



# Brent

## **SUMMONS TO ATTEND COUNCIL MEETING**

**Monday 3 March 2014 at 7.00 pm**

Conference Hall - Brent Civic Centre, Engineers Way,  
Wembley, HA9 0FJ

To the Mayor and Councillors of the London Borough of Brent and to each and every one of them.

I hereby summon you to attend the MEETING OF THE COUNCIL of this Borough.

CHRISTINE GILBERT  
Chief Executive

Dated: Friday 21 February 2014

**For further information contact:** Peter Goss, Democratic Services Manager  
020 8937 1353, [peter.goss@brent.gov.uk](mailto:peter.goss@brent.gov.uk)

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**The press and public are welcome to attend this meeting. Please note this meeting will be filmed for live broadcast on the Council's website. By entering the meeting room you will be deemed to have consented to the possibility of being filmed and to the possible use of those images and sound recordings for webcasting.**

# Agenda

Apologies for absence

Item	Page
<b>1 Minutes of the previous meeting</b>	1 - 12
<b>2 Declarations of personal and prejudicial interests</b>	
Members are invited to declare at this stage of the meeting, any relevant financial or other interest in the items on this agenda.	
<b>3 Mayor's announcements (including any petitions received)</b>	
<b>4 Appointments to committees and outside bodies and appointment of chairs/vice chairs (if any)</b>	
<b>5 The 2014/15 Budget and Council Tax</b>	13 - 34

The circulated report sets out the detail of the budget proposed for 2014/15 and how this has been developed as well as the medium term financial outlook. The report also sets out the council's planned capital programme to 2016/17 and sets out an appropriate level of technical detail on the ring fenced Dedicated Schools' Grant, Housing Revenue Account and Prudential Treasury Indicators.

The Appendices referred to in the report are circulated separately.

**Ward Affected:** All Wards      **Contact Officer:** Conrad Hall, Chief Finance Officer  
Tel: 020 8937 6528  
conrad.hall@brent.gov.uk

<b>6 Localism Act 2011 - Pay Policy Statement</b>	35 - 48
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The purpose of the circulated report is to inform councillors of the arrangements that have been put in place within the council to meet the requirements of the Localism Act, which requires a pay policy statement to be approved by a meeting of the Full Council on an annual basis. The pay policy statement for Brent is attached to the report.

**Ward Affected:** All Wards      **Contact Officer:** Cara Davani, Director, HR  
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cara.davani@brent.gov.uk

**7 Potential impact of HS2 on regeneration proposals in Brent**

49 - 70

The report attached seeks the approval of Full Council to, if considered expedient, resolve to oppose the High Speed Rail (London – West Midlands) Bill ('**HS2 Bill**') introduced into the House of Commons on 25 November 2013 and also, if deemed expedient, that to consider the passing of the further resolutions set out in the report to authorise the deposit of a petition against the Bill in either or both Houses of Parliament.

**Ward Affected:** All Wards

**Contact Officer:** Andrew Donald, Strategic Director, Regeneration and Growth, Sue Harper, Strategic Director of Environment Neighbourhoods, Fiona Ledden, Director of Legal and Procurement

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andrew.donald@brent.gov.uk,  
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**8 Joining a collective investment vehicle for London pension funds and commitments for capital**

71 - 100

The report circulated seeks agreement for the Council to become a shareholder in a private company limited by shares which will be incorporated to be the Authorised Contractual Scheme Operator (the ACS Operator") of the Collective Investment Vehicle and to agree to join the London boroughs' "Pensions CIV Joint Committee", to be formed under section 102 of the Local Government Act 1972.

**Ward Affected:** All Wards

**Contact Officer:** Conrad Hall, Chief Finance Officer

Tel: 020 8937 6528

conrad.hall@brent.gov.uk

**9 West London Waste Plan**

101 -  
116

The report circulated presents a revised draft of the proposed submission version of the Joint West London Waste Plan which was agreed by the Executive in January 2014 for statutory public consultation across west London in March/April. Subject to representations made, Full Council is asked to agree that it be submitted for Examination.

The amended draft proposed submission version of the West London Waste Plan is circulated separately.

**Ward Affected:** All Wards

**Contact Officer:** Andrew Donald,  
Strategic Director, Regeneration and  
Growth

Tel: 020 8937 1049

andrew.donald@brent.gov.uk

## 10 Motions

To debate any motions submitted in accordance with Standing Order 45.

## 11 Urgent business

At the discretion of the Mayor to consider any urgent business.



Please remember to **SWITCH OFF** your mobile phone during the meeting.

- The meeting room is accessible by lift and seats will be provided for members of the public.



## LONDON BOROUGH OF BRENT

Minutes of the ORDINARY MEETING OF THE COUNCIL  
held on Monday 20 January 2014 at 7.00 pm

### PRESENT:

**The Worshipful the Mayor**  
Councillor Bobby Thomas

**The Deputy Mayor**  
Councillor Kana Naheerathan

### COUNCILLORS:

Aden	Adeyeye
Al-Ebadi	Allie
Arnold	Ashraf
Mrs Bacchus	Baker
Brown	Butt
Chohan	S Choudhary
A Choudry	Colwill
Crane	Cummins
Daly	Denselow
Harrison	Hashmi
Hirani	Hopkins
Hossain	Hunter
Jones	Kabir
Kansagra	Kataria
Long	Lorber
Mashari	McLennan
Mitchell Murray	J Moher
R Moher	Moloney
Ogunro	Oladapo
BM Patel	CJ Patel
HB Patel	RS Patel
Pavey	Powney
Ms Shaw	Ketan Sheth
Krupa Sheth	Singh
Sneddon	Van Kalwala

### Apologies for absence

Apologies were received from: Councillors Beck, Beswick, Cheese, Green, John, Matthews and HM Patel

1. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 18 November 2013 be approved as an accurate record of the meeting.

2. **Declarations of personal and prejudicial interests**

None declared.

3. **Mayor's announcements (including any petitions received)**

The Mayor wished everyone a Happy New Year, and congratulated those people living in the Borough who were honoured in the New Year's Honours list. He made specific mention of Mr Norman Mitchell - founder, chair and volunteer of the West Indian Senior Citizens Organisation - for being made a Member of the Order of the British Empire for 'Services to Older People in London'.

The Mayor reported on London's New Year's Day Parade, which despite the weather, was a fantastic event attended by nearly half a million people. The Borough was awarded 5<sup>th</sup> place in the parade and the prize of £3,000 had gone to his charity. A formal presentation would be taking place sometime in March.

The Mayor congratulated Councillors Ruth Moher, Jim Moher and Mitchell Murray who, like himself, had recently become grandparents.

The Mayor reminded colleagues of the Brent Holocaust Memorial taking place on 27 January, 6-8 pm at the Civic Centre. This was an opportunity to remember those who lost their lives during the Holocaust and those affected by genocide all over the world. It was a non-faith event which was open to all to attend. The national theme for this year was the forced "journeys" that people had to make to escape fear, persecution or death. The Mayor added that everyone could play a part in creating a safe environment and do what they could to get to know and support their communities.

The Mayor stated that everyone would be aware that former President of South Africa, Nelson Mandela had passed away on 5 December 2013. The Mayor read to the meeting a resolution honouring Nelson Mandela, which Councillor Bacchus moved.

The Mayor gave an update on his charity work:

- he thanked people for supporting his Christmas Party on 13 December in the Grand Hall. The turnout had been fantastic and £1,115 was raised from the raffle on the night
- he was running in the London Marathon on 13 April and was in the process of setting up a 'Just Giving' account and would appreciate everyone's support

- his end of year party would take place on Friday 9 May
- his Thanksgiving Service would take place on Sunday 1 June at St Catherine's Church
- various events were in the process of being organised.

The Mayor stated that in accordance with Standing Orders a list of current petitions showing progress on dealing with them had been circulated around the chamber.

RESOLVED:

- (i) that Brent Council affirms that Nelson Mandela was the inspirational figure of our age; he taught us the true meaning of courage, determination, and reconciliation; his magnanimity and strength of spirit will inspire for generations to come;
- (ii) that the Council pays tribute to the many thousands of people – in South Africa and across the world – who supported and participated in the campaign against Apartheid; it was noteworthy that Mandela regarded the UK as the second headquarters of the movement against the evil regime; and that Brent has an especially proud history of anti-Apartheid activity, culminating in 1988's 'Free Mandela' concert at Wembley Stadium and in his visit to the borough in 1990;
- (iii) that the Council offers its deepest thanks and appreciation to those Brent residents who worked resolutely over the course of many years to bring Apartheid to an end and played a part in bringing about a truly democratic South Africa with Mandela as its President;
- (iv) that the Council recognises the huge impact Nelson Mandela's life had on the borough and on its people, and councillors from all parties were honoured last year to award the great man the Freedom of the Borough on behalf of Brent residents.

At the end of the meeting the Mayor drew attention to a UK single from a local group called Clean Bandits that had been recorded at the South Kilburn studios and had reached number one in the charts. On behalf of the Council he congratulated all those involved with the recording.

#### 4. **Appointments to committees and outside bodies and appointment of chairs/vice chairs**

Following Councillor Kataria joining the Liberal Democrat Group, the political balance of the committees he served on needed to be restored.

RESOLVED:

- (i) that the following appointments be made:
  - Councillor Adeyeye to replace Councillor Kataria on Planning Committee
  - Councillor Daly to replace Councillor Adeyeye as Councillor Ketan Sheth's 2<sup>nd</sup> alternate on Planning Committee

- Councillor Harrison to replace Councillor Kataria as vice chair on Budget and Finance Overview and Scrutiny Committee
- Councillor Hector to be 1st alternate to Councillor Harrison on Budget and Finance Overview and Scrutiny Committee
- Councillor Naheerathan to be 2<sup>nd</sup> alternate to Councillor Harrison on Budget and Finance Overview and Scrutiny Committee

(ii) that the following additional appointments be made:

- Councillor Kataria to replace Councillor Brown as 1<sup>st</sup> alternate to Councillor CJ Patel on Planning Committee
- Councillor Brown to replace Councillor Lorber as 2<sup>nd</sup> alternate to Councillor CJ Patel on Planning Committee
- Councillor Sneddon to be 2<sup>nd</sup> alternate to Councillor Hopkins on Budget and Finance Overview and Scrutiny Committee
- Councillor Matthews to replace Councillor Brown as 2<sup>nd</sup> alternate to Councillor Ashraf on Call-in Overview and Scrutiny Committee
- Councillor Brown to replace Councillor Matthews as 1<sup>st</sup> alternate to Councillor Lorber on Call-in Overview and Scrutiny Committee
- Councillor Cheese to be 2<sup>nd</sup> alternate to Councillor Matthews on Children and Young Persons Overview and Scrutiny Committee
- Councillor Kataria to replace Councillor CJ Patel as a member of Children and Young Persons Overview and Scrutiny Committee
- Councillor Hashmi to replace Councillor Green as 2<sup>nd</sup> alternate to Councillor Kataria on Children and Young Persons Overview and Scrutiny Committee
- Councillor Cheese to be 2<sup>nd</sup> alternate to Councillor Leaman on Health Partnerships Overview and Scrutiny Committee
- Councillor Hopkins to be 1<sup>st</sup> alternate to Councillor Lorber on One Council Overview and Scrutiny Committee
- Councillor Brown to replace Councillor Hopkins as 2<sup>nd</sup> alternate to Councillor Lorber on One Council Overview and Scrutiny Committee
- Councillor Cheese to be appointed to Partnership and Place Overview and Scrutiny Committee to fill the vacancy
- Councillor Cheese to be 1<sup>st</sup> alternate to Councillor Sneddon on Employees Joint Consultative Committee

## 5. **Report from the Leader or members of the Executive**

Councillor Butt stated that over the holiday period he had met many local residents who were struggling with the cost of living crisis; food prices were rising, energy bills were going up, rents were going up, fares had been increased and combined with this was the continuing unprecedented cuts to local government funding. He stated that it was clear that there would be difficult times ahead. However, the Executive was determined to create new jobs and fuel growth within the borough. At the next meeting of Full Council a budget would be submitted which would propose a £100M school expansion programme. There would also be a proposal to build more homes. Consultation on the budget was still open for further contributions.

Councillor J Moher reported that the public realm contract had recently been concluded which put £6M into street sweeping providing a dedicated street cleaner within every ward to achieve a Grade A standard of cleaning. This would involve taking on an additional 28 new street cleaners. It also included a major new initiative against fly tipping.

Councillor McLennan stated that consultation was being undertaken with the private rented sector to get views on introducing additional licensing requirements for houses in multiple occupation in an effort to drive up standards and remove rogue landlords from the borough. She asked councillors to encourage private sector tenants to take part in the consultation and stressed that the Council was not against good landlords but wanted to see standards improved.

Councillor A Choudry reported on the demonstration that took place on 18 January 2014 in Cricklewood. Those representing United against Facism arrived from about 1.30pm and leafleted local people. Members of the Britain First movement arrived at about 2:30pm and marched along Cricklewood Broadway. The scale of the demonstration was small and there were no arrests.

Councillor Mashari reminded councillors that at the end of 2013 the Council had launched a campaign against fly tippers. It targeted known places for fly tipping and the message arising was clear that fly tipping was a crime and anyone found guilty of it would be fined, named and shamed. The next stage of the campaign would be to check the adequacy of commercial waste contracts and in a third phase there would be targeted work with local shopkeepers and landlords. Councillor Mashari also reported that a decision had been taken to suspend fines for overdue library books for under 18 year olds to further encourage young people to read and visit the libraries. She added that customer satisfaction with the library service continued to rise. Councillor Mashari remarked on the excellent work undertaken by officers in the Customer and Business Protection section carrying out enforcement against shisha cafes breaching smoking laws and how the smoking of shisha had been shown to be just as or more dangerous to health than cigarettes.

## **6. Questions from the Opposition and other Non- Executive Members**

Councillor Hopkins asked if it was felt to be appropriate for long serving staff who did not face any allegations of misconduct to be asked to collect their belongings and leave the building within an hour of being made redundant. Councillor Butt replied that the question overlooked that the Council was being forced by the Government to make many cuts amounting to £100M. It was not appropriate for him to comment on staffing issues as they were matters for management and staff had access to trade union advice and could use the policies and procedures put in place by the Council to deal with such matters. Councillor Hopkins asked how, if someone was removed from the building, they were supposed to resort to using what she considered to be the Council's failing HR policies. She could not see how funding cuts could be the cause of treating people poorly. She was concerned by what she was hearing about staff restructuring involving TUPE and new contracts. Front line staff were being cut back while the PR department was being expanded. She felt some existing staff were being treated poorly.

Councillor Harrison asked how many children in the borough had yet to be offered a school place. Councillor Pavey replied by referring to reports in the press in 2013

that over 600 children in Brent did not have a school place. He stated this was a completely unacceptable situation and thanks to the hard work of the Children and Families Department and the schools the situation had much improved. Twenty nine new forms of entry had been opened and as a result only 33 children were still without a school place. He acknowledged this was still too high a number but blamed it on underfunding by Government and the refusal by Government to allow local authorities to open new schools. He had written to the borough's three MPs to raise this matter and thanked Barry Gardiner and Glenda Jackson for their replies; he had not yet received a reply from Sarah Teather. Councillor Pavey submitted that young people had been hit hard by the actions of the Government but the Council was doing its utmost to ensure every child in the borough received the best possible education. Councillor Harrison responded by saying that there would continue to be a shortage of school places and that plans were still needed to provide more places.

Councillor HB Patel submitted that within all the talk about cuts, one of the Council's main sources of income should be from the disposal of Brent Town Hall. He had twice written asking what price had been obtained from the disposal of the Town Hall without reply and therefore asked again what the sale price for the town hall was. Councillor Crane replied that he did not have the information to hand but would write to Councillor Patel and all other councillors with the information. Councillor Patel wondered how long it would take to get the response and was surprised that he had not received an answer to his earlier enquiries. He felt that the information should long since have been made public so that local residents could be re-assured about the Council's actions.

Councillor Cummins asked what assurance could be given that the views of residents would be listened to about the traffic calming measures in Donnington Road and how the Council got into the position of spending a large amount of money with such little effect. Councillor J Moher replied that he wanted to set out the facts. The issue started with the submission of a petition from local residents which was considered by the Highways Committee in December 2011 when it was agreed by everybody that a traffic calming scheme should be extended into Chambers Lane and Harlesden Road. After a delay, the scheme was implemented in June 2013 and residents started to complain about excessive noise caused by buses and lorries going over the speed humps. The problem was immediately identified as some of the speed humps being too wide. The situation was then rectified in August 2013 and residents were involved in the discussions about this. Broadly the scheme was a successful one but the situation had been exploited for political reasons. Councillor Cummins thanked Councillor Moher for his reply and had nothing further to add.

Councillor S Choudhary referred to the expected freezing weather conditions and the budget cuts forced on the Council by the Government. He asked what action the Council was taking to ensure local health services would be able to deliver the required level of service to the more vulnerable residents in the borough. Councillor Hirani acknowledged that this was a matter of life or death. He had recently chaired an urgent care summit of representatives from the various parts of the health service and the Council. This took place as figures showed that NHS England was missing key targets on waiting times in A&E. There had also been a low uptake of flu vaccinations in the borough and there was the danger of the increasing elderly population putting more pressure on A&E. The meeting had produced a 50 point

plan to ease the crisis facing local residents and to deliver a whole person care approach. This included increased GP opening hours, a guarantee that senior managers would be on the hospital floor, including at week-ends, more hospital beds provided, more physio and occupational therapists and social workers to prevent bed blocking in hospitals. Councillor Hirani added that the summit wanted to make sure every contact with residents would also look at their housing and social needs. Councillor Choudhary added that he was pleased to hear what was being done but feared for the more vulnerable in the borough.

Councillor Hunter referred to the recent small business exhibition held at the Civic Centre and asked if her disappointment was shared over the small number of people it attracted and how let down many stallholders felt after being given assurances that it would attract a large footfall. Councillor Butt replied that the small business forum formed part of many initiatives the Council was running in an effort to help small businesses in the borough. From the feedback he had received from the stallholders the event had been viewed more positively than Councillor Hunter suggested. Rather than making it an annual event it had been requested that another one take place in six months' time. He was therefore surprised at the question and stated he would be happy to receive suggestions on what more could be done to help small businesses in Brent thrive. Councillor Hunter responded by saying that the sustainability fair held in the Civic Centre had the same problem. She felt that if events were tucked away out of sight they would not attract sufficient visitors. A lot of feedback indicated that the signposting upon entering the Civic Centre was not prominent enough and this meant not enough people were being attracted to the events. She stated that there was a lack of a proper strategy designed to capture people entering the building.

Councillor Van Kalwala asked whether, following the latest local government financial settlement, it was felt that the present Government was serving the people of Brent or whether the people of Brent were serving the Government. Councillor R Moher replied that she felt that at the moment the people of Brent were serving the Government because more money was being taken away from them than in most other authorities within the country. She explained that the Government had decided to cut a percentage of grant and this fell heaviest on those authorities who received most of their income through government grant. Those authorities that got most of their income through Council Tax did not suffer in the same way. Despite Government saying that it would give money in other ways this had been cut back as well. Councillor Van Kalwala responded by agreeing that the Government was failing to help the people of Brent. He stated that local government was being cut by another 10% in real terms and for Brent this meant another £20M in lost council funding. Tough times needed tough decisions but Councillor Van Kalwala stated that the Government was taking most from those that needed most. He referred to the Audit Commission reporting that councils serving the most deprived areas had received the largest cuts to their funding. The local community was either getting richer or poorer and this was not what a Labour council wanted to see. This was why Brent had frozen Council Tax for four years, introduced the energy co-operative, and made Brent a living wage borough.

Councillor Brown referred to the blitz on fly tipping which he welcomed in view of the fact that in the past he had criticised the state of the borough's streets only to be given meaningless statistics trying to disprove this. He wondered if this represented a disagreement within the Executive or was it because the Council had

been derided for the filthy condition of the streets. Councillor Mashari thanked Councillor Brown for his praise for the campaign against fly tippers which was high profile and reflected well on the work of the enforcement officers behind it. Culprits were being tracked down, named and shamed in the toughest action yet on fly tipping. Councillor Brown responded saying the state of the streets was still disgusting and he submitted that the Administration had failed to meet its pledge to get the streets cleaner as it had also failed on meeting its recycling targets and closed six libraries.

Councillor Mitchell Murray asked what the financial cost to the average Brent resident was of the swingeing cuts to the Council's budget made by the Conservative/Liberal Democrat Government. Councillor Butt replied that the Council had already lost £100m from its general funding and £85M from its schools building programme. The cost to the average Brent resident was £256; to the average household this was £710. By the end of 2016/17 the figure for the average resident would climb to £426; the average household climbing to £1100/1200. He added that the onslaught from the Government was continuing and added to this was rising costs and stagnate wages but the Council would continue to look at ways it could support the most vulnerable in the borough. Councillor Mitchell Murray thanked Councillor Butt for his reply and had nothing further to add.

Councillor Lorber stated that the Council had received £55M from the Government to provide school places. He asked what assurance could be given that this would be put to work effectively for the many school children in Brent who needed and wanted a good education. Councillor Pavey replied that it would be the same commitment that had resulted in reducing the number of children needing a school place from 600 to 33, through sheer hard work and commitment to provide school places where they were wanted. He added that if the Government was successfully lobbied for additional funding more places could be provided. Councillor Lorber stated that when public money was at stake anybody would look at how it was being spent. He referred to the expansion of Sudbury Primary school as a fiasco. He submitted that the project had been disastrously managed. In light of this he had sought assurances that the Barham Primary school project would not be the same. However, having agreed to the expansion along with Mitchell Brook and Fryent schools none of them was delivered on time or to schedule. He complained that local councillors were not kept informed of what was going on and that the scrutiny function of the Council was inadequate and ineffective.

## **7. Proposed Local Council Tax Support Scheme for 2013/14**

Councillor Lorber moved a suspension of standing orders to allow officers to introduce the report given its complexity, length and the fact that councillors had not previously had the chance to ask questions on it. This was put to the vote and declared LOST.

The Mayor made it clear that officers were present in the room who could answer questions on the report if this was felt to be necessary.

Councillor Butt introduced the report by referring back to the decision of the Council in December 2012 to adopt a two year scheme which nevertheless had to be put before Full Council each year. The scheme had met its objectives in the first year and the opportunity was now being taken to introduce an amendment to the

scheme that would have the effect of protecting more people from having to pay Council Tax. Consultation had been carried out in November and December 2013 and all the responses received had been addressed as set out in the report. He pointed out that one proposal put forward by Brent Housing Action would have cost the Council £3.6M which made it unviable.

Councillor Lorber asked if it was correct that none of the contingency sum of £800,000 built into the scheme had so far been required. In reply it was explained that the scheme was intend as a two year scheme and costed accordingly to take account of the growth in claim numbers that might be experienced in both the first and second years.

At 8:10pm the Mayor adjourned the meeting due to the continuing disruption caused to the meeting by members of the public.

After a delay of 15 minutes, the Mayor announced that the meeting would be reconvened in the Grand Hall thereby allowing the removal of the disruptive members of the public from the Civic Centre.

At 8:55 the meeting reconvened.

