u>Harlesden & Stonebridge</u>	
Tackling Worklessness	425,000
Fear of Crime	470,000
Total	**895,000**
	£
<u>Church End &Priority Projects</u>	
Households into Employment	120,000
Tackling Teenage Pregnancy	100,000
Principled Youth Provision Project	60,000
H&F VC Active Citizen	40,000
Performance Management Framework	50,000
NDC Evaluation	10,000
Total	**380,000**

An additional £54k is available to cover over programming in previous years.

15.2.6 The Local Strategic Partnership will agree priority activities for funding and finalise the NRF programme for 2006/07 and 2007/08 over the next couple of months.

15.3 Advertising and Other Sponsorship Income

15.3.1 Consent has been given by the Planning Committee for 18 adverts on lampposts. The contract provides, after the first three months, a guaranteed minimum revenue of £500 per advert. If the average net revenue per location is less than £3,000 then the authority will receive £555 per site. If it exceeds £3,000 then the authority will get 30% of the amount by which it exceeds £3,000. There is a 3 month warm up period for each site. It is unlikely that any lamppost advertising income will be generated during 2005/06 to add to the £9k already generated from other advertising hoardings.

Total income of £20k is assumed in 2006/07.

15.4 Employers' Pension Fund Contributions updated

15.4.1 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 most recent valuation was undertaken to the period up to 31st March 2004 and led to increases in employer's contributions as detailed below. Employees standard contribution remains unchanged at 6%.

	%
2005/06	20.1
2006/07	21.6
2007/08	23.1

The above increases equate to roughly £1.3m per annum of addition employee costs and have been incorporated into service area budgets for 2005/06 to 2007/08. It is hoped that following recent improvements in world stock markets the 31st March 2007 valuation will not require similar increase. However such increases have been built into the medium term financial strategy for 2008/09 and 2009/10 on the basis of prudence.

15.4.2 £75k has been retained to cover staff not included within service area budgets such as Trading Units, and other contingent items.

15.5 Insurance Fund

15.5.1 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 £271k on any particular claim and has a maximum exposure of £3.4m 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 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. In 2004/05 the authority was able to make an additional contribution of £1.5m to improve the position of the fund after reviewing the year end position of the authority's accounts.

15.5.2 This payment was in response to the Joint Audit and Inspection Letter 2003/04 where PwC stated that under Financial Reporting Standard 12 there was a requirement to provide for all liabilities as they are incurred and were recommending that Brent should provide for insurance claims based on the assessment of outstanding claims at the year end. At the 31st March 2005 the Insurance Fund balances were £2.067m and this is expected to rise to £2.7m by the end of the financial year. Currently it is estimated that the potential liabilities to be met from the fund are between £4m and £5m. However, a number of these will be challenged and not paid or a lower sum agreed. A budget of £1.8m has been proposed for 2006/07 increasing to £2.0m in future years to build up the fund to meet these and future liabilities.

15.5.3 The main strains on the Fund are as follows:

(i) Damage to Buildings

A number of fire damage claims remain outstanding including on Alperton Sports Pavilion, the Welsh Harp, the Wembley Pavilion and Vale Farm Parks Depot. The potential liability to the Fund for these various claims could be in the region of £600k.

(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 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 had the effect of compressing later claims earlier into the normal cycle of settlement though these changes have now largely worked their way through the system. However, insurers have also been seeking 100% of the damages from local authorities. Since 2004 the council has adopted an amended tree maintenance policy and work continues between the Insurance Section, Streetcare and the Loss Adjusters on improving the way claims are being dealt with to help reduce costs. Estimated payments in 2005/06 are £700k.

(iii) Third Party Claims

The vast majority of third party claims relate to accidents by members of the public on the pavements and highways. The number of claims peaked during 2001/02 at 357 though has been reducing since then with 179 claims in 2004/05 and a lower figure expected in 2005/06. This is partially the impact of increased spending on roads and pavements within the capital programme. The process for settling these can take up to four years in the more serious cases. In recent years the authority has seen the level of third party claim payments running at around £940k for 2003/04 and 2004/05 with that likely to be exceeded in 2005/06. It is expected that the downturn in claims will feed through to lower costs in future years.

The council is undertaking a fundamental review of all its insurance arrangements. This includes seeking to reduce the number of claims received and payments made. The council is being assisted in this process by PricewaterhouseCoopers.