### **Procedural motion**

RESOLVED:

that standing order 47(f) relating to the seating arrangements be suspended for the remainder of the meeting.

Discussion on the proposed local Council Tax support scheme for 2014/15 continued.

Councillor Kansagra referred to the motion he would later move under summons item 9. He stated that the Council could have absorbed the costs of reducing charges imposed on the poorest residents and was using the cuts to local government funding as an excuse. A view was submitted that the Council should support incentives to work and any benefits from surplus monies should be given back to residents. Councillor Lorber moved an amendment to the scheme. He argued that one year ago the figures used to create the scheme had been questioned and it could now be seen that the scheme had been tougher on people than it needed to be. He wanted to see the savings level remain at £16,000, those genuinely seeking work given 12 months grace and the minimum contribution rate set at 15%. The resulting costs would be met by the difference in the budget not being put into reserves. In response Councillor Butt pointed out that the new arrangements had been introduced by the Government and the impact on local residents was set out in the report. The scheme sought to minimise the impact and the proposal was to amend the scheme to increase the number of people exempt from paying. Government action had assured that local government would shoulder an excessive burden by protecting certain groups and reducing funding by 10%.

The amendment proposed by Councillor Lorber were put to the vote and declared LOST.

RESOLVED:

- (i) that the recommended Council Tax Support Scheme for 2014/15 as set out in Appendix B to the report be approved and the making of the scheme and its implementation be authorised;
- (ii) that the applicable amounts, allowances and non-dependant deductions (not relating to pensioners) remain unchanged from the 2013/14 scheme;
- (iii) that the findings of the Equalities Impact Assessment in relation to the recommended scheme as set out in Appendix A of the report be noted.

*Councillor Brown wished his assent for the amendment to be recorded.*

## 8. **Reports from the Chairs of Overview and Scrutiny Committees**

Councillor Daly referred to the report circulated with the summons and was pleased to be able to present it to Full Council.

NOTED

## 9. **Motions**

### 9.1 **Food banks**

Councillor Denselow moved the motion circulated in his name. He applauded the staff and volunteers working at food banks. He submitted that cuts to social safety nets had gone too far and children were being put into poverty. Half a million people were now visiting food banks and consideration needed to be given to how they could be better supported. In support it was claimed that ordinary people were facing very challenging circumstances and were now having to turn to food banks. It was important that they were treated with dignity and respect. Whilst supporting food banks the motion was criticised for politicising the issue. It was submitted that other organisations that helped people cook properly for themselves should also be supported and that the issue of food wastage by retailers needed to be tackled. The Trussell Trust was thanked for the work it did to support food banks but a point of view was put that it was not the fault of the Government that had led to the increased use of food banks but that a long term solution was needed to fill gaps in the welfare system.

The motion was put to the vote and declared CARRIED.

RESOLVED

- (i) that Brent Council unreservedly condemns the behaviour of the MPs representing the Conservative-Liberal Democrat Government who jeered their way through and walked out of the special parliamentary debate on the increasing reliance of UK citizens on food banks held in the House of Commons on the 18th December 2013;

- (ii) that the Work and Pensions Secretary, Iain Duncan-Smith, who exited this debate after just one hour, and Minister for Food, Owen Paterson – who did not attend it at all – be invited to witness first-hand the urgent and growing need being met by food banks in Brent; with councillors welcoming the opportunity to demonstrate to Ministers the fantastic service provided by food banks to the many hard-working parents in the borough who would otherwise have to choose between heating their homes and putting food on the table;
- (iii) that the proliferation of food banks throughout the world's seventh richest country be recognised as a damning indictment of the Government's failed economic policies, which are forcing Brent families to rely on food banks to get by as energy bills, rents and transport fares continue to rise;
- (iv) that continued support be provided to local food banks by helping these organisations to find suitable facilities; providing them with financial advice; and by building and strengthening referral pathways to community and voluntary sector institutions dedicated to combatting poverty, such as credit unions;
- (v) that thanks be extended to the staff and volunteers – including councillors from all parties and council staff – who support local food banks and to the many Brent residents who generously donate food to these organisations, or who have signed the petition calling for an inquiry into the growing dependence on food aid; the petition thus far attracting over 150,000 signatures nationwide;
- (vi) that the Coalition Government be urged to recognise the destruction their cruel disregard for the cost of living is reaping throughout areas such as Brent, and Ministers be called on to enter into a genuine dialogue with local communities to address the growing food bank crisis now.

## 9.2 Re-open Brent's closed libraries

Councillor Lorber moved the motion circulated in his and Councillors Cheese and Hopkins' names by stating that while some of the old library buildings had been taken out of wider community use, there were still four buildings that could be used to provide community and library facilities. These could all provide places of study for young people who were promised replacement facilities but none had been provided. Councillor Lorber outlined the actions needed to bring this about. In support of the motion it was added that the pop up library at Kensal Rise had proved successful and had brought communities together. It was submitted that local people wanted their local libraries back and the provision of the new library in the Civic Centre was not accessible to many people. Despite the claims made about costs, it was argued that the Council still found money to spend on other things that could have been used to keep the libraries open. In response it was felt that the sheer scale of the cuts being forced on to the Council was being ignored. To put it in perspective the cuts required in the next year amounted to the entire Environment and Neighbourhoods budget and yet the motion promised greater spending on services. All over the country services were under threat, including libraries. Efforts were already being made to get community libraries up and running by working with library campaigners.

The motion was put to the vote and declared LOST.

### 9.3 **Council Tax benefit**

Councillor Colwill moved the motion circulated in Councillor Kansagra's name stating that the new Council Tax scheme imposed a requirement on people to pay 20% Council Tax when previously they were exempt from paying. This amounted to an average of £5 per week and was amongst the highest charge in London. Many Conservative councils were not charging anything. Councillor Colwill pointed out that this had resulted in the Council serving more than 3,300 notices for non-payment and called on the Council to reduce the charges being imposed on the borough's poorest residents and do more to identify alternative savings. Councillor Colwill asked a list of questions concerning those that had been summoned for non-payment. In response, the figure of £5 per week was disputed and it was submitted that many Conservative councils had the benefit of huge reserves that mitigated the risk. A view was expressed that the motion was hypocritical and misleading and that it took no account of the cuts the Council faced, the cuts to policing, hospital closures, the 44,000 people affected by Universal Credit, further cuts imposed on the welfare budget all at a time when tax cuts were given to the wealthy. Councillor Colwill voiced his objection to comments made on the motion and his contribution. In support of the motion it was argued that there was no necessity to introduce a 20% charge and the poor people of the borough were being made to suffer. It was submitted that the scheme should have been subject to proper scrutiny which would have allowed for it to be properly reviewed, as it was it was an inadequate scheme.

The motion was put to the vote and declared LOST.

### 10. **Urgent business**

None.

The meeting closed at 10.00 pm

COUNCILLOR BOBBY THOMAS  
Mayor

 <b>Brent</b>	<p style="text-align: center;"><b>Full Council</b> 3 March 2014</p> <p style="text-align: center;"><b>Report from the Chief Finance Officer</b></p>
<p>For action <span style="float: right;">Wards affected: ALL</span></p>	
<p><b>Budget 2014/15 and Council Tax</b></p>	

## 1. INTRODUCTION

- 1.1. Since 2010 a stated aim of the government's fiscal policy has been to eliminate the current account deficit in the public finances, which stands at £111bn in 2013/14 and which, in the Autumn Statement, was forecast to move into surplus by 2018/19. This has principally been pursued through reductions in public expenditure with a smaller but still significant contribution through changes to the taxation system. Within the public expenditure totals national policy has been to protect some large budgets, such as for the NHS and schools. The inevitable consequence of this has been that local government expenditure has been subject to proportionately greater reductions.
- 1.2. In common with other councils Brent has therefore had to confront difficult decisions to maintain a balanced budget over this period. Significant back office efficiencies have been contributed to achieving these financial targets, but substantial savings have also been made by reducing or closing some local services. A similar pattern of decisions is proposed for the 2014/15 budget, as set out in the detail of this report. Members should also note that the indications are that the period to 2016/17 will be even more financially challenging, with the pace and scale of savings required forecast to accelerate sharply, especially in 2015/16.
- 1.3. The period since 2010 has also seen unprecedented changes to the structure of local government finance. At a technical level the removal of most ring fenced grants and 'rolling these in to formula grant with

tailored distributions' (as DCLG describe it) and other detailed adjustments has made a true like for like comparison over time difficult. Different figures have been quoted by different organisations making it hard to assess objectively the total impact on local councils.

- 1.4. In the view of the Chief Finance Officer the simplest and yet still highly appropriate comparison is between the gross expenditure on all services, excluding housing benefit, schools and the HRA. For Brent this has reduced by more than £60m over the period. This equates to a cash fall of 13% or about 23% in real terms once inflation is taken into account. An alternative measure proposed by DCLG is 'spending power' which seeks to take account of other funding streams that councils can influence but not directly control. On this measure, which is arguably more sophisticated but less transparent, London Councils calculate that in London the average 'spending power' per household has fallen by £544 since 2010, compared to the national average reduction of £300.
- 1.5. It should also be noted that the Brent Council element of the council tax has not increased since 2009. By freezing the council tax, as proposed in this budget, Brent will receive a 'freeze grant' equivalent to the value of a 1.25% increase in council tax. This would be the fifth consecutive year that the Council has not increased council tax.
- 1.6. The pace of change in Brent has been rapid to adjust to this, and the council has made savings of £80 million over the period, at an average impact of £702 per household. In doing so the council has sought to focus on achieving efficiencies in administrative and back office services. However, in common with other local authorities across the country, it has not been possible to avoid confronting difficult decisions about service provision.
- 1.7. The general fund revenue budget proposed for 2014/15 reflects the pattern of recent years. As set out in the detail of this report, savings of £17.8m are proposed. These include substantial efficiency savings, such as over £3m from senior management and corporate services and £2.8m from adopting vacancy factors in staffing budgets. Nonetheless, it has not been possible to propose a budget with no impact on front-line services and a full list of all of the proposals is provided in the appendices to this report
- 1.8. The net budget proposed for 2014/15 is £269.4m. This is based on a total un-ringfenced grant from central government of £95.4m, down 17.8% on the £116.0m received in 2013/14. As the report also shows, further savings currently estimated at £52.8m will be required over the period 2015/17 and, based on current national fiscal forecasts, it is reasonable to expect that further substantial savings will be required beyond that point.
- 1.9. This report therefore sets out the detail of the budget proposed for 2014/15 and how this has been developed as well as the medium term

financial outlook. Members are principally concerned with setting the budget for 2014/15 at this stage, but to do so need to be mindful of the medium term position and of the inherent financial risks in delivering, as Brent does, a complex range of services to its 312,000 residents, spending over £1bn p.a. to achieve this.

- 1.10. The report also sets out the council's planned capital programme to 2016/17. No fundamental changes are proposed to the previously agreed programme. Where additional government grants have been awarded, principally for school places, the programme has been updated to reflect this. No new additional borrowing is proposed, and given the pressures on the capital programme as asset sales decline as a source of potential finance it will be necessary to constrain tightly any new investments that cannot be made self-financing. Managing the capital programme beyond 2016/17 will be one of the most significant medium term financial challenges for the council.
- 1.11. The report also sets out an appropriate level of technical detail on the ring fenced Dedicated Schools' Grant, Housing Revenue Account and Prudential Treasury Indicators. For ease of reading and completeness most of the technical detail is contained in various appendices. All of these are relevant and important, but the covering report highlights the key issues for Members' consideration. Members should also note the advice from the Director of Legal and Procurement as set out in Appendix M.

## **2. RECOMMENDATIONS**

- 2.1 Agree the General Fund revenue budget for 2014/15, as summarised in Appendix A.
- 2.2 Agree the Service Area budgets including the cost pressures and savings detailed in Appendices B and C.
- 2.3 Note the report of the Budget and Finance Overview & Scrutiny Committee in Appendix D.
- 2.4 Note Appendix E and agree the budgets for central items and other budgets.
- 2.5 Receive the report from the Chief Finance Officer in Appendix C(iii) in respect of his statutory duty under Section 25 of 2003 Local Government Act.
- 2.6 Agree that there is no increase in the Council's element of council tax for 2014/15.
- 2.7 Note and consider the advice of the Director of Legal and Procurement as set out in Appendix M.
- 2.8 Agree the instalment dates for council tax and NNDR for 2014/15, and the recovery policy for council tax as set out in Appendix F(ii).
- 2.9 That decisions on individual applications for reducing Council Tax payable in accordance with section 13A(1)(c) of the Local Government Finance Act 1992 be delegated to the Chief Finance Officer.
- 2.10 Note the Medium Term Financial Outlook in Section 5.
- 2.11 Agree the School's Budget set out in Appendix H.
- 2.12 Agree the Housing Revenue Account budget set out in Appendix I(ii).
- 2.13 Agree the 2014/15 to 2016/17 capital programme as set out in Appendix J.
- 2.14 Note the levels of unsupported borrowing forecast for 2014/15, based on the borrowing levels agreed by the Council on 28 February 2013.
- 2.15 Agree the Treasury Management Strategy and the Annual Investment Strategy for 2014/15 set out in Appendix K.
- 2.16 Agree the Prudential Indicators set out in this section for affordability, capital spending, external debt and treasury management set out in Appendix L.
- 2.17 In relation to the council tax for 2014/15 resolve:

That the following amounts be now calculated by the Council for the year 2014/15 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

- (a) £1,059,811,000 being the aggregate of the amount that the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) £975,937,657 being the aggregate of the amounts that the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £83,873,343 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

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>							
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.

2.18 That it be noted that for the year 2014/15 that the proposed Greater London Authority 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

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>							
199.33	232.56	265.78	299.00	365.44	431.89	498.33	598.00

2.19 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 2014/15 for each of the categories of dwellings shown below:

Valuation Bands

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>							
905.29	1,056.18	1,207.06	1,357.94	1,656.70	1,961.47	2,263.23	2,715.88

2.20 The Chief Finance Officer has determined that the Council's basic amount of Council Tax for 2014/15 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Act 1992.

- 2.21 (a) That the Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer 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.

### 3. THE 2014/15 REVENUE BUDGET

#### The process for developing the 2014/15 budget

3.1 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 revised Borough Plan and the updated medium term financial outlook which was considered by the Executive in October 2013;
- Public consultation, including: engagement through 8 workshops with 199 members of the public during September 2013; a budget simulator on the Council's website where 480 responses have been received; through face to face meetings including presentations and question and answer sessions at each Brent Connects meeting;
- In response to what people have said in the consultations the public expressed a view that the Council should protect vulnerable residents and reduce back office costs. The budget proposals reflect this.
- Debates through the Budget and Finance Overview and Scrutiny Committee
- Meetings 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;
- The First Reading Debate at Full Council.

3.2 The Budget and Finance Overview & Scrutiny Committee has met on a number of occasions during the budget process. All Members were invited to a meeting of the Committee on 4 February 2014 and had the opportunity to pose questions to the Deputy Leader and Lead Member for Resources on the proposals in the budget. The report of the Budget and Finance Overview & Scrutiny Committee is attached as Appendix D.

3.3 Other decisions have been made on items that have been taken into account in these budget proposals. The Executive on 9 December 2013 agreed the 2013/14 balance on the Collection Fund and General Purposes Committee on 21 January 2014 agreed the council tax base and estimated business rate yield for 2014/15.

3.4 Decisions of external bodies affect the budget process. The provisional grant settlement was published in December 2013. Notifications from levying bodies, including the West London Waste Authority, are taken

into account in this report. The precept for the GLA is due to be confirmed by the Greater London Assembly on 14 February 2014.

### Changes since the First Reading Debate

3.5 The First Reading Debate report of the Chief Finance Officer to Full Council on 18 November 2013 set out progress on the budget. At that stage it was anticipated that the budget, including the draft schedule of savings, was broadly in balance.

3.6 Details of the progress that has been made are set out below:

*a. Service area cost pressures*

Since the First Reading Debate, service area cost pressures have reduced from £5.6m to £3.1m, primarily due to a reduction in the forecast costs relating to temporary accommodation. The revised cost pressures are detailed in Appendix C(i).

*b. Central Items*

Since the First Reading Debate, the forecasts for central items have been reviewed. A number of budgets have been updated to reflect latest information on levies and subscriptions.

### 2014/15 Service Area Budgets

3.7 Table 3.1 below summarises the changes in budget at service area level.

**Table 3.1 Service Area Budgets**

	2014/15 Revised Base Budget £'m	Cost Pressures		Savings		2014/15 Draft Budget £'m
		£'m	%	£'m	%	
Adults	92.0	3.5	3.9	(4.4)	(4.8)	91.0
Children & Young People	44.6	0.0	0.0	(3.2)	(7.1)	41.5
Environment & Neighbourhoods	35.6	0.2	0.6	(3.4)	(9.6)	32.3
Regeneration & Growth	35.9	(1.0)	(2.8)	(2.7)	(7.6)	32.1
Corporate Services	53.2	0.4	0.7	(4.1)	(7.7)	49.5
<b>Total Service Area Budgets</b>	<b>261.3</b>	<b>3.1</b>	<b>1.2</b>	<b>(17.8)</b>	<b>(6.8)</b>	<b>246.5</b>

## Central Items

- 3.8 Central items are items not included in individual service cash limits. The total of central items is £40.273m in 2014/15, principally relating to capital financing costs and levies. Further details of the items are included in Appendix E.

## HRA

- 3.9 The detailed HRA budget is set out in a separate report to the Executive and is summarised in Appendix I. The proposals reflect an overall average rent increase of 4.39% which is consistent with the government's rent restructuring policy and enables the investment in the Council's housing stock as set out in the HRA asset management plan.

## Equalities Implications

- 3.10 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. Further details are in Appendix G.

## Risks

- 3.11 Officers have carried out an assessment 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. The detailed assessment is set out in Appendix C(iii) which also contains the Chief Finance Officer's commentary on the adequacy of the budget calculation and the level of balances as required by Section 25 of the 2003 Local Government Act.

## Balances and Earmarked Reserves and Provisions

- 3.12 Based on the latest budget monitoring position for 2013/14 the council's General Fund usable balances are forecast to meet the target of at least £12m at 31 March 2014.
- 3.13 Councils need balances to deal with unexpected events 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.
- 3.14 Balances also contribute to effective medium term financial planning. They allow councils to adjust to changes in spending requirements over a period of time, and to take a more flexible approach to the annual budget cycle, for example through *invest to save* schemes. This

flexibility needs to be considered each year depending on the particular pressures facing the council and the outlook in the medium term.

- 3.15 Balances can be used only once. It is not financially sustainable to plan to keep using reserves to balance the budget, but using them to meet temporary funding shortfalls or to pump prime investments that will in time be self financing can be an important part of a sound medium term strategy. The budget proposed for 2014/15 would leave general unallocated balances at the end of the year at or slightly above the minimum level recommended by the Chief Finance Officer. It should be noted that Brent's level of balances, as a proportion of budget requirement, is currently one of the lowest in London.
- 3.16 The list of current earmarked reserves and provisions, in accordance with Part A of the Council's Scheme of Transfers and Virements, is set out in Appendix N.

### **Overall Budget Requirement**

- 3.17 The overall budget requirement in 2014/15 resulting from the proposals in this section is £269.421m. The make up of this budget requirement is summarised in Table 3.2 (details in Appendix A).

**Table 3.2 General Fund Budget Requirement in 2014/15**

	<b>£m</b>
Service area budgets	246.5
Centrally held Government Grants	(25.0)
Central items	40.3
Inflation provision, centrally held pressures and the enabling fund	7.6
<b>Proposed budget requirement for 2014/15</b>	<b>269.4</b>

## 4 RESOURCES

### Revenue Support Grant and Business Rate Funding 2014/15

- 4.1 The main funding sources for the Council's net budget are:
- Revenue Support Grant
  - Business Rates Top-up
  - Retained Business Rates
  - Council Tax Freeze Grant
  - New Homes Bonus
- 4.2 For 2014/15, Brent's Settlement Funding Assessment is £174.027m of which £95.368m will be funded by the Revenue Support Grant (RSG). The remaining £78.659m is the government's assumed figure for locally retained business rates (£31.220m) and the business rates top-up (£47.439m).
- 4.3 The Council has to estimate its 2014/15 level of business rates and to budget for the retained business rates element for Brent and at the same time determine how much will need to be paid over to the GLA and central government. This is detailed in table 4.1.

**Table 4.1 – Business Rates**

	2013/14 £m	2014/15 £m
Retained Element – Brent (30%)	31.892	33.003
GLA Element (20%)	21.261	22.002
Central Government Element (50%)	53.154	55.005
<b>Total</b>	<b>106.307</b>	<b>110.010</b>

- 4.4 The increase in the collectable figure is largely due to the estimated growth in business rates from the London Designer Outlet other developments within the borough. This does not affect the business rate top up from the Government. These figures have been updated since the General Purposes Committee on 21 January 2014 and reflect the latest government guidance on the business rate changes announced in the Autumn Statement. The Chancellor announced that the uprating of business rates would be capped at 2% from April below the 3.2% increase expected on inflation figures. In addition the rate relief for small business was extended and a £1,000 discount for small shops, pubs and restaurants was introduced. All these changes impacted on the collection of business rate income. The Council now expects £1.7m in Section 31 grants to compensate for the loss in business rate retained income and business rate top-up.

## **Limitation of Council Tax Increases/Council Tax Freeze Grant**

- 4.5 The Localism Act 2011 allows the government to determine levels of council tax increase for which local authorities are required to seek approval via a local referendum. For 2014/15 the level has been determined as equal to, or greater than, 2%.
- 4.6 By freezing the council tax, as proposed in this budget, Brent will receive a 'freeze grant' equivalent to the value of a 1.25% increase in council tax. This would be the fifth consecutive year that the Council has not increased council tax.

## **New Homes Bonus**

- 4.7 The New Homes Bonus Grant was introduced in 2011/12. 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.
- 4.8 The grant for 2014/15 is based on changes in property numbers between September 2009 and September 2013 and is £6.198m. From 2015/16 it is proposed that £70m of New Homes Bonus is top-sliced from councils in London and allocated to the GLA. It is anticipated that this would amount to more than £2m for Brent.

## **The Collection Fund**

- 4.9 The Executive meeting on 9 December 2013 approved an estimated council tax surplus of £3.2m in 2013/14, of which the Council's share is £2.488m with the balance payable to the GLA.

## **The Council Tax Base**

- 4.10 A tax base of 79,205 adjusted equivalent Band D properties for 2014/15 was agreed by the General Purposes Committee on 21 January 2014. This assumes a collection rate of 96.25% will be achieved in respect of charges raised for 2014/15 (increased from 96% in 2013/14).

## **Calculating the Council Tax Level**

- 4.11 The calculation of the council tax for Brent services is set out in Table 4.2 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 4.2 Calculation of Brent's Council Tax for 2014/15**

	<b>£m</b>
Proposed Brent budget	269.421
Less Revenue Support Grant	(95.368)
Less Retained Business Rates	(33.003)
Less Business Rates Top up	(47.439)
Less Council Tax Freeze Grant	(1.052)
Less New Homes Bonus	(6.198)
Less Net Surplus on Collection Fund	(2.488)
<b>Total to be met from Council Tax for Brent Budget</b>	<b>83.873</b>
<b>Tax Base (Adjusted Band D equivalents)</b>	<b>79,205</b>
<b>Band D Council Tax (£)</b>	<b>£1,058.94</b>

#### **Greater London Authority (GLA)**

- 4.12 The GLA came into existence on 3<sup>rd</sup> July 2000 and includes the London Fire and Emergency Planning Authority (LFEPA), the Metropolitan Police and Transport for London.
- 4.13 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.
- 4.14 The Mayor's initial budget is based on a precept at Band D is £299.00 for 2014/15. This represents a reduction of £4.00 or 1.3%.

#### **Setting the Tax**

- 4.15 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.

- 4.16 In accordance with these requirements, Members are asked to agree the calculations set out in the recommendations.
- 4.17 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**

- 4.18 Appendix F(ii) sets out the council tax and NNDR instalment dates and the recovery policy for council tax which Members are asked to endorse.
- 4.19 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 1<sup>st</sup> of each month starting in April until 1<sup>st</sup> January 2015, whilst direct debit payers can pay on the 1<sup>st</sup>, 12<sup>th</sup>, 17<sup>th</sup>, or 28<sup>th</sup> of the month. Council tax payers are also able to request to make payments over twelve monthly instalments.

## 5 MEDIUM TERM FINANCIAL OUTLOOK

### Resource envelope

5.1 The local government finance settlement in February 2014 covered 2014/15 and gave indicative allocations for 2015/16. Officers cannot be certain of funding for future years but can make reasonable projections based upon the national figures included within the Autumn Statement in December 2013.

### Managing the budget within the resource envelope

5.2 At its meeting on 14 October the Executive considered an update on the medium term financial outlook. This included resource projections, including grant levels, movements in the council tax base, business rate yield and collection rate assumptions.

5.3 The results were presented as the level of net savings required for each year of the plan based on no council tax increases. This is purely for presentational purposes as decisions about future levels of council tax have not been made. As a rough guide Members are advised that each 1% increase in future council tax would raise additional annual revenue of £0.8m, reducing the future savings requirement accordingly. This does not take account of future council tax freeze grants, which depending on the way in which they were made, would reduce this impact. Details of projected savings required are provided in Table 5.1.

**Table 5.1 Initial Forecast of Savings Required in Future Years**

	2015/16 £m	2016/17 £m
Net savings required:		
<b>Annual</b>	<b>33.6</b>	<b>19.2</b>
<b>Cumulative</b>	<b>33.6</b>	<b>52.8</b>

5.4 The projections also assume that the council will keep its level of balances unchanged.

5.5 Factors that are built into the projections include:

#### Spending assumptions

- Service area budgets have been rolled forward at 2014/15 levels into future years;
- An allowance for both pay inflation and for an increase in the employer's rate of pension contribution of 1%;
- An assumption that general inflation will be in line with the Bank of England's forecast of 2%;

- The movement in central items detailed in Appendix E.

Resource assumptions

- Revenue support grant of £67.8m in 2015/16 and £54.4m in 2016/17;
- New Homes Bonus retained by the Council, after taking account of the GLA top-slice, to be £6.3m by 2016/17;
- Council tax base increase of 1% each year;
- Council tax collection of 96.25% in each year;
- Retained business rates to increase by 5% each year;
- Business rate top-up to increase by 2.5% each year.

## 6. THE SCHOOLS REVENUE BUDGET

### Introduction

6.1 This section sets out estimates for the Schools' Budget for 2014/15 for approval. The Schools' forum, on 15 January 2014, reviewed the proposals and recommended their approval.

### Schools' Budget Funding

6.2 Schools are funded by a ring-fenced grant, the Dedicated Schools Grant (DSG). As with many other areas of local government finance, the DSG has been subject to significant changes in recent years.

6.3 A portion of the DSG is retained centrally by the council to provide services to schools. This covers, for example, maternity costs, and so shares the costs amongst all schools rather than allowing individual costs, possibly at a small school, having a disproportionate impact on the budget of a single school. The Schools Forum continues to scrutinise centrally retained and de-delegated amounts of the DSG, to ensure that value for money is being obtained on behalf of schools.

6.4 The proposed final schools budget reflects the Executive decision of 9 December 2013 to change the ratio of funding between primary and secondary schools to bring it in line with the national average, and thereby also addresses Brent's excessively high minimum funding guarantee (MFG). MFG is a mechanism that ensures that schools do not lose or gain more than 1.5% each year, except in the case of falling rolls or growing schools. This reduces the over-reliance of schools on MFG, as although MFG is expected to continue in its current form for the short-term, this may not be the case in the long-term.

6.5 Funding per pupil, excluding MFG, for 2014/15 is set out below (with 2013/14 figures in brackets). It should be noted that overall funding per pupil, including MFG, is broadly unchanged.

- Secondary      £5,805 (£4,582)
- Primary        £4,596 (£4,144)

Changes in pupil numbers results in the total Schools Budget increasing by £1.2m.

6.6 Both MFG and pupil rolls have protected primary schools from the ratio shift, with primary schools set to receive £2.2m more in funding in 2014/15. Funding for secondary schools however, will drop by £2m (excluding Sixth Form which isn't part of this funding stream) in 2014/15 as a direct result of falling pupil numbers. Funding for special schools will increase by £1m.

6.7 Schools also receive a Pupil Premium Grant (PPG), which is in addition to and separate from the schools budget. This is additional funding provided to target disadvantaged pupils and to narrow the attainment gap between them and their peers. With increases announced to this

funding for 2014/15, as shown below, schools in Brent will benefit from an addition £3.5m in funding of which primary schools gain £3.3m.

Element of PPG	2013/14	2014/15
Free School Meals:	£	£
- Primary	935	1,300
- Secondary	900	953
Looked After Children	900	1,900
Service Children	300	300

### Schools' Budget Risks

- 6.8 Where a school in deficit is required by the DfE to convert to academy status, the deficit at the point of conversion remains with the council. This therefore impacts on the DSG available for provision of central services to schools. In contrast, where a school in deficit chooses to pursue academy status, the council is able to recover the deficit from the DfE.
- 6.9 Although this may be subject to change at present the following academy conversions may take place during 2014/15:
- Gladstone Park Primary School in April 2014;
  - Woodfield Special School in April 2014;
  - Copland Community School in September 2014.
- 6.10 Where a school has a deficit the Council will work with the governing body to develop an action plan to recover the position.

## 7. THE CAPITAL PROGRAMME, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS

### Capital Programme

#### Overall programme

7.1 The proposed capital programme for is attached as Appendix J. Table 7.1 provides a high level summary.

**Table 7.1 Proposed Capital Programme**

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Service Area</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>			
Regeneration and Growth	109,827	42,031	33,657
Environment and Neighbourhoods	8,599	8,250	8,250
Adult Social Care	2,541	748	748
Central	400	400	400
<b>Total GF expenditure</b>	<b>121,367</b>	<b>51,429</b>	<b>43,055</b>
Housing HRA	17,496	25,812	10,362
<b>Total Expenditure</b>	<b>138,863</b>	<b>77,241</b>	<b>53,417</b>
<b>Resources</b>			
Grant and External Contributions	(80,237)	(27,377)	(24,634)
Internal Contributions	(1,033)	(900)	(900)
Capital Receipts	(24,921)	(10,651)	(5,020)
S106 & CIL Funding	(5,783)	(5,500)	(5,500)
Unsupported Borrowing	(8,054)	(6,801)	(6,801)
Self-funded borrowing	(1,339)	(200)	(200)
<b>Total GF Resources</b>	<b>(121,367)</b>	<b>(51,429)</b>	<b>(43,055)</b>
Housing HRA	(17,496)	(25,812)	(10,362)
<b>Total Resources</b>	<b>(138,863)</b>	<b>(77,241)</b>	<b>(53,417)</b>

## Spending proposals

- 7.2 The capital programme is based on the previous year's programme, amended to take account of the provisional Local Government Settlement announcement in December.

## Resources

- 7.3 Funding changes from the previously agreed programme are as follows:

*a. Grant funded schemes*

Figures for grant funded schemes have been based on the latest available figures. However, in several cases final allocations have not yet been disclosed, so these figures are estimates and are subject to revision.

*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. 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. In accordance with the Council's asset management plan, it is proposed that any HRA receipts will be applied to develop or acquire affordable housing.

*c. S106 and Community Infrastructure Levy Funding Agreements*

The council's Community Infrastructure Levy (CIL) scheme came into effect in 2013/14. Existing Section 106 (S106) agreements are expected to continue to provide capital funding for a number of years. The capital programme includes an estimate of combined future S106 and CIL income. Members should note that this is currently an indicative profile of expenditure. 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.

*d. Self-funded borrowing*

Schemes funded from self-funded borrowing include 'invest to save' schemes such as improvements to sports facilities, energy conservation schemes (for which part funding is from Carbon Trust monies), and school expansion schemes. In addition, up to £20.6 million can be borrowed by the HRA to be used by March 2016. The HRA business plan accommodates the funding of this borrowing through the projected level of future rents.

*e. Other borrowing*

Overall unsupported borrowing levels within the capital programme between 2013/14 and 2016/17 have been reviewed in light of the provisional Local Government Settlement announcement and the revised forecast levels of capital receipts

arising in the individual years. Amendments have been made as appropriate to ease pressure on the revenue account to meet debt charges and no new unsupported borrowing is proposed. The council will flexibly apply its capital resources in order to minimise the cost of borrowing over the medium term. Only where there is a legal obligation for the council to ring-fence specific capital resources to a specific project will capital resources be ring-fenced.

## **Treasury Management Strategy and Prudential Indicators**

### Treasury Management Strategy

- 7.4 The Council's Treasury Management Strategy is aligned to the financing requirements of the capital programme. It sets out the framework for treasury management activity in 2014/15 and includes:
- current levels of borrowing and investments
  - interest rate outlook
  - approach to future borrowing
  - approach to future investments.
- 7.5 The Strategy, which has been reviewed by the Audit Committee at its meeting on 8 January 2014, is set out in Appendix K.

### Prudential Indicators

- 7.6 A local authority is required to ensure that its capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. This is achieved through the setting of prudential indicators covering a number of key factors such as the limit on, and the repayment profile of, external debt. Appendix L sets out the full set of Prudential Indicators which are consistent with the capital programme and revenue budget proposals within this report.

## **8 FINANCIAL IMPLICATIONS**

- 8.1 These are contained in the body of the report.

## **9 LEGAL IMPLICATIONS**

- 9.1 These are set out in Appendix M.

## **10 DIVERSITY IMPLICATIONS**

- 10.1 These are set out in Appendix G.

## **11 STAFFING IMPLICATIONS**

- 11.1 The impact of the budget proposals are outlined in Appendix C(ii).

## **12 BACKGROUND INFORMATION**

2013/14 Revenue Budget and Council Tax – Report to Council on 25 February 2013.

First Reading debate on the 2014/15 – 2017/18 Budget – Report from Chief Finance Officer to Council on 18 November 2013.

Collection Fund Surplus/Deficit at 31 March 2014 Report – Report to the Executive on 9 December 2013.

Calculation of Council Tax Base and Business Rate Yield 2014/15 – Reports to General Purposes on 21 January 2014.

Housing Revenue Account Budget Report 2014/15 – Report to the Executive on 17 February 2014.

Budget 2014/15 and Council Tax – Report to the Executive on 17 February 2014

## **13 CONTACT OFFICERS**

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 <b>Brent</b>	<b>Full Council Meeting</b> 3 March 2014  <b>Report from the HR Director</b>
For Action	All wards
<b>Localism Act 2011 – Pay Policy Statement</b>	

## 1.0 Summary

- 1.1 Section 38 (1) of the Localism Act 2011 has required English and Welsh local authorities to produce an annual pay policy statement since 2012/13 and subsequent financial years. The Act does not apply to local authority schools.
- 1.2 The purpose of this report is to inform members of the arrangements that have been put in place within the council to meet the requirements of the Act. The Act requires the pay policy statement to be approved by a meeting of the Full Council on an annual basis.
- 1.3 The pay policy statement for Brent is attached. The statement is consistent with the specific requirements of the Act detailed in the body of this report and sets out all the factual pay information in relation to those requirements. The Act requires the statement to be produced on an annual basis by the 31<sup>st</sup> March each year.
- 1.4 A review of pay and terms and conditions undertaken as part the One Council Programme was implemented in January 2013. Work continued during the year to fine tune the council's terms and conditions and pay arrangements and this has been reflected in the pay policy statement.
- 1.5 The statement in draft was presented and approved by the General Purposes Committee on 12th February 2014.

## 2.0 Recommendation

- 2.1 It is recommended that the draft Pay Policy Statement attached to this report be approved as an accurate and factual representation of the council's pay arrangements for 2014/15. Any amendments required during the year will be brought back to a future meeting of the Full Council for approval.

### 3.0 Detail

#### Requirements of the Localism Act 2012

- 3.1 The Localism Act 2011 sections 38-43 has required local authorities in England and Wales to publish a pay policy statement for each financial year beginning with 2012-13. This provision of the Act does not apply to staff in local authority schools.
- 3.2 The Act sets out the matters which must be included in an authority's pay policy statement as follows:
- the remuneration of its "chief officers";
  - the remuneration of its "lowest-paid employees" (together with the definition of "lowest paid employees" adopted by that authority for the purposes of the statement, and the reasons for adopting that definition); and
  - the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.
- 3.3 For the purposes of the statement the Act defines who is included under the term "chief officer". It includes the Head of Paid Service (Chief Executive), the monitoring officer, the statutory chief officers as well as non-statutory chief officers and deputy chief officers (managers who report directly to a chief officer).
- 3.4 Remuneration is also defined widely and includes not just basic pay/salary but also any bonuses, charges, fees e.g. election fees or allowances, benefits in kind, increases in/enhancements of pension entitlements and termination/severance payments. Remuneration in relation to employees who are not chief officers is also similarly widely defined.
- 3.5 The statement must set out the authority's policy on a number of specific aspects of chief officer remuneration:
- the level and elements of remuneration for each chief officer;
  - the remuneration of chief officers on recruitment;
  - increases and additions to remuneration for each chief officer;
  - the use of performance related pay for chief officers;
  - the use of bonuses for chief officers;
  - the approach to final payments to chief officers when they leave the authority; and
  - the publication of and access to information relating to remuneration of chief officers.
- 3.6 The policy statement must be published on the authority's website and in any other manner the authority considers appropriate. There is no requirement to include specific numerical data on pay and reward within the statement. However, it is necessary to consider how the information in the statement fits in relation to the information authorities are already required to publish. For

example, the Code of Recommended Practice for Local Authorities on Data Transparency and the Accounts and Regulations 2011.

### **Brent's Pay Policy Statement**

- 3.7 The policy statement for Brent has been prepared incorporating all of the above requirements. The statement is attached to this report. There are no new proposals or policy changes attached to the statement as the information reflects current practice and is strictly factual in nature.
- 3.8 The introduction to the statement refers to the People Strategy 2010 -14 which sets out the council's strategic priority to "build an agile and efficient workforce that adapts to change easily". This includes a review of financial and non-financial rewards and benefits currently offered by the council. The People Strategy has been reviewed and a new HR strategy for the council aligned to the council's Borough Plan 2014/17 will be considered by the General Purposes Committee at its meeting on 3rd April 2014. The review of the council's employee benefits was undertaken and the revised benefit package introduced in January last year. The revised package has now bedded in and the benefits are being realised.
- 3.9 Brent's senior managers covered are those in the top three tiers in the management structure - the Chief Executive (Tier 1), strategic directors (Tier 2), operational directors (Tier 3). This includes all statutory and non-statutory chief officer posts.
- 3.10 All references to terms and conditions in the statement are factual. Where appropriate a link to the relevant pay policy e.g. the council's pension arrangements has been included.
- 3.11 In keeping with the requirements of the Act the statement will be published on the Internet with links to pay policy and information where appropriate.
- 3.12 As set out in the summary to this report the annual pay policy statement must be approved at a meeting of the Full Council and published by 31<sup>st</sup> March each year. The information the authority is required to publish is factual based on the current pay arrangements. There are no requirements to make any changes to those arrangements. The draft Pay Policy Statement was presented to the General Purposes Committee at its meeting on 12 February 2014. This meeting of the Full Council is asked approve the Pay Policy Statement for publication.

### **4.0 Financial Implications**

- 4.1 There are no financial implications arising from this report.

## **5.0 Legal Implications**

5.1 The contents of the statement comply with regulation 38 of the Localism Act 2011. The approval of the pay policy will satisfy the technical requirements of regulation 39 of the Localism Act 2011.

## **6.0 Diversity Implications**

6.1 There should be no diversity implications from this report.

## **7.0 Staffing/Accommodation Implications (if appropriate)**

7.1 There are no staffing implications other than those covered specifically in the pay policy statement.

## **Background Papers**

Localism Act 2011 (as amended)

Brent pay policy and pay information and arrangements

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# **BRENT COUNCIL PAY POLICY STATEMENT**

**Financial Year 2014/15**

**April 2014**

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# BRENT COUNCIL PAY POLICY STATEMENT

Financial Year 2014/15

## Purpose

The council's pay policy outlines Brent's policy on pay and benefits for all employees (excluding Schools) and has been developed to meet the relevant statutory provisions of the Localism Act 2011.

The pay policy will be reviewed on an annual basis and any changes will be approved in advance of each new financial year.

The pay policy statement can be amended during the course of any financial year, but only by a resolution of the Full Council. If it is amended during the year to which it relates, the revised version of the statement will be published as soon as reasonably practicable.

## Strategic Context

The current and future pay and benefit arrangements are embodied in the council's People Strategy 2010/14. The council's Borough Plan and One Council programmes provide the strategic framework for the council's workforce and people priorities. A new HR Strategy for 2014/17 has been developed which mirrors the council's Borough Plan priorities. The development of the strategy included a review of the impact of the existing strategy. Any changes that impact on the council's pay arrangements will be included in the pay policy statement 2015/16.

The overarching objective for the People Strategy is to have the right people, with the right skills, attitudes and experience, in the right place at the right time to enable the organisation to deliver on its corporate objectives and priorities.

Key objectives of the 2010/14 People Strategy are to:

- prepare the council's workforce to move and operate successfully when the Civic Centre opens in 2013;
- reduce staffing costs and raise overall productivity of the workforce through new ways of working;
- build a new, sustainable organisational model which is agile and fit for purpose.

The council is committed to being a good employer, has an excellent track record in employing a workforce which reflects the community and in order to recruit and retain a high quality workforce will pay its staff at salary levels which will attract top performers. The move to the Civic Centre was achieved in 2013 and significant inroads have been made into introducing new ways of working to support the relocation to new offices.

## **Review of Employee Benefits**

The council's pay arrangements and terms and conditions play a key role enabling the council to fully realise its objectives and in ensuring the workforce is 'fit for purpose'. The impact of the review of the council's terms and conditions in 2013 are now being realised. The council is committed to fair and equitable pay and benefits arrangements to maintain a flexible, talented and performance focused workforce. The council has successfully recruited to a number of key roles this year following significant restructuring exercises to improve service delivery to the local community set against a backdrop of ever decreasing financial resources.

Last year as part of the review of HR policies and procedures the opportunity was taken to consolidate all the council's pay arrangements into a single policy document.

## **Council Pay Rates and Scales**

Pay scales are reviewed annually in line with the National Joint Council agreements and are effective from 1<sup>st</sup> April.

The following pay scales have been adopted by the council:

- [GLPC Pay Scales](#) (job evaluated) (main pay scales)
- [Senior Manager Pay Scales](#) (job evaluated) (senior managers)
- [Soulbury Pay Scales](#) (Education Psychologists, Advisors and Inspectors)
- [Youth and Community Service Pay Scales](#) (Young People's and Community Service Managers)
- [Teaching Pay Scales](#) (for centrally employed local authority teachers)

## **Remuneration of Senior Management (Chief Officers)**

The council defines its senior management as the top 3 tiers in the management structure. This includes all statutory and non-statutory Chief Officer and Deputy Chief Officer roles. It comprises the Chief Executive, strategic directors and operational directors.

Currently the [pay, expenses and declaration of interest](#) are published for the Corporate Management Team which comprises the Chief Executive and the strategic directors.

The council may, in exceptional circumstances, employ senior managers under contracts for services. The council generally will aim to pay such individuals at a rate consistent with the pay of directly employed staff performing a comparable role although there may be circumstances where a higher rate is warranted over the short term.

## **Remuneration of Lowest Paid Employees**

The council defines its lowest paid employees as those staff paid on the lowest established grade and scale point which in Brent is Scale 2 spinal point 11 of the GLPC Pay Scales currently £16,647 per annum.

## **London Living Wage**

The council has implemented the London living wage. This rate has been applied to all staff who receive less than £8.80 per hour. This will not apply to apprenticeships.

## **Pay Multiple**

The 'pay multiple' is the ratio between the highest paid salary and the lowest/median average salary of the council's workforce. The council's highest paid employee is the Chief Executive. The current median salary is SCP 34 £30,693.

The current pay multiples are:

Median salary is approximately 1:6  
Lowest salary is approximately 1:11

The council has not set a target for a maximum multiple. The pay multiples have remained relatively unchanged from 2013/2014. The council continues to pay the London living wage which has increased marginally. This also reflects capping of the Chief Executive's salary at £187,044 per annum.

## **Pay Grading**

Single Status was introduced in 2009 for staff on the main pay scales. Single Status introduced common job evaluation schemes and pay scales for the council's former

manual workers, administrative, professional, technical and clerical employees with the exception of education psychologists, nursery nurses, youth and community workers, chief officers and the chief executive.

Senior managers including chief officers have locally determined rates of pay which are linked to national negotiations for the determination of pay awards. A revised pay and grading structure for senior managers was introduced on 1<sup>st</sup> April 2013. The aim of the review was to reduce costs whilst ensuring the council's pay arrangements remained competitive.

In 2013 the council rationalised the terms and conditions for senior managers. Those senior management posts which fall within the JNC for Chief Officer definition are employed on JNC terms and conditions and all other senior managers are employed on NJC for Local Government Services terms and conditions with some local variations. The senior management posts which fall within the JNC definition are the predominately the strategic directors, other directors with statutory responsibilities, the Assistant Chief Executive and HR Director. This means that the majority of senior managers have terms and conditions which are largely consistent with those for other staff. A number of changes were also made to the JNC for Chief Officer terms and conditions to bring them more into line with the terms and conditions for all other staff.

### **Local Conventions for the GLPC Job Evaluation Scheme**

Virtually all local authorities and organisations that use the GLPC Scheme have local conventions in place. Without local conventions, evaluators may interpret these terms differently – and hence gradings can be affected and consistency lost.

The council in March 2013 introduced local conventions to ensure that the scheme is applied consistently and fairly to all employees.

### **Public Health Transfer**

Following major changes to the public health system, responsibility for public health transferred to local authorities on 1 April 2013. Fifteen staff transferred into the council under NHS terms and conditions including pay. A Director of Public Health has been recruited on Brent terms and conditions. Since the transfer five other staff have also been appointed on Brent terms and conditions.

## **Pay on Appointment**

All employees are normally appointed on the lowest pay spinal column point for their job evaluated grade. Employees may be appointed at a higher point, where they are currently earning more than the lowest pay spine for the role and where it is considered that they already possess the skills and experience needed to justify such a higher salary.