15.6 HRA Recharges and Rent Rebates

15.6.1 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

15.6.2 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 9,512 in March 2006), 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.

15.6.3 A major exercise was therefore undertaken in 2004/05 to ensure that an appropriate split as made between the two accounts. This, Members agreed, would take place over a three year period and the figures shown reflect that decision. These have been reviewed and remain valid.

15.6.4 There is also another factor relating to charges between the General Fund and the HRA which began in 2004/05. This 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, is 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 has been recognised nationally by government allowing local authorities discretion to make a transfer to the General Fund for a period of two years as compensation for the additional burden to the General Fund. Figures provided by the Local Authority Associations and accepted by the ODPM showed that the Brent HRA would gain £600k from not meeting net Rent Rebate expenditure. Under the transitional scheme, the government agreed that £600k would be transferred to the General Fund from the HRA in 2004/05 and £300k in 2005/06. This provided a staged method to fund the other changes to recharges within the parameters of the Medium Term Financial Strategy.

A net £386k is included within this budget for 2006/07 to reflect the loss of the transitional scheme and other changes in the distribution of costs.

15.7 Residual Community Development Costs

15.7.1 The functions of the Community Development Service Area were transferred to other service areas during 2002/03. This budget was set up to cover the residual costs of closure which primarily related to premature retirement compensation and the capital cost of early retirement. The capital costs have now been completed. The remaining £10k of premature retirement compensation costs have been transferred to the Premature Retirement Budget (see Section 7).

15.8 Development of a Civic Centre

15.8.1 The Executive has received 3 major reports on proposals for a new civic centre for Brent. These were in February 2004, December 2004 and July 2005. The reports have incrementally developed a case for the construction of a multi-purpose centre. It is based on meeting the future needs of the community, significantly improving service delivery, including considerations of the focus on neighbourhoods, with a strong value for money justification. The *"once in a lifetime"* regeneration opportunities in Wembley provide the stimulus for the whole project. At the Executive meeting on 11th July 2005 Members agreed to confirm their earlier decision in principle to proceed with a new civic centre located within the Wembley regeneration area.

The report anticipated further feasibility work, prior to another report being brought to the Executive in the summer of 2006 with a more detailed project execution plan.

Members have been made aware that if a decision is taken not to proceed with a new civic centre there was not *"a do nothing option"* given the condition of the current municipal office accommodation. This was demonstrated by the extended closure of Quality House.

The provision included within this budget provides an initial allocation, based on the increased revenue maintenance costs and debt charges, associated with keeping the existing building stock and investing in them to bring them up to a reasonable standard. This assumes that the scheme does not go ahead. Costings and timings in future years are still very provisional but provide a prudent estimate of the possible requirement. At the time of the next report to the Executive up to date condition surveys will allow the figures to be updated. At the same time the budget also allows for the cost of professional advisors to support the more detailed feasibility work being undertaken prior to the next report to the Executive in the summer.

If the case for the civic centre, on both service delivery and value for money grounds, remains as strong as previously reported then the requirement to upgrade our current building stock will reduce. We will need then to retain professional advisors for the next stage of the project. This again will be reassessed in the next report on the proposed civic centre in the summer.

15.9 The Future of Wembley

15.9.1 The council has published an ambitious Vision For Wembley, setting out an agenda for a once-in-a-lifetime regeneration opportunity for Brent. A £350k budget has been established under the control of the Chief Executive specifically to support the delivery of this vision. During 2005/06 the budget has been used to commission work and advice relating to transport and highway schemes, cultural and commercial assessments, development of a tourist strategy and public relations work as well as the production of quarterly newsletters. £350k has again been included for 2006/07 which in addition to the ongoing work from 2005/06 will also include; assessing the LDA development proposals for the Wembley Industrial Estate, support the LDA on final infrastructure works, development of a Wembley town centre urban design framework, develop possible council use of the Stadium area and supporting usage of the area in the 2012 Olympics.

15.10 Leasing Costs

15.10.1 It has been agreed that unless there are strong business reasons the use of operating leases should be phased out. This is because the asset remains the property of the lessor and this leads to a number of problems at the end of the lease. Items therefore have been purchased from capital resources and service areas charged with a notional rather than an actual rental over the life of the asset. This budget reflects the charges received from service areas while the expenditure is included within borrowing costs. It amounts to £350k in 2006/07 with a decline in future years.