The council delegates authority to the Senior Staff Appointments Sub-Committee to make recommendations to the council on the appointment of all officers at operational director level and above.

## **Annual Pay Progression**

Brent's pay policy is primarily based on evaluated pay grades, which each have a salary range comprising a number of incremental points. Other pay grades are nationally prescribed but also have incremental progression arrangements. Most employees incrementally progress through the pay grade for their job. Progression will normally be one increment (pay spine column point) on the 1st of April each year until the top of the grade is reached for those on the main pay scales (separate arrangements apply during the first year of service where the start date is between 1<sup>st</sup> October and 31<sup>st</sup> March) and on the anniversary of joining for those on senior manager pay scales.

Pay progression is subject to satisfactory performance assessed during the annual appraisal process and can be withheld as a disciplinary sanction.

## **Performance Related Pay and Bonuses**

Council employees including the Chief Executive and directors do not receive performance related payments or bonuses.

## **National / Regional Pay Agreements**

The council operates the national (JNC/NJC) and regional (GLPC) collective bargaining arrangements for pay and conditions of service for all employees, including senior managers. Pay is increased in line with national and regional pay agreements.

The government set a maximum public sector pay increase limit of 1% for 2013/14 and is expected to do so for 2014/15. In keeping with this the pay award for 2013/14 was 1% which was paid to all staff in Brent.

## **Market Supplements**

The council is currently phasing out market supplement payments and has put in place employee benefits as part of the new benefits package to ensure the council remains competitive in the recruitment market. Currently there are only a small number of supplements in existence and these have planned end dates.

## **Fees for Election Duties**

Election fees paid to employees (including chief officers) who assist in elections are in line with the rates agreed by the Government whenever general, regional or European elections occur. Where local elections occur fees will be determined using the cross-London agreed rates.

## **Pension**

All non teaching employees are able to join the Local Government Pension Scheme. Teachers are able to join the Teachers Pension Scheme. Benefits for both schemes are paid in accordance with government regulations. NHS employees who transferred to the council under TUPE have access to the NHS Pension Scheme.

## **Payments on Termination of Employment**

In the event that the council terminates the employment of an employee on the grounds of redundancy the terms of the council's redundancy and early retirement arrangements will apply.

## **Re-employment of Employees**

Section 7 of the Local Government and Housing Act 1989 requires that every appointment to paid office or employment in a local authority shall be made on merit.

The re-engagement of employees including chief officers who are made redundant is subject to the council's re-engagement arrangements (contained within the council's Managing Change Policy). The policy sets out the minimum period a former employee must wait before being eligible to work for the council again, as well as outlining other restrictions.

Employees who are made redundant may not be re-engaged within three months of their termination of employment except under the redeployment procedure and where no redundancy pay is payable. After three months employees may be re-engaged via the normal procedure but only to carry out a different job from that which they were made redundant. An employee may only be engaged to carry out

the same work as previously engaged upon after one year from termination for redundancy and only after the matter has been reported to the HR Director.

## **Tax avoidance**

All permanent Brent staff including senior managers are paid through payroll which means that all taxes are deducted at source. A review of temporary staff has recently been concluded and it is Brent's policy to cover vacancies through the use of approved agency workers or by appointing staff on fixed term contracts. Temporary workers providing services through their own companies will be carrying out projects and generally not covering permanent roles other than in exceptional circumstances e.g. where interim cover is essential whilst a permanent appointment is recruited. Where these situations do occur they will be limited in duration, usually to less than 6 months.

## **Publication and access to information**

Brent's annual Pay Policy Statement will be published on the website where it can be easily accessed. Information about chief officers remuneration is published on the council's website [www.brent.gov.uk](http://www.brent.gov.uk) in the section **Senior Staff Salaries**

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 <p><b>Brent</b></p>	<p style="text-align: center;"><b>Full Council</b> 3 March 2014</p> <p style="text-align: center;"><b>Report from the Strategic Director of Regeneration and Growth and Strategic Director of Environment and Neighbourhoods</b></p>
<p>For Action <span style="float: right;">Wards Affected: All</span></p>	
<p style="text-align: center;"><b>Potential impact of HS2 on regeneration proposals in Brent</b></p>	

## 1. Summary

- 1.1 Members' are asked, if considered expedient, to resolve to oppose the High Speed Rail (London – West Midlands) Bill ('**HS2 Bill**') introduced into the House of Commons on 25 November 2013 and also, if deemed expedient, that the Council should consider the passing of the further resolutions set out below to authorise the deposit of a petition against the Bill in either or both Houses of Parliament.
- 1.2 This report explains why the proposals contained within the HS2 Bill and supporting documentation are considered to have an injurious affect on the interests of the Council. The HS2 scheme includes plans to construct a ventilation shaft and auto transformer on an important proposed development site next to Queens Park Station in South Kilburn. Construction of a shaft and transformer in this location would serve the proposed new high speed railway which would be running in tunnel at this location. The proposed ventilation shaft and transformer would have an adverse impact not only on that site but also on the Council's regeneration plans for the wider South Kilburn area as is more fully explained within this report. Possible alternatives to the HS2 proposals are also explored. This report also considers whether the HS2 Bill should include provision for a new rail link to the West Coast Main Line and examines whether any other aspect of the HS2 Bill, such as the powers of compulsory acquisition being sought over land belonging to the Council should be opposed and petitioned against in Parliament.

## 2. **Recommendations**

That Council consider the potential impacts of the current proposals for HS2 in Brent, and refer the issue on to full Council to consider the following resolutions:

- 2.1 In pursuance of section 239 of the Local Government Act 1972, it is expedient for the Council to oppose the High Speed Rail (London-West Midlands) Bill introduced into the House of Commons on 25 November 2013; and
- 2.2 Subject to the above, the Strategic Director of Regeneration and Growth, in consultation with the Lead Member of Regeneration and Major Projects, be authorised to take all such steps as may be necessary or expedient to carry paragraph 2.1 into effect including all steps required for the Council to deposit a petition against the Bill and thereafter to maintain and, if considered appropriate, withdraw its opposition to the Bill; and
- 2.3 That the Common Seal of the Council may be affixed to any documents required to be sealed in connection with the submission of any such petition and the subsequent opposition to the Bill and that the Council's Parliamentary Agents be authorised to sign and deposit the petition on behalf of the Council.

## 3. **Impacts of HS2 Bill and possible issues for petition**

- 3.1 The HS2 Bill seeks statutory authorisation for the carrying out of works and the acquisition of land in connection with the construction, operation and thereafter maintenance of a new high speed railway line between London and the West Midlands. If enacted, the Bill will provide the necessary legal authority for land to be compulsorily acquired and, at the same time, deem planning permission to be granted for the carrying out of development authorised by the Bill.
- 3.2 Those who enjoy the necessary legal standing and who wish to formally object to the proposals contained within the HS2 Bill may do so by depositing a Petition in Parliament during a fixed period of time set for that purpose. This Petitioning period will take place following Second Reading of the Bill in the House of Commons, which is currently expected to take place in late April 2014. Before the Council may oppose the HS2 Bill through the deposit of a Petition, section 239 of the Local Government Act 1972 requires that a resolution of the Council to oppose a Bill is passed by a majority of the whole number of the members of the authority at a meeting.
- 3.3 There a number of good reasons for the Council to offer broad strategic support for HS2 notably because of the opportunity it creates to improve connectivity for Brent residents generally and improved links to future job opportunities in regeneration areas such as Old Oak Common in particular. Despite this broad strategic support officers have identified three negative effects of the HS2 proposals on the borough. The first issue is that the Bill seeks powers for the compulsory acquisition of land in South Kilburn which does not appear to be required to implement the proposed new high speed railway line. The second is the proposal to construct a ventilation shaft and auto transformer on an important proposed development site in South Kilburn next to Queens Park Station. The third is the lack of provision within the current HS2 proposals for a new rail

connection between the new high speed railway and Crossrail lines and the West Coast Main Line.

### **Compulsory Acquisition of Council land**

- 3.4 The HS2 Bill would grant the Secretary of State powers to compulsorily acquire interests in land belonging to the Council, including parts of the South Kilburn Estate including St Marys School, parts of Site 11b, Alpha and Gorefield Houses and the new development on Cambridge Road and Chichester road as identified on the plan at Appendix 1 to this report. The identified land has been included within Schedule A which provides rights to compulsorily acquire all interests in the land.
- 3.5 The HS2 Bill also includes powers to take possession of land and buildings on a temporary basis (for instance where land is only required during construction of the new railway). Officers are not aware of any reason why the land in Appendix 1 needs to be acquired permanently and will continue discussions with HS2 Limited to understand why these areas of land have been identified for permanent acquisition. If HS2 Limited confirms that the Secretary of State does intend to permanently acquire these properties and land then it is recommended that the Council considers whether it is expedient to oppose the proposed permanent acquisition of the land through petitioning against the Bill on this basis.

### **Vent Shaft and Transformer on the Queens Park Car Park site**

- 3.6 The Queens Park Car Park site (known as Site 18 within the South Kilburn Regeneration Programme) is identified through the red boundary shown on plan A at Appendix 2. It forms part of the South Kilburn Regeneration Programme. Brent Council has approved a scheme (subject to signing a planning obligation) on Site 18 for the demolition of the existing buildings (including Cullen House, Keniston Press, TfL offices at Premier House and the Falcon Public House) and the erection of 137 flats (of which 39 will be affordable) together with new public open space, 1,270 square metres of commercial shop space and 959 square metres of replacement office space for TfL. The proposed development includes the stopping up of the gyratory system and the introduction of a new signalled junction at Kilburn Lane and Salusbury Road/Carlton Vale.
- 3.7 Site 18 forms an intrinsic part of the South Kilburn Regeneration Programme. The Programme assumes the disposal of Site 18. Its disposal would have secured a significant capital receipt to reinvest directly back into the delivery of the next phase of the Programme. The Programme also assumes that Site 18 will deliver 39 affordable properties for existing South Kilburn residents to support the Programme's decant strategy and transform perceptions of South Kilburn by delivering a high quality mixed use development at a gateway site reconnecting South Kilburn to neighbouring Queens Park. If the Council is unable to dispose of Site 18 due the proposals in the HS2 Bill, this would disrupt the wider South Kilburn Regeneration Programme. Firstly, it would result in a lack of new homes to enable the planned decant of residents in south Kilburn, and secondly it would limit house value uplift that the Council would otherwise secure and rely on in order to fund the next phase of the Regeneration Programme. This is in addition to the adverse impacts of the proposal on amenity which will have an effect on value.

- 3.8 The Site 18 ownership map is attached at Appendix 2. The London Borough of Brent is the freehold owner of Cullen House and the Salusbury Road Car Park. However there are a number of others who hold freehold interests in Site 18. On 18<sup>th</sup> July 2011 the Executive authorised the making of compulsory purchase orders ('**CPOs**') to acquire (a) all interests and rights in Site 18 (comprising the Queen's Park car park, the Keniston Press site, TfL offices, Cullen House and the Falcon Pub) and (b) any new rights in the CPO land which may be required under section 13 of the Local Government (Miscellaneous Provisions) Act 1976 in Site 18 comprising the Queen's Park Station Area.
- 3.9 On 18<sup>th</sup> July 2011 it was reported to the Executive that HS2 Limited was developing proposals to locate a 130m<sup>2</sup> ventilation shaft on the south-west corner of Site 18 in order to service an HS2 running tunnel proposed to be constructed at this location. Given the uncertainty created by the HS2 proposals, Officers have not progressed the acquisition of third party interests within Site 18 pursuant to the CPOs secured in July 2011 nor has a development partner yet been procured to build out the planning permission secured. On 19<sup>th</sup> September 2011 the Executive authorised Officers to issue the following response to the Government's HS2 consultation: "The Council is proceeding with the development of the Queens Park station site and therefore asks that the vent be located on an alternative site that is of less value to the South Kilburn redevelopment programme. For example, the vent shaft could be located on land to the east of Queens Park station, the Canterbury works site which is currently used as a builders' yard/depot." HS2 Limited subsequently confirmed to the Council that it is technically possible to locate the ventilation shaft within the Canterbury works site but advised that their preferred site remained Site 18 because of the changes that would otherwise be required to the alignment of the proposed HS2 tunnel, access issues and a likely increase in temporary impacts during construction on nearby residents and a local school.
- 3.10 On 30<sup>th</sup> January 2013 Officers responded to the Department for Transport's safeguarding consultation, noting that the Council did not agree with HS2's decision to locate a ventilation shaft on the south-west corner of Site 18. Within the Council's safeguarding consultation response Officers put forward an alternative location for the ventilation shaft at a site referred to as Canterbury Works, behind and including Canterbury House, on Canterbury Road as identified in red on Plan B at Appendix 2. It was explained that this site could be a better location for the proposed ventilation shaft because it was currently in low grade employment use, was not proposed as part of the redevelopment programme and if the Canterbury Works site was selected, this would avoid the adverse impact which would otherwise arise to the South Kilburn Regeneration Programme. On 9<sup>th</sup> July 2013 HS2 Ltd safeguarded part of Site 18 as identified edged red on Plan C at Appendix 3. On 11th November 2013 the Executive Members noted that if the Hybrid Parliamentary High Speed 2 (HS2) Bill ('**HS2 Bill**') once laid, included provision for a ventilation shaft on Site 18, the question as to whether to oppose the HS2 Bill would be put to Full Council.
- 3.11 The Council commissioned Lambert Smith Hampton (**LSH**) consultants to quantify the social, economic, environmental and financial impact of HS2's proposals for the south-west corner of Site 18 to the Council. LSH also considered the social economic and financial impact of relocating the ventilation shaft to the alternative

Canterbury Works site. In January 2014 LSH completed their social and economic impact study concluding there is a clear economic and financial benefit associated with relocating the ventilation shaft and auto transformer from Site 18 to the alternative Canterbury Works site. The social and economic impact study identified that the Council's possible alternative site at Canterbury Works had significantly less negative financial impacts on the South Kilburn regeneration programme, provided more long term jobs and less environmental impacts than at Site 18. However the social and economic impact study was based on the information presented in the draft Environmental Statement and assumed a reduced development on Site 18 would be brought forward in 9 years. A revised study is now underway (see below).

- 3.12 The HS2 Bill was laid before Parliament in November 2013 with provisions that impact on Site 18. The HS2 Bill increased the size of the auto transformer on Site 18 and included provision for a vent shaft head house, approximately 43m by 19m and approximately 9.5m above ground and an auto transformer station approximately 33m by 16m and 6m above ground level provided on hard standing with a security fence 2.4m in height around the perimeter of the compound as illustrated at Appendix 4.
- 3.13 The deposit of the Bill in Parliament in November 2013 was accompanied by an Environmental Statement which is currently the subject of a consultation exercise. Officers will respond to the consultation by the closure date of 27th February 2014 and in doing so, Officers will challenge the adequacy of the Environmental Statement in the following respects:
- Inadequate consideration of alternative sites for the proposed ventilation shaft and autotransformer
  - No proper justification for the current design and scale of proposals
  - Incorrect baseline assumptions
  - Inaccurate assessment of effects; and
  - Lack of/ inadequate mitigation proposed

A draft of the Environmental Statement Consultation response is a background document to this report.

- 3.14 Officers intend to seek advice as regards the traffic, noise and air quality assessment of the proposed ventilation shaft and auto transformer on each of Site 18 and the proposed alternative, the Canterbury Works Site and also whether there is any scope, technically, for re-design of the proposed ventilation shaft and auto transformer in order to minimise the extent of land required to accommodate this infrastructure, wherever it might be located. The full findings of this report will not be available for consideration before the Council meeting in March 2014. Officers recommend delegating any decision on the detailed case on which the petition will be based to the Strategic Director of Regeneration and Growth. He in turn will base this case on the findings of these further studies when they are available.

### **Further studies required prior to Petitioning the HS2 Bill**

- 3.15 Officers strongly recommend Petitioning the HS2 Bill if the vent shaft and auto-transformer proposal is not withdrawn or modified to the satisfaction of the Council. The Council is commissioning further technical studies to consider the following:
- 3.15.1 Whether the vent shaft and auto-transformer could be located on the Canterbury works site and be so designed to mitigate any potential negative impacts (noise, visual intrusion, safety) on the school and nearby residences and can the construction traffic be routed to minimise impacts on surrounding residents;
  - 3.15.2 Whether there are any other possible alternative sites either for a vent shaft or auto-transformer or both that avoid the negative impacts of locating this infrastructure on site 18;
  - 3.15.3 Whether the proposed auto transformer can be located elsewhere, thereby allowing some housing development to take place
- 3.16 This technical work is being commissioned now because any Petition will need to be submitted by spring/ summer 2014. The Council's legal advice is that any petition against the works at Site 18 is likely to stand a better chance of success if the Council can identify a reasonable alternative.

### **The West Coast Mainline Link (WCML)**

- 3.17 The HS2 proposals include a new interchange at Old Oak Common (OOC) between HS2 and Crossrail. In general terms, the Council supports HS2's proposals at OOC and the surrounding area, including proposed links between the OOC HS2 Crossrail interchange and the West London Line and the North London Line. However, Brent considers that additional value could be achieved if the HS2 Bill had included provision for a new rail link between Crossrail and the West Coast Main Line (WCML). Such a link would benefit not only Brent residents, but also those of Harrow, Watford and further afield along the route of the WCML.
- 3.18 In general terms, this link would allow Brent to be better interconnected with the rail network, reduce time savings on travel and ease congestion at Euston and the proposal is supported by TfL.
- 3.19 A Crossrail – West Coast Mainline link would allow London Midland services travelling from as far north as Tring (and possibly further north) to transfer onto Crossrail, providing improved services straight into central London. London Overground/Bakerloo services would be unaffected and there will be no negative impact on services serving Willesden Junction.
- 3.20 By accommodating the future delivery of this link as part of the HS2 construction plans at Old Oak Common, there would be an opportunity for trains to run to Wembley with a direct link on to Heathrow and services to the West of England.
- 3.21 There are two variations on how the WCML link might be provided, one of which is low cost, making use of the Dudding Hill freight line (estimated at £140m), the

second is high cost by means of a bored tunnel (over £300m). Appendix 5 sets out the two track alignments for each option.

- 3.22 In terms of timing, it is recommended that the Council support the provision of the passive provision enabling works to be built prior to the Old Oak Common station and HS2 being provided. This would effectively “future proof” the rail configuration to enable this link to be provided at a later date. If this future proofing is not delivered as part of the HS2 construction at OOC, costs for its delivery would be significantly higher in future and may not be practical.
- 3.23 HS2 Limited does not agree to assume responsibility for or meet the costs of building the proposed WCML link and Network Rail is now undertaking feasibility studies but will not conclude its work until the end of 2014.
- 3.24 However, there is an important opportunity now to ensure that, in delivering the HS2-Crossrail interchange at OOC, passive provision is included for the desired future link between Crossrail and the WCML. This would reduce the level of cost and disruption that might otherwise arise in delivering the rail link in the future. This passive provision would, as a minimum, require the construction of a bridge structure between the HS2 and Crossrail railway lines enabling the new rail link to be delivered in the future. The estimated cost of enabling works now is considered to be £25million, as compared with the costs of delivering a grade separation at a subsequent stage, which is estimated to be £100million. In addition to these cost savings, early work would avoid future disruption to HS2 and Crossrail services.
- 3.25 It is for these reasons that Officers recommend that the Council considers the expediency of petitioning, or supporting any petition by TfL for the delivery, as part of the HS2 proposals, of WCML Link enabling works at OOC. Officers also recommend that further discussions take place with TfL and other interested parties, including the London Borough of Harrow in this regard.

### **Timetable**

- 3.26 Officers will continue to press HS2 Limited to engage and discuss the above issues with a view to resolving them and thus avoid the need to Petition Parliament. However if the issues remain unresolved and the Council has to Petition the Bill the timetable below sets out a reasonable indication of the current timescales for doing so.

<b>Stage</b>	<b>Possible timings</b>
HS2 Phase 1 Hybrid Bill introduced	25 November 2013 (actual)
Public consultation on ES concludes	27 February 2014 (actual)
Independent assessor prepares report summarising the issues raised by the ES comments within a specified period (of not less than 28 days)	March 2014
Deadline for submission of the ES issues report	25 March – 10 April 2014

Report laid before House (for not less than 14 days)	10 – 25 April 2014
Second Reading	28 – 29 April 4 <b>or</b> May or June 2014
Petitioning Period commences	Early May 2014 <b>or</b> early June 2014
Petitioning deadline	Late May 2014 <b>or</b> late June 2014
Select Committee Proceedings commence	July 2014 <b>or</b> September 2014

#### 4. **Legal implications**

- 4.0 Pinsent Masons have been appointed by the Council as parliamentary agents to provide advice on the law and process in relation to the HS2 Bill and assist the Council through the preparation and deposit of a petition. Section 239 Local Government Act 1972 requires that any decision to oppose a Bill in Parliament must be decided by resolution of the Full Council and requires the agreement of a majority of members at that meeting. Additional notice requirements must also be complied with in respect of that Meeting and in passing a resolution Members must be satisfied that it is expedient to oppose the HS2 Bill.
- 4.1 The HS2 Bill was introduced into Parliament on 25 November 2013 and a public consultation is currently taking place regarding the content of the Environmental Statement ('ES') produced with the Bill. The ES consultation will end on 27 February 2014, following which an assessor's report will be prepared which summarises the matters raised in the consultation and is made available to MPs to consider before debate at the Second Reading stage. The ES report may be available as early as the beginning of April, in which case Second Reading of the Bill could take place no earlier than in late April. During the Second Reading, the principle of the Bill will be debated and voted upon, following which a period will be fixed for petitions to be deposited against the Bill. The petitioning period is likely to last for approximately 21 days during May or possibly June 2014. In order to petition against the Bill, the Council must pass a resolution by a vote of the majority of the members at a meeting of Full Council pursuant to section 239 of the Local Government Act 1972.
- 4.2 It is proposed that a section 239 resolution will be sought at the next meeting of Full Council on 3 March 2014 and notice of this was published in the local press on 13 February 2014.
- 4.3 Following its production, the ES assessor's report must be laid before Parliament for a period of 14 days before Second Reading of the Bill may take place. This is to allow MPs to read and consider those comments before debating the principle of the Bill at Second Reading.
- 4.4 Second Reading of the Bill is important for a number of reasons. First, it is when the principle of the Bill will be debated and voted on. Matters which have been approved at Second Reading are not open for subsequent consideration, having been approved by the House. This rule means that, following Second Reading it

will not be possible to challenge the 'need' for or principle of HS2 Phase 1. Accordingly, any interested party, including the Council, who wishes to influence the 'need' debate must brief an appropriate Member of the House in advance of Second Reading with a view to persuading that Member to argue and vote accordingly.

- 4.5 Secondly, Second Reading will determine when the period for petitions to be deposited against the Bill will run. If Second Reading is to take place at the end of April, the petitioning period can be expected to fall in May. The petitioning period might expire on 21st May 2014, before the Whitsun recess. In the alternative, if Second Reading does not take place until mid May or early June, the petitioning period will not expire until June.
- 4.6 Once the Second Reading of the Bill has taken place the principle of the Bill cannot be challenged. However, petitions can be submitted to argue for changes to the design of the scheme. Petitioning can result in the Bill being amended, the ES being supplemented (or rewritten) and / or additional mitigation being secured.
- 4.7 If petitions against the Bill are received, as will certainly be the case, a Select Committee will be established to consider the petitions. Although not provided for within the Standing Orders, the Government is likely to allow a period of at least 28 days following the close of the petitioning deadline before the commencement of proceedings before the Select Committee. This is to allow matters raised in petitions to be considered and for the Government to negotiate with petitioners in order to address their concerns. The Government hopes that the Select Committee will sit during the Summer Recess, which may be possible provided the Committee convenes by 21 July 2014 and also agrees to sit in the Recess; the House rises for Summer on 22 July. If the Committee has not convened by this date, its proceedings will not commence until September 2014.
- 4.8 As mentioned above, it is at Second Reading that the principle of the Bill will be debated and voted on. In addition, the Second Reading debate will be an important record of some of the key issues with the proposals. The Members appointed to the Select Committee to consider petitions will be likely to review the Second Reading debate to familiarise themselves with the biggest issues. As such, Second Reading represents an important opportunity to voice concerns / opposition to the Bill, both in principle or in detail and to secure a public record of those concerns. It is therefore recommended that the Council should brief Glenda Jackson MP, the local Member on the key issues of concern regarding the HS2 proposals, particularly the adverse impact of those on the South Kilburn Regeneration programme.
- 4.10 In the period between the passing of any Section 239 resolution on 3 March 2014 and the likely petitioning period in May/June 2014, officers would develop understanding of the impacts of the Bill through commissioning the advice of technical experts on matters of concern. They will also be seeking to engage in discussions with the Department for Transport and HS2 Limited in order to understand whether any design changes, additional mitigation or protection can be secured. In addition, officers will be engaging with neighbouring councils and Transport for London in order to understand whether any of its concerns are shared.. The professional advice received, negotiations with DfT, discussions with

other councils and TfL will determine the final content of the Council's petition against the Bill having regard to the principle matters of concern in this report.

## **5.0 Financial implications**

- 5.1 The first part of the financial case set out below considers the potential loss to the Council of the vent shaft proposals in South Kilburn. The potential benefits of the WCML are also appraised. The second part looks at the estimated costs of petitioning on these matters.

### **South Kilburn**

- 5.2 The costs of Petitioning of the CPO issue are considered to be in the region of £40k if they are alongside petitioning on the vent shaft issue. HS2's proposals will lead to substantial losses to the South Kilburn Regeneration Programme. Although compensation is payable for the compulsory acquisition of land pursuant to the HS2 Bill in accordance with the statutory compensation code. The code provides for compensation to be payable on a market value basis and this can include development value. However, there remains a considerable degree of uncertainty as regard the level of compensation that the Council would receive from the DfT should Site 18 be compulsorily acquired, not least because the Council does not currently own all of the interests in the Site. The compensation offered might only be a fraction of the value that would otherwise be created by the overall development proposals on site 18. Moreover if the Council cannot use Site 18 site for housing, the council will incur significant additional costs, bringing Cullen House up to Decent Homes Standards and needing to re-provide nine more decant units that the Council would otherwise have sold (to act as cross subsidy). In light of the uncertainty as regards the protection which the Code offers in such circumstances, it is clear that several million pounds of value are at risk from the HS2 proposals as they currently stand. Consideration must also be given to the impacts which the proposals at Site 18 might have on the value of retained land nearby. The effect of the vent shaft and auto transformer could reduce the value of land retained by the Council, further adversely impacting the Council's ability to cross subsidise the provision of affordable housing. Even a small percentage effect could have significant effects on the overall programme.

### **WCML link**

- 5.3 The effects of not providing a WCML link are not in the form of direct losses to the Council as in South Kilburn. They are in the form of benefits that may be foregone if the link is not completed. In other words, any link is likely to give parts of the borough a regeneration lift because they become better connected by public transport and this has positive effects on job creation and in encouraging residential and other development that becomes of greater value as a consequence of the improved links.

### **Costs of Petitioning**

- 5.4 The cost estimate for the technical work and external solicitor's advice and representation up to and during any Select Committee hearing are set out in the

table as follows. The costs of the CPO and WCML are additional to the base costs which are included in the Vent shaft costs;

#### Estimated Costs of Petitioning HS2 Bill

	<b>Base Cost (Vent Shaft)</b>	<b>CPO (additional)</b>	<b>WCML link (additional)</b>
Legal advice up to select Cttee	30k	15k	20k
Consultant/technical advice	70k	5k	300k
Legal advice at select cttee inc. Counsel	50k	20k	60k
<b>Total</b>	<b>£150k</b>	<b>£40k</b>	<b>£380k</b>
<b>Recommended</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>

5.5 There are three main elements to the petitioning process: legal work in preparation, employing technical consultants to produce the evidence required to support the Council's case and then collation and presentation of the Council's case before the Select Committee. Estimates are included in the table above. The Vent Shaft case has been largely constructed and needs some further technical input and £20k of the estimated £150k has been expended so far. Work on the CPO issues is estimated to be minimal. In view of the potential loss to the Council of the vent shaft proposals expenditure on the petition appears worth while. The total cost of petitioning on South Kilburn matters is estimated at approximately £190k.

5.6 As little work has been completed on the feasibility of the WCML link, the costs of carrying out assessment of both the transport and economic benefits of any link would be considerable and £300k is probably the very minimum. For the reasons set out in the report petitioning on this matter is not recommended. The costs of any support to TfL who the Council will urge to petition are expected to be very limited and containable within existing budgets.

5.7 The project cost on Site 18 matters and the CPO matters will be met from the South Kilburn Regeneration Programme budget.

## 6.0 Diversity Implications

6.1 South Kilburn is identified as a priority for driving economic opportunity and regeneration within Brent – Our Future 2010-2014 (Brent Borough Plan). The Regeneration Strategy for Brent 2010-2030 identifies the transformational change of South Kilburn within strategic priority 1. The area was previously a New Deal for Communities area and as such, all interventions are specifically targeted at those

people who suffer disadvantage in society. South Kilburn Neighbourhood Trust, through its widening participation seeks to find ways of involving and engaging with all local residents and particularly those who traditionally are 'hard to reach'. There has been and will continue to be widespread consultation and community engagement as proposals for the physical regeneration of the area are developed and delivered.

- 6.2 The new homes in South Kilburn are available to all tenants within the neighbourhood regardless of age, disability, gender reassignment, pregnancy and maternity status, marriage and civil partnership status, race, religion or belief, sex, sexual orientation, ethnicity, nationality or national origin. A proportion of new homes are designed to be wheelchair adaptable while the allocations process considers the housing needs of tenants in respect of issues that maybe derived from individuals' age, disability, gender reassignment, pregnancy and maternity status, marriage and civil partnership status, race, religion or belief, sex, sexual orientation, ethnicity, nationality or national origin. . The potential impact of the recommendations relating to how the Council takes forward the redevelopment of Site 18 are considered in the Equalities Analysis as a background report.

## **7.0 Staffing/Accommodation Implications**

- 7.1 There are no specific staffing or accommodation implications associated with the proposals contained within this report.

## **8.0 Background Reports and Appendices**

- Appendix 1: Proposed CPO of Property
- Appendix 2: Site plans for Site 18 and Canterbury Works
- Appendix 3: HS2 safeguarding Plan
- Appendix 4: CGI of transformer and Vent Shaft Head House
- Appendix 5: WCML Link Maps

Councils Draft response to HS2 Environmental Statement, January 2014  
Equalities Analysis

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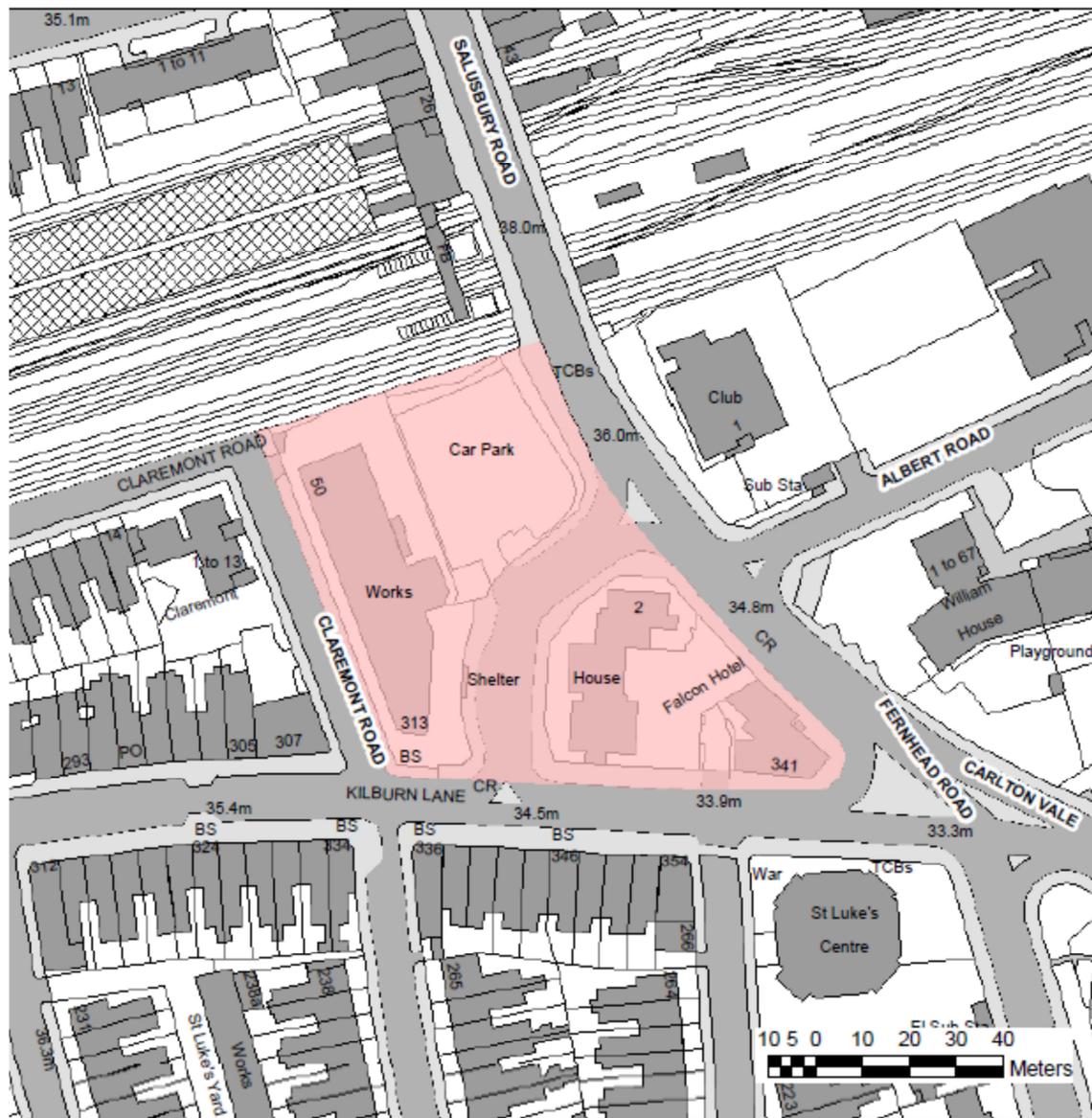
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# Land bounded by Claremont Road, Kilburn Lane and Salusbury Road, London NW6 6HN.



Premises shown shaded pink.

1:1,250

Plan to stated scale if printed at A4.

PSMA OS copyright statement

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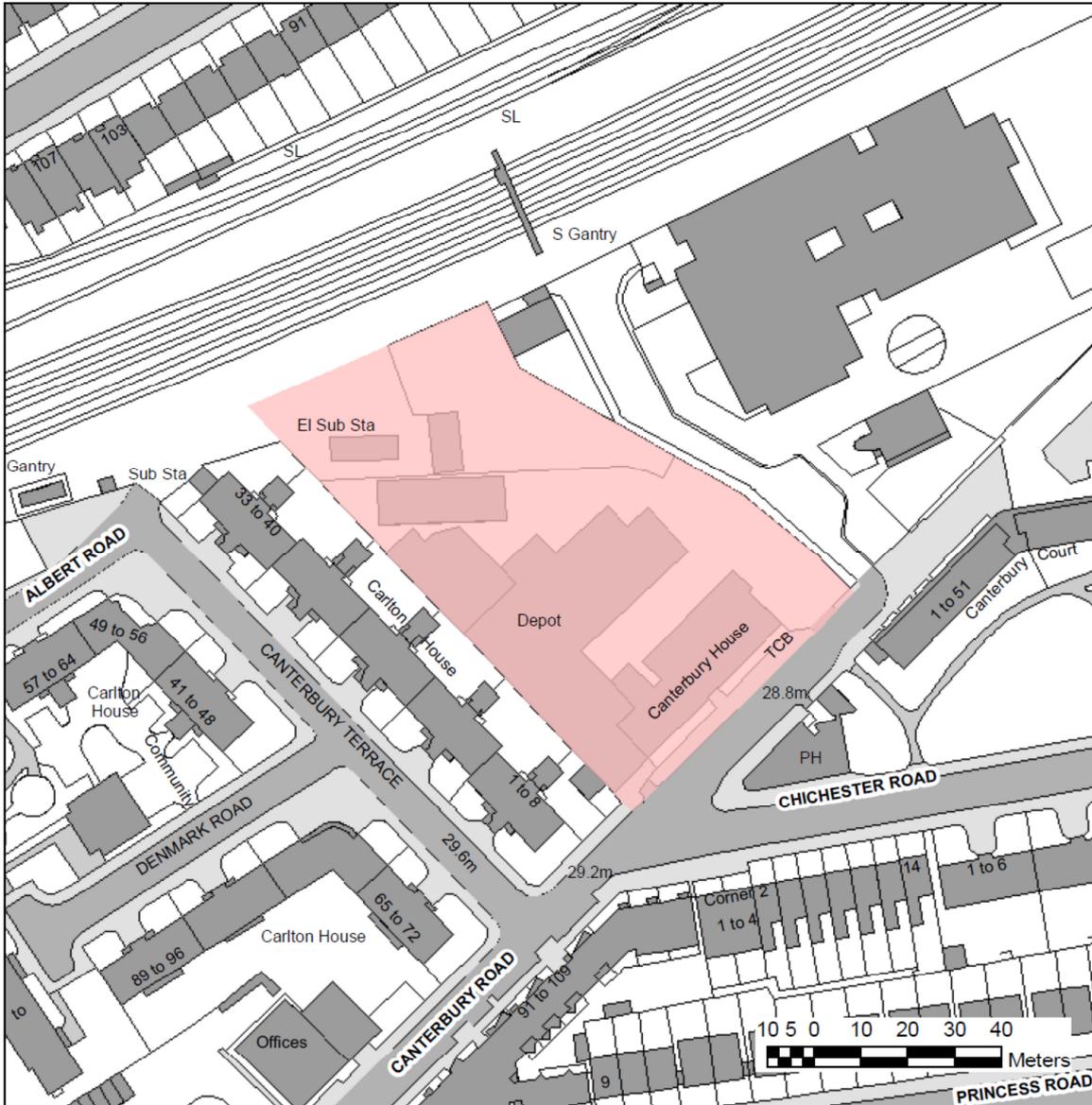
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NORTH



# Canterbury Works and Land Adjoining, Canterbury Road, London NW6 5ST.



Premises shown shaded pink.

**1:1,250**

Plan to stated scale if printed at A4.

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NORTH





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# APPENDIX 4 CGI of transformer and Vent Shaft Head House

Current baseline (2013)



Operation Year 1 (2026) - Winter verifiable photomontage



**Technical Information**  
 Location: Viewpoint 013-2-001: View west from Salisbury Road.  
 Date taken: 13/01/13  
 Time taken: 10:33  
 Focal length: 24.179mm  
 Viewpoint location shown on Map LV-04-007.  
 For key plan legend refer to map series LV-04.

This verifiable photomontage provides an illustration of how the Proposed Scheme may look in 2026 (the opening year). The design of the Proposed Scheme may be subject to design development in response to consultation. Design development will not result in any significant adverse change in the environmental effects detailed in the photomontages of the Proposed Scheme. Where new planting is proposed, it has been shown as immature plants which would mature over time to further integrate the Proposed Scheme into the landscape.



Figure Number: LV-01-019  
 Figure Name: Verifiable Photomontage Operation Year 1 (2026) - Winter Viewpoint 013-2-001  
 Community Forum Area CFA4: Kiburn (Brent) to Oak Common

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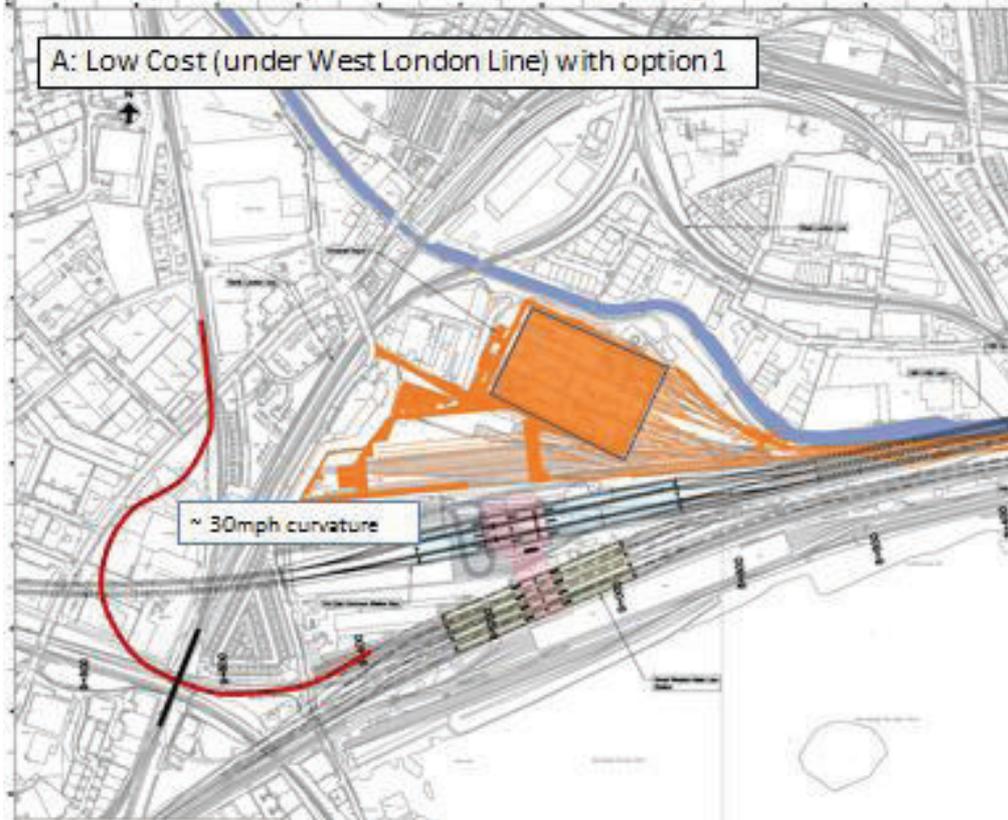
Registered in England (Registration Number 01011666)  
 Incorporating Civil Team, December 2009  
 Order 30/10/2012  
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 Disc Number: C250-APP-EVPHO-003/01019-F01  
 Date: 17/10/13

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**APPENDIX 5 OPTIONS FOR THE WEST COAST MAIN LINE LINK**

**Option 1 Low Cost**

(under West London Line and on to Dudding Hill freight line) – using existing turnback as proposed by HS2 and flyover/under to join Chiltern alignment



**Option 2 – High Cost via Bored Tunnel**

B: High Cost (via Bored Tunnel) either option 1 or 2



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 <p><b>Brent</b></p>	<p><b>Full Council</b> 3 March 2014</p> <p><b>Report from the Chief Finance Officer</b></p>
<p>For Action <span style="float: right;">Wards Affected: All</span></p>	
<p><b>Joining a collective investment vehicle for London pension funds and commitments for capital</b></p>	

## 1. Summary

- 1.1 The Council's Pension Fund Sub-Committee has been supportive of a collective investment vehicle for London. At its meeting of 19 November 2013 the sub-committee showed its commitment to collaborating with other London pension funds by agreeing to make a contribution of £25,000 (borne by the Brent Pension Fund) in order to engage expert legal and financial services advisers to perform the necessary financial and regulatory work. In the first instance this has included developing a robust business case relating to the investigation and set up of a London-wide Collective Investment Vehicle (CIV). In the longer term, costs incurred in operating the CIV would be recoverable from participating boroughs which would be more than paid for from reduced fees.
- 1.2 To date, a total of £625,000 has already been contributed by the boroughs (25 boroughs x £25,000 each). The objective of the CIV is to harness the joint purchasing power of the participating boroughs to drive down fund managers' fees and improve investment performance. The CIV would provide an expedient way of enhancing investment objectives of the Brent Pension Fund without undermining Member control and autonomy.
- 1.3 The Government's review of the future structure of Local Government Pension Schemes is on-going, and could involve reducing the number of locally administered LGPS schemes through merger. It is important that the boroughs can demonstrate progress in working collaboratively in setting up the CIV as a viable alternative to merger to inform the Government's deliberations.

- 1.4 The London Councils prepared a report for the Leaders' Committee (see appendix) which provided an update on progress towards establishing a London LGPS CIV. It asked the Leaders' Committee to recommend to the boroughs that they proceed and establish an Authorised Contractual Scheme (ACS) and an ACS Operator (which is the company that would manage the ACS), together with establishing a representative body in the form of a Pensions CIV Joint Committee which will comprise OF elected Councillors nominated by participating boroughs.
- 1.5 The London Councils Leaders' Committee approved the formation of the CIV on 11 February 2014, so it is necessary for the Council to apply that framework and formally consider whether to join the CIV company and participate in a new Joint Committee.
- 1.6 Chief Finance Officers would provide advice to both the borough Pension Committees (as they do now) and to their Authority's representative on the Pensions CIV Joint Committee.
- 1.7 It should be noted that the proposals are based on voluntary participation by boroughs, and the decision as to whether to invest in the ACS would be made by individual boroughs later in the year. There is nothing in the report that locks any borough into any level of commitment to invest.
- 1.8 All London boroughs are expected to respond in writing to the London Councils Chief Executive by 14 April 2014 to advise their decision on whether to endorse the proposed recommendations included in the report.

## **2. Recommendations**

- 2.1 Members of Full Council are asked to resolve to:
  - a) become a shareholder in a private company limited by shares which will be incorporated to be the Authorised Contractual Scheme Operator (the ACS Operator") of the Collective Investment Vehicle;
  - b) contribute £1 to the ACS Operator as initial capital;
  - c) delegate to the Chair of the Pension Fund Sub-Committee authority to act for the Council in exercising its rights as a shareholder of the ACS Operator, and to authorise the Vice Chair of the Pension Fund Sub-Committee to act in their absence; and
  - d) agree to join the London boroughs "Pensions CIV Joint Committee", to be formed under section 102 of the Local Government Act 1972 and to delegate to such Joint Committee those functions necessary for the proper functioning of the ACS Operator, including the effective oversight of the ACS Operator and the appointment of Directors.

### **3. Detail**

- 3.1 London Councils Leaders' Committee has considered the issue of collective investments for London Pension Funds throughout 2012 and 2013. They have concluded that more collaboration between boroughs that wished to invest some or all of their pension funds collectively would be likely to produce significant savings. The London Councils Leaders' Committee has approved the detailed business case and a proposed governance structure. They have also approved that a London Local Government Pension Scheme (LGPS) Collective Investment Vehicle (CIV), in the form of a UK based, Financial Conduct Authority (FCA) approved, Authorised Contractual Scheme (ACS) be set up. This report details the action that the Council needs to take to enable participation.
- 3.2 At their meeting on 11 February 2014, London Councils Leaders' Committee approved that they should recommend to the London boroughs that they proceed to establish an Authorised Contractual Scheme (ACS) and the ACS Operator (which is the company that would manage the ACS). For this to occur London boroughs would need to agree to become shareholders in the ACS Operator and delegate oversight of the company to a Joint Committee hosted by London Councils. A copy of the paper submitted to London Councils Leaders Committee is appended.
- 3.3 It should be noted that, participation is voluntary by boroughs, and even if a borough decides to participate each borough will make separate decisions to invest, disinvest or not invest at all for each asset mandate in the same way that Pensions Committees do currently. It is expected that the decision as to whether to invest in the ACS would be made by individual boroughs later in the year.
- 3.4 The business case considered by London Councils analysed the savings, benefits and costs for a variety of different levels of collective assets under management: £24bn, £10bn and £5bn, producing estimated annual net savings of £112.2m, £44.9m and £20.9m respectively. It is considered that a reasonable minimum target size of assets under management for the ACS is in the range of £5bn. This is based on analysis of existing investments held by London borough funds and also takes into account that initially the majority of investment mandates are likely to be passive mandates. Over time, it is expected that actively managed mandates and investments into alternatives such as property and infrastructure assets may be added to the range of investments offered by the ACS.
- 3.5 The London Councils Leaders Report sets out the likely Governance structures and key principles. The principles include: investment in the ACS should be voluntary; ability to choose how much to invest in individual asset classes; boroughs should have sufficient control over the ACS Operator; the ACS Operator would provide regular information to participating boroughs; and Authorities seeking to invest in the ACS will also take a shareholding interest in the Operator (and have membership of the Pensions CIV Joint Committee). This Joint Committee will be established under the existing

London Councils arrangements to assist in the appointment of directors to the ACS Operator. The Pensions CIV Joint Committee will comprise elected Councillors nominated by participating boroughs as provided for under the existing London Councils Governing Agreement. Information will be provided regularly by the ACS and the ACS Operator to local authorities investing, and their Pension Committees and officers, and the Pensions CIV Joint Committee. Directors of Finance will provide advice to both the borough Pension Committees (as they do now) and to their authority's representative on the Pensions CIV Joint Committee. The London Councils' report proposes that the Chairman of the Pensions Committee represents the Council or in the event that all 33 boroughs decide to join then the Leader fulfils this role, as in that event the existing London Councils Leaders' Committee can undertake the role.

- 3.6 In order that the Council can participate in the CIV the Council will need to agree to join the Joint Committee, this requires a resolution of the Full Council. In addition the Council will need to formally delegate powers to the Joint Committee in respect of pension investments. This will be done by giving the Pensions Committee the ability to place funds with the CIV and to invest in one or more of the funds or fund managers selected by the CIV to manage various asset classes.
- 3.7 In broad terms, the proposed structure is that the boroughs will own all the share capital of the ACS Operator. Initially this will require minimal share capital (£1 per borough) but this capital requirement will increase once the operator is authorised and investments are made in the ACS.

#### **4. Financial implications**

- 4.1 Other than the commitment to the £1 initial share capital there are no immediate financial implications from accepting the recommendations of this report. The council will still have its existing freedoms and obligations to invest its pension fund assets as it considers most appropriate, whether via the CIV proposed in this report or elsewhere.
- 4.2 However, there are good grounds for believing that the CIV will be able to deliver significant reductions to fund managers' fees and hence that, over time, it will prove an attractive option in which to invest and deliver better net investment returns.

#### **5. Legal implications**

- 5.1 Advice has been given in relation to the governance structures which are contained within the report.
- 5.2 As the Company is owned and wholly controlled by London Authorities this could have procurement implications, advice will be provided to the company to ensure the most advantageous route is followed with respect to procurement activity.

5.3 Where officers or members serve as Directors of the Company conflict of interests and advice will be given as needed.

**6. Diversity implications**

6.1 None.

**7. Background documents**

7.1 Pension Fund Sub-Committee 25 February 2014 – Update on joining a collective investment vehicle for London Pension Funds and commitments for capital.

**Contact officers**

Persons wishing to discuss the above should contact the Treasury and Pension Investment Section, Governance and Corporate Services, on 020 8937 1472 at Brent Civic Centre.

**CONRAD HALL**  
Chief Finance Officer

**ANTHONY DODRIDGE**  
Head of Exchequer and Investment

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# Leaders' Committee

## **Pensions Working Group: Progress report, business case, and proposed next steps towards a London LGPS CIV**

Item no: X

**Report by:** Hugh Grover      **Job title:** Director, Fair Funding, Performance and Procurement

**Date:** 11 February 2014

**Contact Officer:**

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### **Summary**

This report follows on from previous discussions, in particular at Leaders' Committee throughout 2012, and in May and December of 2013, and discussions at the Executive in September and November 2013. Those discussions have focussed on the potential for more collaboration between boroughs that wished to do so, on the management and investment of pension funds.

In response to the report presented to Leaders' Committee in December 2013, London Councils has engaged expert legal and financial services advisors to develop a robust business case and formal proposal to inform decisions for implementation of a London LGPS Collective Investment Vehicle (CIV), in the form of a UK based, Financial Conduct Authority (FCA) Authorised Contractual Scheme (ACS).

This report which reflects the views and advice of the advisers, in consultation with London Councils' legal advisors from the City of London Corporation, fulfils that request. It sets out the current thinking of the Pensions Working Group (PWG) and asks Leaders' Committee to recommend to the boroughs that they proceed to establish an Authorised Contractual Scheme (ACS) and the ACS Operator (which is the company that would manage the ACS)

It should be noted that, all the proposals outlined in this report are based on voluntary participation by boroughs, and the decision as to whether to invest in the ACS would be made by individual boroughs later in the year. There is nothing proposed in the report that locks any borough into any level of commitment to invest.

Dialogue with HM Government relating to the Government's review of Local Government Pension Schemes is ongoing, and it is apprised of the progress made to date by London Councils and the PWG. At the time of writing the report, we still await the Government announcement on their proposed direction of travel.

This report provides an overview of the proposals and recommendations, Annex A provides Elected members with the underlying detail.

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**Recommendations** Leaders' Committee is asked to:

1. Consider the report and the underlying business case supporting the establishment of a collective investment vehicle, in the form of an authorised contractual scheme (the "ACS"), for local authority pensions in London ("the Arrangements"); AND
2. Endorse and recommend to each local authority which decides to participate that, they resolve that:
  - (a) a private company limited by shares be incorporated to be the Authorised Contractual Scheme Operator (the "ACS Operator"), structured and governed as outlined in this report, and that the local authority agrees –
    - (i) to become a shareholder in the ACS Operator, and
    - (ii) to contribute £1 to the ACS Operator as initial capital, and
    - (iii) to appoint an elected Councillor who will have power to act for the local authority in exercising its rights as a shareholder of the ACS Operator, and
    - (iv) that Mayor Pipe, Councillors O'Neill and Dombey, Mr Chris Bilsland (Chamberlain, City of London), Mr Chris Buss (Finance Director, LB Wandsworth), Mr Ian Williams (Finance Director, LB Hackney), and Mr John O'Brien (Chief Executive, London Councils) be appointed as the interim Directors of the ACS Operator, subject to the consent of their relevant authorities to the appointments. These directors may be replaced once FCA authorisation is formally applied for; and
  - (b) a representative body, in the form of a new sectoral joint committee (the "Pensions CIV Joint Committee"), is established (pursuant to the existing London Councils Governing Agreement, dated 13 December 2001 (as amended)) to act as a representative body for those local authorities that resolve, in accordance with 2(a) above, to participate in the Arrangement (or in the alternative, should all 33 London authorities resolve to participate, that Leaders' Committee exercise these functions and the Governing Agreement be varied accordingly); and
  - (c) All London local authorities respond in writing to the London Councils Chief Executive, by 14 April 2014, or before the day of the local government elections (22 May 2014), to advise of their decisions regarding the matters set out at paragraphs 2(a) and 2(b) above.

# **Pensions Working Group: Progress report and proposed next steps towards a London LGPS CIV**

## **Introduction**

1. At its December 2013 meeting, Leaders' Committee received a progress update from the Pensions Working Group (PWG), which outlined the views and recommendations of the PWG in respect of the potential London LGPS Collective Investment Vehicle (CIV). Leaders' Committee agreed the recommendations of the PWG that a business case and formal proposal should be prepared to inform decisions for implementation of a CIV which should be structured as a UK based, Financial Conduct Authority (FCA) Authorised Contractual Scheme (ACS). This report sets out the proposed business case, and formal proposal as to how to proceed. Leaders' Committee is asked to endorse the formal proposal for the formation of the ACS and its Operator, and to recommend the proposal to their own Council.
2. This paper recaps the financial benefits which may arise from operating an ACS, and sets out further details of the expected costs. It also sets out further details of the proposed structure of the ACS and potential governance arrangements (including the ACS Operator), together with the steps that are required to progress the project and establish the ACS and its Operator. This is set out in detail in Annex A, which should be read in conjunction with this report. The decision as to whether to invest in the ACS, once established, will remain with each Borough Pensions Committee and is distinct from the decision which is now being recommended to establish a new Pensions CIV Joint Committee and the Operator of the ACS. Any decisions regarding investment in the ACS will not begin until later in the year and are likely to be on an asset class by asset class basis.

## **Background**

3. In 2012, a report from PwC set out options for reconfiguring the London LGPS funds, and indicated the possible financial benefits of a CIV. Since then, the matter has been discussed several times, and it was agreed that further consideration should be given to creating a CIV, and that the most appropriate structure for the CIV would be an ACS. A number of the local authorities agreed to contribute £25-£50k towards exploring the proposal which are held in a designated fund by London Councils. These contributions will fund the professional costs associated with development of the proposed ACS and its Operator.
4. The Government issued a call for evidence on the future structure of the LGPS last year, and sought professional advice to consider either Collective Investment Vehicles or merger of funds as potential routes forward. This advice, being provided by Hymans Robertson, and the Government consultation are expected to be published shortly. However, it is unlikely that this will be ahead of Leaders' Committee meeting. Nonetheless, informal indications are that, while undoubtedly Leaders' Committee position will need to be considered in the light of whatever is published, it seems unlikely that the benefit of CIVs will be fundamentally challenged.

5. At its December 2013 meeting, Leaders' Committee resolved to engage expert legal and financial services advisors to assist in the development of the ACS and its Operator. These advisors, along with a Custodian advisor, have been appointed and over recent weeks further analysis has been undertaken on the legal, regulatory, and financial aspects of implementing the CIV, in consultation with City of London lawyers who are London Councils' general legal advisors. The Leaders' Committee asked the PWG, having regard to that specialist advice, to develop a robust business case and formal proposal to proceed with implementation of the ACS to inform Boroughs' decisions, and this is set out in the sections which follow.

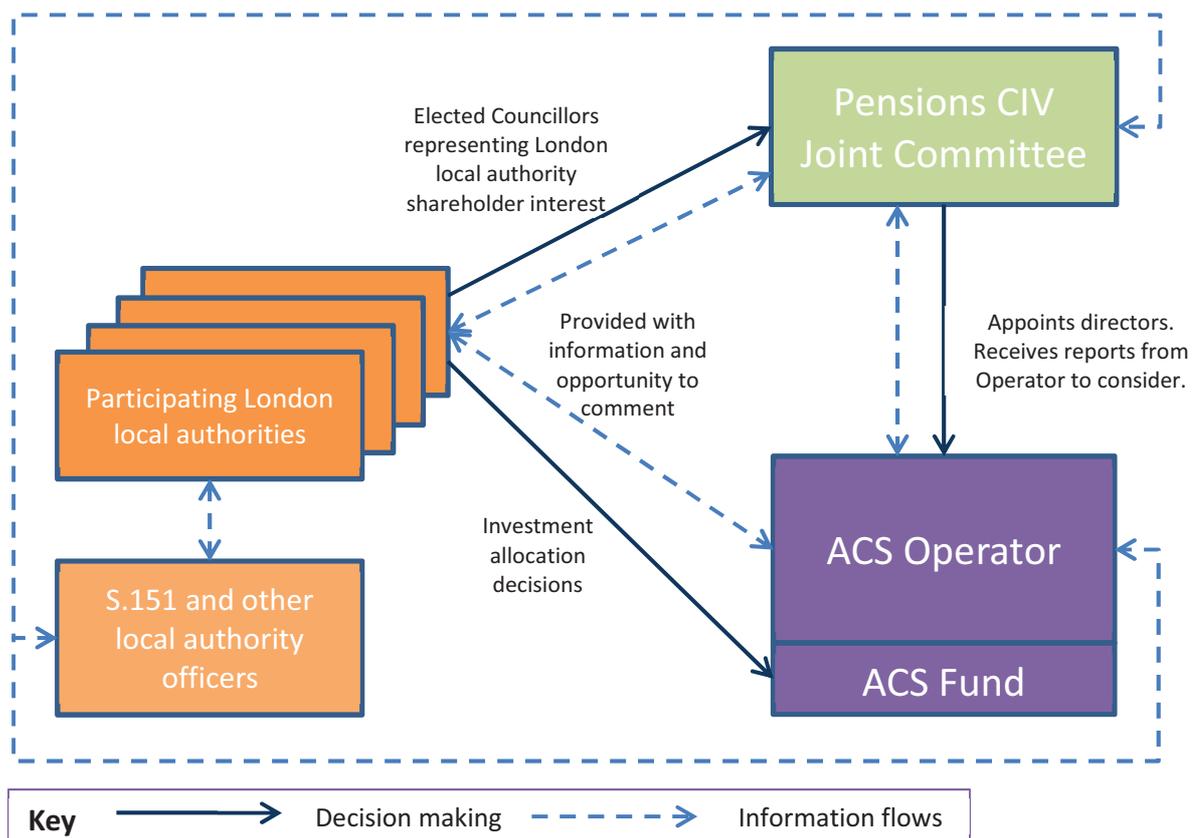
### **Proposed structure**

6. It was previously agreed that the most appropriate structure for the CIV is an ACS fund and nothing has emerged to suggest that that recommendation should change. The ACS will require an FCA regulated ACS Operator to be established. The board of directors and employees of this company will have overall responsibility for the operation of the ACS.
7. In considering the proposed structure of the ACS and its Operator, the PWG has sought to adhere to the following overarching principles, in order that the arrangement can best meet the requirements of the boroughs:
  - a) Investment in the ACS should be voluntary. A borough should be able to decide it does not wish to participate, or to the extent it initially decided to participate, to choose to withdraw its investment.
  - b) If a borough chose to invest, it will be able to choose which asset classes to invest into, and how much it might invest into each asset class.
  - c) The boroughs should have sufficient control over the ACS Operator, in order to be assured that it will be acting in their best interests.
  - d) The ACS Operator would provide regular information to participating boroughs regarding the performance of managers, investment options, and other areas, so that information continues to be available to the same extent it is currently in order for boroughs to make investment decisions.
  - e) Authorities seeking to invest in the ACS will also take a shareholding interest in the Operator (and have membership of the Pensions CIV Joint Committee).
  - f) The ACS will not increase the overall investment risk faced by boroughs.
8. The ownership structure and process for governance and decision making of the ACS Operator has been considered in some detail and is set out in the diagram below. The analysis contained in this paper including the Annex is a summary of the key issues associated with the establishment of the structure. Additional detail including in particular legal and regulatory analysis will be required in due course as the project progresses.
9. In broad terms, the proposed structure is that the boroughs will own all the share capital of the ACS Operator. Initially this will require minimal share capital (£1 per borough) but this capital requirement will increase once the operator is authorised and investments

are made in the ACS. The capital requirements are considered in more detail below (see paragraphs 14-18).

10. A new 'Pensions CIV Joint Committee' will be established under the existing London Councils arrangements to assist in the appointment of directors to the ACS Operator. The Pensions CIV Joint Committee will comprise elected Councillors nominated by participating boroughs as provided for under the existing London Councils Governing Agreement. Information will be provided regularly by the ACS and the ACS Operator to local authorities investing, and their Pension Committees and officers, and the Pensions CIV Joint Committee. Borough treasurers will provide advice to both the borough Pension Committees (as they do now) and to their authority's representative on the Pensions CIV Joint Committee.
11. The governance arrangements and lines of communication between various interested parties are illustrated in the diagram below.

**Fig 1 – CIV governance and communication lines**



12. The proposed structure has been designed to allow boroughs to have strong oversight and control over the ACS Operator. This oversight and control is achieved at a number of levels including the following:
  - a) The boroughs will own all the shares in the ACS Operator and will be able to exert influence over the ACS Operator's board and activities through their shareholdings;

- b) The 'Pensions CIV Joint Committee' will be made up of elected Councillors nominated by their boroughs. This Joint Committee will represent and assist the boroughs having a shareholding in the ACS and will have the power to identify and appoint key directors to the ACS Operator. It would also be a forum to discuss key issues which affect the participating local authorities, both individually and collectively;
  - c) Subject to regulatory requirements, the board of directors of the ACS Operator is likely to include some representatives of the shareholders of the ACS Operator (expected to be appointed from the elected Councillors who will sit on the Pensions CIV Joint Committee and who will represent all participating local authorities' interests);
  - d) The ACS operator will require staff (on a part-time basis) to assist in activities including investment manager selection and it is proposed that as many of these roles as possible may be undertaken by existing elected Councillors and officers of boroughs with relevant experience; and
  - e) Information relating to the performance of investments and the ACS Operator will be made available on a regular basis to boroughs investing and the Pensions CIV Joint Committee representing the boroughs' shareholding interest in the Operator.
13. Should boroughs be minded to proceed with establishing the ACS Operator, at this stage the company can be established with interim directors, with formal appointments for the ongoing directors made in the autumn, prior to FCA approval.

#### **Capital requirements of the ACS Operator**

14. Initially the ACS Operator will only require minimal share capital and, as such, it is recommended that each borough that wishes to proceed will acquire £1 of share capital in the company.
15. Immediately before the ACS Operator receives regulatory approval (expected to be 4th quarter 2014 or 1st quarter 2015), it will require capital of c£100,000. It is proposed that this capital would be contributed by those boroughs who choose to move forward with the ACS in Autumn – so for example if 10 boroughs decided to proceed with the ACS in Autumn, this would require a capital contribution of £10,000 per borough.
16. Once the ACS starts receiving investments, it will require additional capital. It is proposed that boroughs who invest pension assets in the ACS, would contribute capital to the ACS Operator in proportion to the assets invested, expected to be c.2 to 3 basis points of assets invested (e.g. for £5bn of assets invested in the ACS, the ACS Operator would require capital of £1m to £1.5m). It should be noted that this contribution is an investment rather than an expense as this capital would be invested in liquid assets such as gilts rather than being used to pay expenses.
17. It should be noted that this contribution is an investment rather than an expense as this capital would be invested in liquid assets such as gilts rather than being used to pay expenses. It is not expected that this should materially impact any return to the boroughs as the funds invested could be from existing pension assets which are currently invested in gilts or similar investments. As such the borough fund could retain

exactly the same investment profile except that a very small proportion of its assets invested via gilts would be held indirectly through the ACS Operator rather than directly as at present.

18. It should be noted that boroughs who contribute £1 of share capital now will be under no obligation to make any further capital payments to the ACS operator. To the extent a borough takes a subsequent decision to invest in the ACS, it is proposed the borough would at that point invest further capital. (see paragraph 15).

### Financial case

19. Previous work undertaken by PwC estimated savings in the region of £120m per annum from the creation of a CIV (the ACS), provided there was close to full participation by the 33 London local authorities. These benefits arose from reduced investment management fees, and improved performance. Costs of running the ACS were estimated to be £4.8m if there was full participation from all the authorities. At lower levels of participation, both the financial benefits and the costs would reduce.
20. More work has now been undertaken on potential costs and benefits, based on high level assumptions, and these are summarised in the table below. Additional details on the savings and costs are set out at Annex A. It is clear that, based on the expected savings previously identified, forecast costs should be comfortably covered by savings in reduced management fees.

**Fig 2 - Summary of savings and costs**

	<b>Assets under management £24bn</b>	<b>Assets under management £10bn</b>	<b>Assets under management £5bn</b>
	<b>£ 000's</b>	<b>£000's</b>	<b>£ 000's</b>
Expected savings per annum	120,000	50,000	25,000
On-going Costs per annum	(6,100)	(3,650)	(2,750)
Establishment Costs	(1,700)	(1,500)	(1,400)

21. Savings and costs have been analysed for assets under management of £24bn, £10bn and £5bn. It is considered that a reasonable minimum target size of assets under management for the ACS is in the range of £5bn. This is based on analysis of existing investments held by LGPF funds undertaken by the PWG and also takes into account that initially the majority of investment mandates are likely to be passive mandates. Over time, it is expected that active mandates and investments into alternatives such as property and some infrastructure assets may be added to the range of investments offered by the ACS.
22. Even at a level of assets under management of £5bn, the expected savings materially outweigh the expected costs. The actual savings and costs will naturally depend on the number of participating boroughs, amount of assets under management and the mix of investments that are selected for the ACS. It is expected that additional work to decide

on new investment managers and to agree costs will begin in the 4th quarter 2014 in order that boroughs can make investment decisions in 1st quarter 2015.

23. There will be professional fees and other costs associated with making the ACS fully operational (described as Establishment Costs in Fig 2 above). £625,000 of these costs has already been funded by boroughs and £344,000 committed to date. It is currently proposed that any additional costs of establishment, over and above the £625,000, would be borne by boroughs that choose to participate further in Autumn.
24. It should be noted that there is no obligation for any boroughs that choose to agree the recommendations set out in this paper to commit to any additional funding of costs. To the extent a borough takes a subsequent decision to invest in the ACS, it is proposed the borough would at that point invest further capital. (see paragraph 15).

### **Next Steps**

25. Broadly, if the recommendations of this paper are agreed, and a number of boroughs wish to participate in the joint arrangements, the following steps will be undertaken:
- a) A new joint committee, (the 'Pensions CIV Joint Committee') will be established under the relevant legislation and existing London Councils Governing arrangements. To the extent all 33 boroughs wish to participate, London Councils Leaders' Committee would fulfil this role instead and the London Councils' Governing Agreement varied accordingly.
  - b) The ACS Operator will be established, with participating boroughs having £1 of share capital in the company, and interim directors appointed.
  - c) Further work will be undertaken regarding the final design and operation of the ACS Operator and ACS. The documents required by the FCA for the ACS and the ACS Operator to become authorised will be prepared.
26. A proposal will be prepared for Leaders' Committee to consider in the Autumn which will provide a clear timetable and costs for obtaining regulatory approval for the ACS Operator and the ACS, request a commitment for the initial capital of c. £100,000 from those authorities wishing to participate such that the ACS Operator can be authorised and request funding for establishing the initial staffing of the ACS Operator, and to meet any further establishment costs (per paragraphs 23 and 24 above).

### **Recommendations**

27. Leaders' Committee is asked to:
- 1. Consider the report and the underlying business case supporting the establishment of a collective investment vehicle, in the form of an authorised contractual scheme (the "ACS"), for local authority pensions in London ("the Arrangements"); AND
  - 2. Endorse and recommend to each local authority which decides to participate that, they resolve that:
    - (a) a private company limited by shares be incorporated to be the Authorised Contractual Scheme Operator (the "ACS Operator"), structured and governed as outlined in this report, and that the local authority agrees –

- (i) to become a shareholder in the ACS Operator, and
  - (ii) to contribute £1 to the ACS Operator as initial capital, and
  - (iii) to appoint an elected Councillor who will have power to act for the local authority in exercising its rights as a shareholder of the ACS Operator, and
  - (iv) that Mayor Pipe, Councillors O'Neill and Dombey, Mr Chris Bilsland (Chamberlain, City of London), Mr Chris Buss (Finance Director, LB Wandsworth), Mr Ian Williams (Finance Director, LB Hackney), and Mr John O'Brien (Chief Executive, London Councils) be appointed as the interim Directors of the ACS Operator, subject to the consent of their relevant authorities to the appointments. These directors may be replaced once FCA authorisation is formally applied for; and
- (b) a representative body, in the form of a new sectoral joint committee (the "Pensions CIV Joint Committee"), is established (pursuant to the existing London Councils Governing Agreement, dated 13 December 2001 (as amended)) to act as a representative body for those local authorities that resolve, in accordance with 2(a) above, to participate in the Arrangement (or in the alternative, should all 33 London authorities resolve to participate, that Leaders' Committee exercise these functions and the Governing Agreement be varied accordingly); and
- (c) All London local authorities respond in writing to the London Councils Chief Executive, by 14 April 2014, or before the day of the local government elections (22 May 2014), to advise of their decisions regarding the matters set out at paragraphs 2(a) and 2(b) above.

## **Legal Implications**

28. The main legal implications are contained in this report and the attached Annex. The detail of the structure and governance of the ACS and its Operator will be firmed up as the preparatory work progresses. The establishment of a joint committee will be in accordance with arrangements under the Local Government Act 1972 and the Local Government Act 2000 to arrange for the joint discharge of decision making by the participating local authorities to support the arrangements for the collective investment vehicle. The Joint Committee will initially be established under the London Councils Governing Agreement, and the Terms of Reference of the new joint committee will provide for shared administrative functions, a forum to discuss key issues and power to appoint key directors of the ACS Operator; and it could be used more broadly if boroughs felt that to be appropriate. Should all 33 London local authorities resolve to participate, Leaders' Committee would discharge the relevant local authority functions and the Governing Agreement formally varied accordingly.
29. The Councils have power to enter into these arrangements as part of their function as an administering pensions authority taking account of its duty to invest in the interests of the pension fund and obligations in the Local Government (Pension Scheme) Management and Investment of Funds Regulations 2009. Additionally Councils have

power to invest further to Section 12 of the Local Government Act 2003 and must act in accordance with principles of best value and their general fiduciary duty.

### **Financial Implications**

30. The Director of Corporate Resources reports that the estimate of possible costs and benefits arising from the establishment of a collective investment vehicle are detailed in full within the Annex of this report and summarised in the table at paragraph 20.
31. These figures are initial estimates and will be firmed up as preparatory work progresses, particularly in relation to the establishment and on-going costs. As detailed in paragraph 23, 25 boroughs have each been invoiced for a sum of £25,000 as a contribution towards establishment costs, amounting to £625,000 in total, with £344,000 of that sum committed to date.
32. There are some governance related issues that require further clarification, particularly surrounding the accounting requirements of the newly proposed Pensions CIV Joint Committee and how this will relate to the existing London Councils financial structures and work will continue to clarify this position.

### **Equalities Implications**

33. There are no equalities implications for London Councils.

### **Attachments**

Annex A: Business Case

### **Background Papers**

13 March 2012, Leaders' Committee report:

[http://www.londoncouncils.gov.uk/committees/agenda.htm?pk\\_agenda\\_items=4796](http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=4796)

13 November 2012, Leaders' Committee report:

[http://www.londoncouncils.gov.uk/committees/agenda.htm?pk\\_agenda\\_items=5072](http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=5072)

11 December 2012, Leaders' Committee report:

[http://www.londoncouncils.gov.uk/committees/agenda.htm?pk\\_agenda\\_items=5109](http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=5109)

14 May 2013, Leaders' Committee report:

[http://www.londoncouncils.gov.uk/committees/agenda.htm?pk\\_agenda\\_items=5252](http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=5252)

19 September 2013, Executive report:

[http://www.londoncouncils.gov.uk/committees/agenda.htm?pk\\_agenda\\_items=5353](http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=5353)

26 November 2013, Executive report:

[http://www.londoncouncils.gov.uk/committees/agenda.htm?pk\\_agenda\\_items=5490](http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=5490)

10 December 2013, Leaders' Committee report

[http://www.londoncouncils.gov.uk/committees/agenda.htm?pk\\_agenda\\_items=5495](http://www.londoncouncils.gov.uk/committees/agenda.htm?pk_agenda_items=5495)

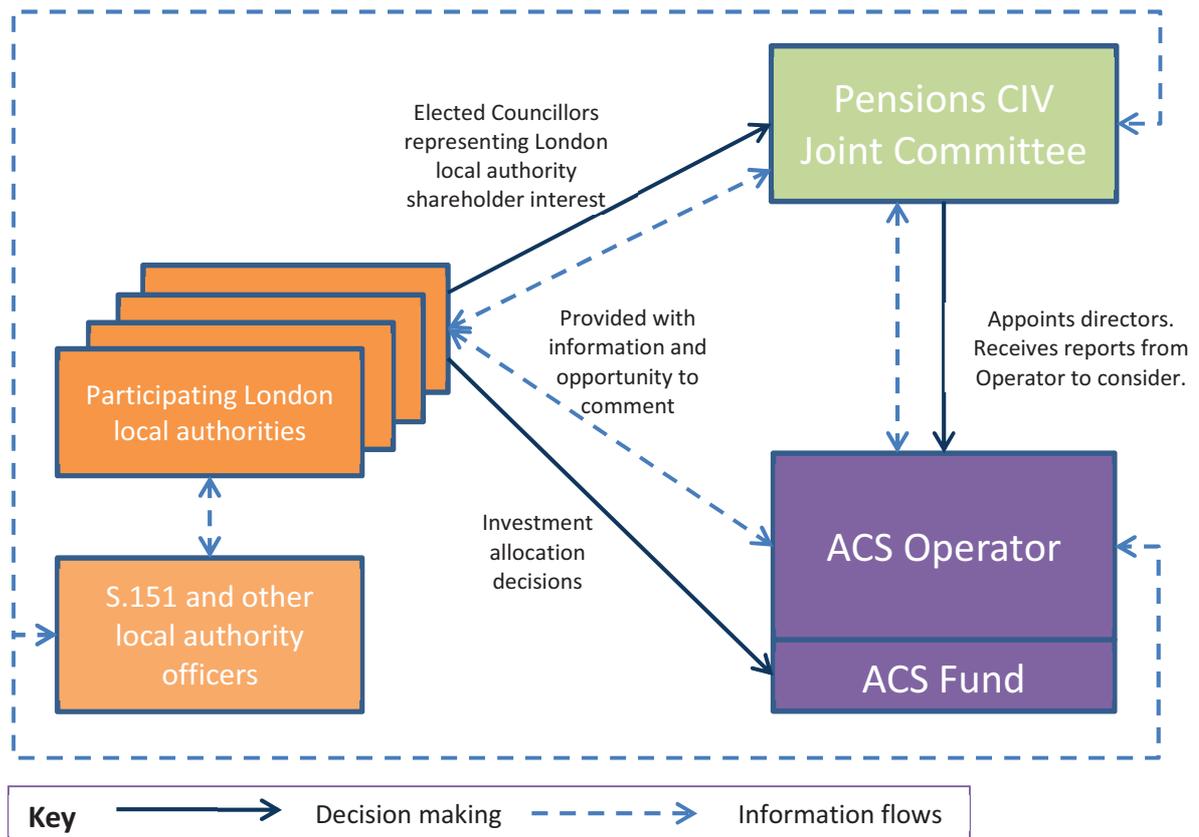
## **Business Case**

1. At its December 2013 meeting, Leaders' Committee agreed the recommendations of the PWG that a business case and formal proposal should be prepared to proceed with implementation of a Collective Investment Vehicle, in the form of an Authorised Contractual Scheme (ACS). This Annex sets out the proposed business case.
2. This paper sets out further details of the proposed structure of the ACS and potential governance arrangements, including the establishment and capital requirements of the ACS Operator. It then recaps the financial benefits which may arise from operating an ACS, and sets out further details of the expected costs.

## **Proposed structure**

3. It was previously agreed that the most appropriate structure for the CIV is an ACS fund and nothing has emerged to suggest that that recommendation should change. The ACS will require an FCA regulated ACS Operator to be established. The board of directors and employees of this company will have overall responsibility for the operation of the ACS.
4. In broad terms, the proposed structure is that the participating boroughs will own all the share capital of the ACS Operator. Initially this will require minimal share capital (£1 per borough from those who wish to participate) but this capital requirement will increase once the operator is authorised and investments are made in the ACS. The capital requirements are considered in more detail at paragraph 32 onwards.
5. A new 'Pensions CIV Joint Committee' will be established to assist in the appointment of key directors of the ACS Operator, such as the Chairman and Chief Executive Officer. The Pensions CIV Joint Committee will comprise elected Councillors nominated by participating boroughs. Information will be provided regularly by the ACS Operator to investors in the ACS and borough Pension Committees and officers, and the Pensions CIV Joint Committee.
6. The governance arrangements and lines of communication between various interested parties are illustrated in the diagram below.

**Fig 1 – CIV governance and communication lines**



7. The following sections set out the above arrangements in more detail, setting out the governance arrangements, potential staff requirements, and the proposed process for investment manager selection and asset allocation.

**Governance structure of the ACS Operator**

8. The process for governance and decision making has been considered in some detail, and there are a range of options for how the governance arrangements could be structured. The precise arrangements would always be open to Council scrutiny and amendment, and subject to FCA requirements, but what is laid out below is seen as appropriate initial proposals to take the project forward at this point. Extensive legal advice has been taken and has been used to formulate the proposals that lead to the framework described below.

9. It is proposed that a new joint committee (the ‘Pensions CIV Joint Committee’) will be established under both section 102 of the Local Government Act 1972, Section 9EB of the Local Government Act 2000, and clause 3.1 of the existing London Councils’ Governing Agreement, to act as a representative body for those local authorities that have chosen to participate, and would be made up of the Leaders (or another nominated elected Councillor) of those councils participating in the ACS. Should all the boroughs participate, this role would be performed by London Councils’ Leaders’ Committee (and the Governing Agreement would need to be formally varied). In relation to the make-up of this joint committee, it is proposed that boroughs that agree to become a shareholder in the ACS Operator would appoint a representative who will sit

on this committee. Whilst typically the borough Leader might be appointed as the representative on the joint committee, in the event that meetings are required to deal with specialist matters e.g. discussions on investment matters, it may be that a person with appropriate expertise would act as a deputy to attend such meetings, e.g. for investor matters, the Chair of the relevant Borough Pension Committee could be appointed. A deputy would need to be appointed at the same time as the main representative. Provision is made for these arrangements under the existing London Councils Governing Agreement dated 13 December 2001 (in particular refer to clauses 3.1 and 4.5 of the Agreement and Standing Orders).

10. One of the main purposes of the Pensions CIV Joint Committee will be to act as a forum to recommend/approve the appointment of key directors to the board of the ACS Operator. The ability to appoint directors of the ACS Operator ultimately rests with the shareholders (who in practice, the Elected Councillors sitting on the joint committee represent) and analysis is currently on-going to determine the most appropriate methodology for the wishes of the shareholders to be executed in a manner which is acceptable given various constraints that exist within local government, Companies Act 2006 requirements, and FCA regulations.
11. The exact mandate of the joint committee will require further consideration. The frequency of meetings of the joint committee also needs to be decided.
12. Should boroughs be minded to proceed with establishing the ACS Operator, at this stage the company can be established with interim directors, with formal appointments for the ongoing directors made later in the year, prior to FCA approval. It is proposed that, subject to no impediment for the individuals, the members of the Pensions Working Group would sensibly be asked to take the roles of interim directors, augmented by the Chief Executive of London Councils. For clarity that would be Mayor Pipe, Councillors O'Neill and Dombey, Mr Chris Bilsland (Chamberlain, City of London), Mr Chris Buss (Finance Director, LB Wandsworth), Mr Ian Williams (Finance Director, LB Hackney), and Mr John O'Brien (Chief Executive, London Councils). Their appointment would be subject to the consent of their relevant authorities.
13. It is proposed that up to three elected Councillors from the Pensions CIV Joint Committee could be directors of the ACS Operator. The directors have to be approved by the FCA and will have fiduciary duties and responsibilities. The decision as to who could be in these roles is to be decided. It is not a requirement for Elected Councillors sitting on the joint committee to have any director roles, and this will be one of the early matters on which the initial participating boroughs who join the joint committee and participate in the ACS will be asked to decide.
14. The ACS Operator will provide regular information to the participating Borough Pensions Committees about the ACS. The Borough Pensions Committees would be given the right to receive presentations by the investment managers on performance.
15. As illustrated in Figure 1, it is recognised that s.151 officers will provide advice to both their representative joint committee elected Councillor, and their Borough Pension Committee. In addition, it is anticipated that Treasurers may require occasional opportunities to receive information directly from the ACS Operator and to raise any

issues or questions. The Society of London Treasurers is likely to have a role in facilitating discussions with the ACS Operator at an officer level where those matters under discussion collectively affect Treasurers' authorities.

#### *Staff resources*

16. In terms of staffing requirements, there are a number of roles required within the ACS Operator, and the precise detail of the final establishment of the ACS Operator will need to be confirmed later. However, in order to understand costs, the following has been assumed. Firstly, there would be 2-3 FTE admin staff, who are likely to be graded at bands B and C on London Councils' salary scales. These staff would assist in the running of the ACS Operator, for example drafting and reviewing reports, and providing support to the meetings of the board of directors, relevant committees of the board, and support teams.
17. At the outset, there will also be a lot of activity in respect of investment management selection. This may require 5 to 6 individuals, with a strong level of understanding of the process for selection of managers. It is thought that this group could comprise of a number of existing borough pensions staff, potentially seconded into the ACS Operator for a period of time. Potentially an external hire may also be required. This group would undertake the activities which would ultimately lead to a recommendation being made to the ACS board as to investment mandates of the ACS and the managers to appoint, in a similar fashion to the existing arrangements within boroughs where pension officers will report to their Pensions Committee. Further details are set out at paragraph 22 onwards.
18. To oversee the activities set out above, and oversee and manage suppliers, it is expected that a chief operating officer would be required. In the first instance, this is likely to be a full time role, however once the ACS Operator and ACS are fully established, the time required may decrease. The need for this role, its responsibilities, and options for filling it, could be considered by the ACS Operator interim directors (see paragraph 12).
19. In addition, a chief executive officer and finance director would be required. These are expected to be part time roles, and could potentially be undertaken within the existing roles of London Councils. These decisions do not need to be taken immediately and, again, could be addressed by the interim directors as one of their early decisions. A compliance director, risk officer, anti-money laundering officer, and chief investment officer will also be required, and how to source these individuals will be considered as an early part of the process. It should be noted that, in addition to the liability of the corporate entity, individuals in these roles need approval from the FCA and have personal liability.
20. To the extent that resource is not available, either from within London Councils or seconded from boroughs, additional third party or professional costs may be incurred. It is anticipated that these costs will be analysed in due course once the key roles have been more fully defined and the availability of suitable internal resources have been considered.

21. The fact that the boroughs will have a significant role both at the level of the ACS Operator and as investors in the ACS means that the FCA will require a robust conflicts of interest policy to be in place.

### **Investment manager selection and asset allocation**

22. There are two key areas of responsibility which will allow boroughs to select the investments they wish to make. Following consultation with boroughs, the ACS Operator will offer a number of mandates to investors and will select a number of managers for this. The final decision over the selection of managers rests with the board of directors of the ACS Operator. The decision regarding asset allocation and whether to invest in the mandates being offered will be at the full discretion of each borough.

23. It is proposed that investment manager selection would be undertaken by an investment advisory team of the ACS Operator as described in paragraph 17 above which would report into the board of directors. There are a range of options for how this is set up, as the team can comprise elected Councillors, officers, and external hires if required. The preferred composition of this group would be decided in due course, but it is expected to be a mix of elected Councillors and officers, probably 6 to 8 in number. The majority of the roles on this group are expected to be part time although as more assets are added to the ACS and additional mandates and alternative investments are added, some of these roles may become full-time.

24. Once the ACS itself is established, it would be at the discretion of the boroughs whether they choose to invest in any or all of the ACS sub-funds. In order to allow individual borough to decide asset allocations between managers, the assumption is that the fund structure will be an umbrella fund, with each sub-fund having a specific investment mandate and investment manager. If a borough decides to invest in a particular mandate, they would simply acquire units in the relevant sub-fund. Please see Appendix A for a visual representation of this structure.

### **Legal and regulatory considerations**

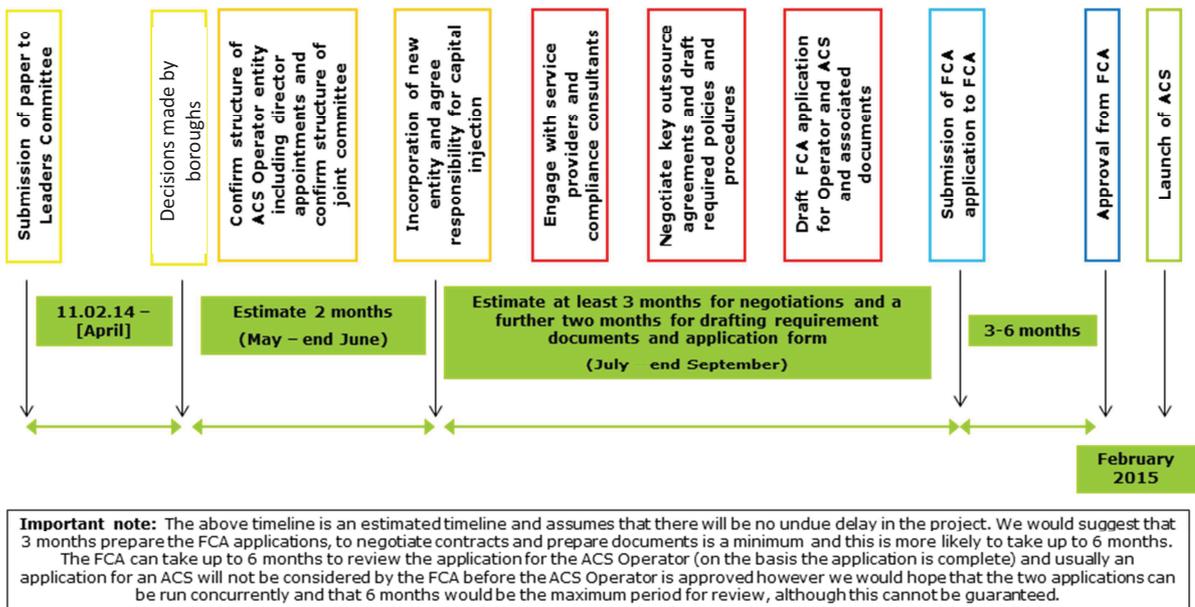
25. This section sets out some of the legal and regulatory considerations in connection with the set-up of the ACS Operator and the ACS, and sets out a timeline for achieving this.

26. The ACS will require a Financial Conduct Authority (FCA) regulated ACS Operator to be established. Typically this is in the form of a limited liability company, which is proposed here. The ACS Operator and the ACS are heavily regulated. There is a separate authorisation process for each of them, involving different divisions of the FCA. The process for the authorisation of the ACS Operator requires detailed information to be supplied in particular around the qualifications of the board and key employees, their ability to carry out the key operational functions or supervise delegates, financial requirements etc. The form requires detailed information. The authorisation process can take between 6 and 12 months. As this application is for local authorities it is hoped that the application for the ACS operator and the ACS would be run concurrently by the FCA and we would hope the authorisation process would take nearer to six months than twelve, however this cannot be guaranteed.

27. The board of directors and employees of the ACS Operator will be responsible for the overall operation of the ACS. In order to meet these obligations it will need to appoint a number of external service providers, including the administrator, the registrar and transfer agent and investment managers. These appointments will need to be reasonably advanced to submit detail and draft documents to the FCA at the time of the application for authorisation.
28. In addition to the corporate entity being authorised individuals performing certain functions as described in this paper also require personal approval by the FCA.
29. We have set out below a proposed timetable for the launch of the ACS Operator and the ACS. This is subject to change and dependent on a number of factors, such as consideration by Leaders' Committee, relevant decisions being taken by the boroughs wishing to participate in the arrangements, selection of key personnel and negotiation of key contracts.

**Fig 2. Proposed timetable for launch**

## Proposed timeline for launch of ACS and ACS Operator



30. The proposed timeline emphasises when certain decisions will need to be made. For example the fund mandates and strategies, and you will also note that certain service providers will need to be identified shortly following the incorporation of the ACS Operator entity, so that key commercial terms and service levels can be agreed. As discussed further below, the FCA application forms require in depth detail and draft documents which will take time to agree and complete and as such it is critical to consider these factors at the outset.
31. During the ACS establishment process, some regulatory clarifications will be required although it is not currently expected that there will be any material difficulties. In

particular, it will be important to confirm that a borough will be able to invest substantially all of its pension assets in a single ACS vehicle. Restrictions currently apply to certain collective investment vehicles. Whilst specific reference to ACSs is not made it will be important to ensure that the legislation is either amended or made clear that ACSs (and possibly other collective investment vehicles) which are operated by local authorities are carved out from these restrictions.

### **Capital requirements of the ACS Operator**

32. Initially the ACS Operator will only require minimal share capital and, as such, it is recommended that each borough that wishes to proceed will acquire £1 of share capital in the company.
33. Immediately before the ACS Operator receives regulatory approval (expected to be 4th quarter 2014, see timetable comments at paragraph 30), it will require capital of c. £100,000. The calculation of regulatory capital is complex, and depends on a variety of factors, including the expected fixed overheads of the ACS Operator.
34. It is proposed that the c. £100,000 of ACS capital would be contributed by those boroughs which choose to move forward with the ACS in Autumn – so for example if 10 boroughs decided to proceed with the ACS in Autumn, this would require a capital contribution of £10,000 per borough. It should be noted that this contribution is an investment rather than an expense as this capital would be invested in liquid assets such as gilts rather than being used to pay expenses.
35. Once the ACS starts receiving investments, the ACS Operator will require additional capital, which may be c.2 to 3 basis points of assets invested in the ACS (for £5bn of assets invested in the ACS, the ACS Operator would require capital of £1m to £1.5m). This capital is broadly required at the point in time when the assets under management are due to increase. The total required regulatory capital of an ACS Operator will not exceed 10m euros.
36. Once boroughs choose to invest pension assets in the ACS, it is proposed that they would contribute capital to the ACS Operator in proportion to the assets invested. It is not expected that this should materially impact any return to the boroughs as the funds invested could be from existing pension assets which are currently invested in gilts or similar investments. As such the borough could retain exactly the same profile for its pension investments except that a very small proportion of their assets invested via gilts would be held indirectly through the ACS Operator rather than directly as at present. The precise capital requirements, and the mechanism for the contribution of this capital, will be considered in more detail in the next phase of the project.
37. It should be noted that boroughs who contribute £1 of share capital now will be under no obligation to make any further capital payments to the ACS operator. To the extent a borough takes a subsequent decision to invest in the ACS, it is proposed the borough would at that point invest further capital.

### **Financial Case**

38. Having considered the potential structure and process for establishment, the following sections consider the financial case in more detail. There are a number of areas to

consider. Firstly the potential financial benefits of the ACS, and then the potential costs. These are considered in more detail below. It is clear that, based on the expected savings previously identified, forecast costs should be comfortably covered by savings in reduced management fees.

#### *Financial benefits*

39. The 33 London boroughs currently have over £20bn of pension assets under management. Previous work undertaken by PwC estimated savings in the region of £120m per annum from the creation of a CIV, provided there was close to full participation by authorities. Costs of running the ACS were estimated to be between 1 and 5 basis points (0.01% to 0.05%) of assets under management with the estimated costs, for full participation from all 33 London local authorities, estimated to be £4.8m per annum. At lower levels of participation, both the financial benefits and the costs would reduce. More work has now been undertaken on potential costs and benefits, based on high level assumptions, and these are summarised in the table below. It is clear that, based on the expected savings previously identified, forecast costs should be comfortably covered by savings in reduced management fees.
40. The primary cost savings previously identified were in respect of lower investment management fees, and improved performance. Further work since then indicates that there may be further savings in other areas. For example, when investing in a third party fund, it is likely that income from activities such as stock lending and foreign exchange will be earned, however may not be passed on to the boroughs and their pension investments to the same level as could be possible in the ACS. It has been estimated that the income from these activities could be in the region of 10 to 20 basis points. There is no current information available about the level of return that is currently allocated to boroughs in relation to their existing pension investments.
41. Additional analysis of costs has been undertaken since the PwC report. The broad conclusion of this analysis is that, depending on the level of participation, the marginal costs for investing in the ACS are likely to be in the middle of the original 1 to 5 basis point estimate and that there are potential additional savings that could be made.
42. A reasonable minimum target size of assets management for the ACS is considered to be in the range of £5bn of assets. This is based on work undertaken by the PWG, which shows that there are a number of boroughs who currently have very similar investment mandates with exactly the same investment managers. This research suggests that if 6 of the largest similar mandates with identical investment managers across a range of passive and active equity and bond mandates were selected in the ACS, scale of around £3bn could be achieved without any individual borough pension funds materially changing their currently selected mandates or manager. On the assumption that a number of other London boroughs would also be minded to invest in the ACS if it offered these mandates and given the initial interest expressed by boroughs in participating, a minimum target size of £5bn appears a reasonable assumption.
43. Indicative costs and potential savings are set out in the table below, for assets under management of £24bn, £10bn, and the minimum target size of £5bn explained at paragraph 42.

**Fig 3. Summary of potential savings and costs**

	<b>Assets under management</b>	<b>Assets under management</b>	<b>Assets under management</b>
	<b>£24bn £ 000's</b>	<b>£10bn £000's</b>	<b>£5bn £ 000's</b>
<b>Expected savings per annum<sup>(1)</sup></b>			
Investment management fees - 15 bps	36,000	15,000	7,500
Improved performance - 35 bps	84,000	35,000	17,500
<b>Total expected savings</b>	<b>120,000</b>	<b>50,000</b>	<b>25,000</b>
<b>On-going Costs per annum<sup>(2)</sup></b>			
<b>Custody costs</b>			
Custody costs (at 3.5bp, 4bp and 5bp)	(8,400)	(4,000)	(2,500)
<i>Incurring in existing third party funds<sup>(3)</sup></i>	<u>3,600</u>	<u>1,500</u>	<u>750</u>
Net Custody Cost	(4,800)	(2,500)	(1,750)
<b>Other Costs</b>			
Salaries –e.g. COO/Admin	(400)	(400)	(400)
- Audit/advice	(200)	(150)	(100)
- Offices/expenses	(200)	(200)	(200)
- Misc. Advisory	(500)	(400)	(300)
<b>Total On-going Costs</b>	<b>(6,100)</b>	<b>(3,650)</b>	<b>(2,750)</b>
<b>Establishment costs<sup>(2)(3)</sup></b>			
- Transition advisory including custody selection	(700)	(500)	(400)
- Other misc. fund advisory	(500)	(500)	(500)
- Legal, regulatory, and financial advice (funded already)	(600)	(600)	(600)
<b>Total Establishment Costs</b>	<b>(1,700)</b>	<b>(1,500)</b>	<b>(1,400)</b>

**Notes**

- (1) These savings are as previously reported. They have been allocated on a straight-line basis for assets under management less than £24bn. This is an assumption made for simplicity and any real savings may well be less and will depend on types of mandate, asset mix, etc. There are also other potential areas where financial benefits may arise, such as increased income from activities such as stock lending, which have not been quantified within the above.
- (2) All costs (other than custody costs) are estimated on very high level assumptions and may not reflect final costs.
- (3) For "other costs" and "Establishment costs", some of these expenses would be incurred in existing investments or on changes of manager/investment. No attempt has been made to estimate these existing costs to date.

### *Custody costs*

44. The main cost associated with running the ACS is from the custody of the assets. Custody costs are calculated as a basis point fee on the amount of assets, with the basis point fee reducing on a sliding scale as the amount of assets under custody increases.
45. In order to consider potential costs, assumptions regarding the potential value of the fund and number of sub-funds and investors have been made. These consider 3 possible scenarios based on the most commonly used asset classes, which are set out below. The assumptions used are not recommendations and are purely for illustration purposes for the business model:
- sub-funds representing the most frequently used asset classes with minimal uptake by London local authorities investing 50% of total value in these asset classes into the fund,
  - broader range of sub-fund asset classes with a third of London local authorities investing 50% of total value in these asset classes into the fund,
  - all London local authorities investing 75% of total value in these asset classes into the fund.
46. Based on the above, the indicative cost of running the fund may be as follows:
- 5 investors in 4 sub-funds (made up of mix of passive and active, global equity and UK equity) total £1bn, up to 10bps/minimum charge circa £500k per annum,
  - 11 investors in 10 sub-funds (made up of mix of passive and active, global equity, UK equity, global bonds, & alternatives) total £6bn, up to 5 basis points,
  - 33 investors in 15 sub-funds (made up of mix of passive and active, global equity, UK equity, global bonds, UK bonds & alternatives) total £14bn, up to 3.5 basis points.
47. These costs include Fund Administration (Transfer Agency and Fund Accounting), Depository and Custody. These costs would reduce where additional services e.g. a proportion of cash, foreign exchange and Securities Lending services are also conducted by the appointed Custodian (which is standard with London boroughs existing custody arrangements). Other factors that feed into the cost consideration include the frequency of investor dealing and frequency of valuation points. It should also be noted that Fund Accounting fees typically operate on a sliding scale with minimum fees per sub-fund, therefore the larger each sub-fund in terms of value the more cost effective.
48. In terms of a cost-benefit analysis, it is important to note that borough pension funds already pay custody fees either directly for existing segregated mandates or indirectly in third party fund investments. Accordingly, the cost-benefit analysis needs to look at the amount by which the custody costs that would be incurred from investing in an ACS exceed current custody costs borne by the boroughs on their existing investments.
49. In relation to existing segregated mandates, it is likely that savings would be achieved through moving such mandates to an ACS as this would reduce custody costs. This is

because most existing segregated mandates are relatively small and accordingly consolidating these mandates in the ACS should increase the amount invested in each mandate which in turn would result in a lower basis point custody charge.

50. In relation to existing third party funds, the cost-benefit analysis is more complex because it is difficult to determine the custody fees that are payable by the investment managers that have established these funds as such numbers are not always publicly available. An estimate of these costs would be in the 1 to 2 basis point range.
51. Based on this analysis, it appears that for higher levels of participation the costs will be lower than previously anticipated. For very low levels of participation (e.g. £1bn) the costs could be higher than the 5 basis point charge previously anticipated. Even at a £1bn level of participation, there may well be financial benefits associated with establishing an ACS but this level of participation is below the minimum level that might reasonably be expected.
52. At a level of assets of £5bn the additional custody costs would be expected to be in the range of 3 to 4 basis points (or £1.5 to £2m per annum), being an ACS custody cost of c.5 basis points less the 1 to 2 basis point charge which would have been incurred on existing investments.

#### *Other costs and benefits*

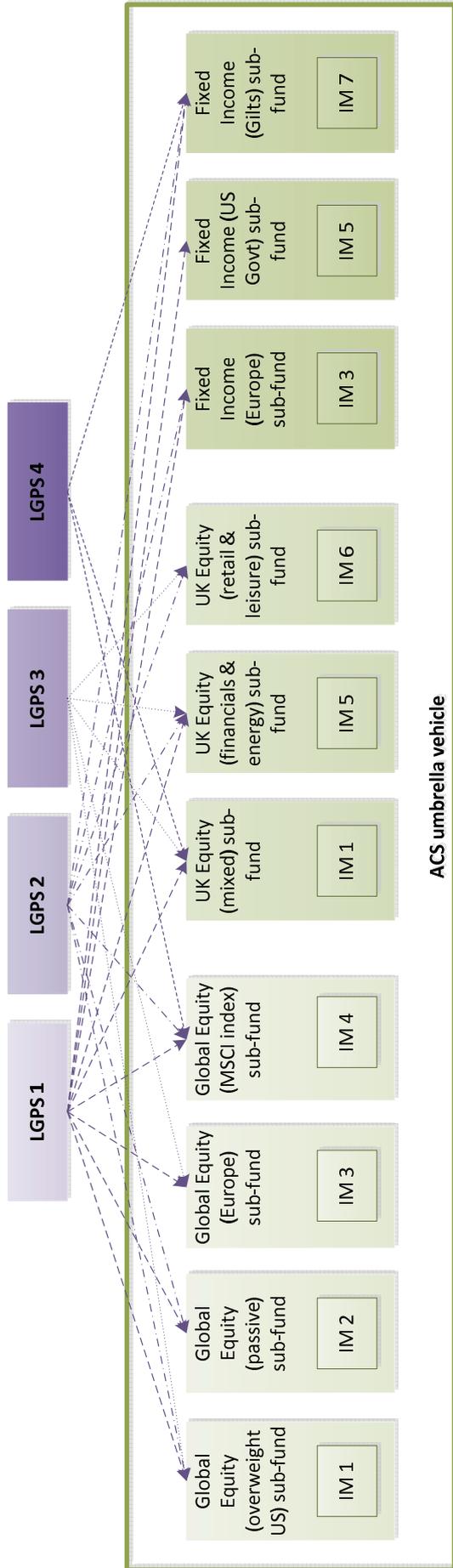
53. Other on-going costs of the ACS are likely to include staff costs, FCA fees, consultancy fees and administration costs including audit and taxation. These fees would be charged directly to the fund, as they would be now. Consultancy fees might include professional advice on investment manager selection. As this would be performed centrally at the ACS level rather than multiple times at individual borough level, it is likely that savings would be achieved in this regard. Admin costs would not be expected to be significant compared to the benefits identified.
54. In relation to staff costs, this is considered in more detail below but on the basis that it is expected that a majority of functions may not be full time and might be performed by existing local authority personnel, additional staff costs are not expected to be significant. For the purposes of the cost benefit analysis undertaken, an estimate of £400,000 per annum has been made. Practically, the roles which might be required are set out below.

#### *Establishment costs*

55. There will be a number of establishment costs incurred in setting up the fund. These will be one-off costs in the first year.
56. £625,000 has already been contributed to these costs by the boroughs, in order to engage professional advisors to perform the necessary financial and regulatory work. It is currently expected that this work will be performed within this existing budget.
57. As the project progresses, additional professional fees are likely to be incurred, for example to assist in training relevant individuals on their regulatory roles and to assist in the development of procedure manuals. It will become clearer in due course where costs may arise in this regard.

58. The transition of assets into the fund will also need to be considered, as assets are moved from existing managers to new managers appointed to the ACS. To a large extent, boroughs already incur similar costs as they transition assets to different managers in the ordinary course of their pension activities. As such these costs may well simply offset existing costs incurred by boroughs although clearly this depends on the level of fees currently charged and the number of transitions. Until further decisions are taken on the mandates that will be launched in the ACS, it is difficult to estimate accurately what these costs might be. An estimate of advisory fees required in connection with this transition management is included within the table, and is based on the experience of advisors on similar projects. It should be noted that the boroughs currently have regular manager transitions, and as such the costs of transition from setting up the ACS should result in lower annual transition costs going forwards.
59. From a tax perspective, the transfer of UK securities into an ACS should not be subject to UK stamp duty reserve tax (SDRT), and a tax clearance can be obtained in advance to give comfort. It is envisaged that the costs of transition would be borne by the pension funds who are moving their assets into the fund, and the cost would depend on the assets being moved. Due diligence will be needed for individual pension funds should they choose to invest, to consider the most appropriate way to transition into the fund.

**Appendix A - Indicative ACS umbrella structure**



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 <p><b>Brent</b></p>	<p align="center"><b>Full Council</b> 3 March 2014</p> <p align="center"><b>Report from the Director of Regeneration and Growth</b></p>
<p>For Action <span style="float: right;">Wards affected: All</span></p>	
<p><b>West London Waste Plan</b></p>	

## 1.0 Summary

- 1.1 This report presents a revised draft of the proposed submission version of the Joint West London Waste Plan which was agreed by Executive in January for statutory public consultation across west London in March / April. Subject to representations made, it asks Full Council to agree that it be submitted for Examination.

## 2.0 Recommendations

That Full Council:

- 2.1 Agrees the Proposed Submission Draft Joint West London Waste Plan, subject to representations made, be submitted for Examination.
- 2.3 Grants delegated authority to the Director of Regeneration and Growth to make minor editing and textual changes to the Proposed Submission Draft of the West London Waste Plan after consultation with the other 5 London Boroughs involved.

## 3.0 Detail

### Background

- 3.1 The 6 London Boroughs which comprise the West London Waste Authority (Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond upon Thames) agreed to prepare a Joint West London Waste Plan (WLWP). The Plan, when adopted, will form part of Brent's development plan. The purpose of the WLWP is to set out a planning strategy to 2026 for sustainable waste management, deliver national and

regional targets for waste recycling, composting and recovery and provide sufficient waste management capacity to manage waste arisings across the six west London boroughs. Planning applications for any new waste management facilities will be considered in the light of the WLWP policies, and they will also be assessed by each council against their local planning policies. The Plan identifies sites in west London which are allocated for waste processing. A list of the sites in west London is included as Appendix 4. There are no additional sites proposed within Brent. The Brent sites proposed for inclusion in the Plan are two existing waste management sites:

Twyford Waste Transfer Station  
Veolia Transfer Station, Marsh Road

- 3.2 The drafting of the WLWP has taken into account relevant planning legislation, national planning policy statements, on-going advice from the Greater London Authority and the Planning Inspectorate, and also lessons learnt from professional planning bodies and agencies. The previous key consultation stages in the drafting of the WLWP comprised:
- Issues and Options (February 2009)
  - Proposed Sites and Policies (February 2011)
- 3.3 Approval was given by Executive in December 2011 to proceed with consultation on the Proposed Submission Draft West London Waste Plan. However, further redrafting of the Plan has since been required, for the reasons set out below, and it has been necessary to bring the draft Plan back to Executive for approval of the changes.
- 3.4 Since that original decision was taken further preparation and publication of the Plan for consultation has been delayed for a number of reasons:
- a) The introduction of the Duty to Co-operate which came into effect in November 2011 as part of the Localism Act, 2011 and a subsequent nationally significant decision by an independent Planning Inspector. In his decision on the North London Waste Plan the Inspector advised that, to comply with the “Duty to Co-operate” introduced by the 2011 Localism Act, the boroughs needed to engage in the work of the relevant regional waste bodies and in one-to-one discussions with individual county waste planning authorities (WPAs) with jurisdiction for landfill sites where waste is sent for disposal. As a result of this, the north London boroughs agreed to start work on a new waste plan to comply with the Duty to Co-operate.
  - b) The NPPF issued by the Government in March 2012 introduced a general presumption in favour of sustainable development. Legal officers have advised that a policy on this should be introduced into the WLWP, similar to that now included in Part 1 of the Hillingdon Local Plan adopted in November 2012.

- c) A need to resolve policy wording issues to achieve general conformity with the London Plan 2011 waste planning policies.
- d) A need to revise sites in the London Boroughs of Harrow, Ealing and Richmond-Upon-Thames as well as the change in availability of various sites originally identified in the 2011 draft of the WLWP.
- e) The withdrawal of consultants Mouchel in July 2013, due to financial and capacity issues and the subsequent need to procure new consultants, BPP Consulting LLP.

3.5 Legal officers have advised that following the introduction of the Duty to Co-operate and the decision in the North London Waste Plan case, the WLWP will similarly be expected to demonstrate evidence of having effectively co-operated to plan from the outset for issues with cross-boundary impacts when it is submitted for examination. In his decision on the North London Waste Plan the Inspector there advised that, in order to meet the “Duty to Co-operate” introduced by the 2011 Localism Act, the boroughs needed to engage in the work of the relevant waste regional bodies and in one-to-one discussions with individual county waste planning authorities to whom waste is sent for landfill.

3.6 Officers working on the West London Waste Plan have since contacted the various county councils which receive waste from West London seeking views on the proposed content of the WLWP. The main points covered in their responses revolved around concerns that:

- a. there was often only a limited period remaining (e.g. 2-3 years) for waste to be sent for landfill to their area. In order to be sound the WLWP will need to demonstrate that alternative provision will be available during the 15 years covered by the Plan;
- b. the WLWP wording should be updated to fully reflect the National Planning Policy Framework, the 2011 review of the UK Waste Strategy 2007 and the latest waste plans covering the counties;
- c. in order to properly reflect the wording of national waste planning guidance in Planning Policy Statement 10, the WLWP should detail all waste arisings in the West London area (especially hazardous waste);
- d. greater detail is required on monitoring and implementation; and
- e. details should be provided in the Plan on the level of engagement that has taken place with other authorities. This is in order to satisfy an Inspector that the Duty to Co-operate has been fulfilled, especially as the Plan makes clear that on-going export of waste is likely to continue well into the plan period.

3.7 Officers have also engaged in discussions with the Greater London Authority, London Councils and the East of England and South East England county regional waste bodies to meet the requirements of the Duty to Co-operate and thus progress the Plan.

## Summary of Changes made to the Plan since the Executive approval in December 2011

- 3.8 The Plan has now been extended to 2031 to take into account the delays to the Plan and to align with the London Plan 2011 apportionment target end date. The main changes to the text of the Plan include:
- a. revised wording of policies WLWP 1 and WLWP 2 to ensure that they are in general conformity with the wording of the waste planning policies in the 2011 London Plan (see Appendix 1);
  - b. a policy on the Presumption of Sustainable Development to conform to the NPPF (see Appendix 2);
  - c. updated waste flow data and landfill capacities in the Plan using information from the relevant counties and the latest available Environment Agency data (see sections 3 and 4 of the Proposed Submission Draft of the West London Waste Plan attached at Appendix 4).
  - d. revised Plan text regarding the Duty to Co-operate, implications of the National Planning Policy Framework, further requirements of Planning Policy Statement 10 and the review of the 2007 UK Waste Strategy.
  - e. Preparing further documents required to accompany the Plan at Submission e.g. an accompanying Sustainability Appraisal.

## Differences between the approved and revised versions of the policies

- 3.9 Following discussions with the GLA concerning the implications of the waste policies in the 2011 London Plan, and subsequent discussion between the boroughs, officers have proposed revised wording to policies WLWP 1 & WLWP 2. Appendix 1 shows the original wording used for policies WLWP 1 & WLWP 2 approved by Executive in December 2011. The key changes are:
- An amendment to WLWP 1 concerning the safeguarding of both existing and proposed waste sites. Land for waste management uses, waste transfer sites and civic amenity sites are separated out, highlighting that they will be protected from alternative non-waste use in line with 2011 London Plan policy.
  - Amendments to WLWP 2 will mean that local communities will be protected from any adverse cumulative impact of a concentration of waste uses on an area is also to be taken into account when proposals for new waste facilities come forward.
- 3.10 Following an advisory meeting on the draft Plan with a Planning Inspector in May 2013, a new policy WLWP 6 is proposed which will reflect the presumption in favour of sustainable development within the NPPF. The policy is set out in full in Appendix 2.

## Changes to Chapter 4: Future Waste Management

- 3.11 Following discussions with officers, the GLA has agreed that a higher figure of 65,000 tonnes per annum per hectare can be used to calculate waste management

capacity needs. (This replaces the previous figure of 54,012 tonnes per annum per hectare). This has resulted in the need to allocate less land to meet the London Plan 2011 apportionment.

- 3.12 In September 2013, BPP Consulting carried out a review of existing waste capacity in the Plan area because the data in the draft Plan was getting out-of-date. This work took into account changes to licensed capacity and throughput in existing and new waste management facilities, as well as waste operations that might have shut down since the original waste capacity assessment was completed in 2010.
- 3.13 Verifying their method and results with the Environment Agency, BPP Consulting found the existing waste capacity in West London to be approximately 1.65 million tonnes per annum (tpa) compared to the previous figure of 900,000 tpa. This means that the West London area has enough existing capacity to meet the London Plan apportionment up to 2017 through existing waste management sites.
- 3.14 From 2018, the apportionment gap and additional land needed to meet key apportionment targets in the London Plan 2011 will be:
- 162,000 tpa by 2021 corresponding to 2.5 hectares
  - 383,000 tpa by 2026 corresponding to 5.9 hectares
  - 614,000 tpa by 2031 corresponding to 9.4 hectares

#### Changes to sites identified in the Plan

- 3.15 The main changes to the sites in the draft Plan since November 2011 are:
- a) loss of three sites: Victoria Road Transfer Station, Hillingdon; Transport Avenue Waste Transfer Station, Hounslow; and Yeading Brook, Bulls Bridge, Hillingdon
  - b) revised boundaries of Forward Drive, Harrow, Twickenham Depot, Richmond and Greenford Depot and Greenford Reuse & Recycling Site, Ealing
  - c) inclusion of one site: Rigby Lane Waste Transfer Station, Hillingdon

The reasons for these changes are set out in Appendix 4.

#### HS2 Safeguarding Direction

- 3.16 A further consideration is the HS2 Safeguarding Direction issued by the Secretary of State for Transport on 24 October 2013. The site affected by this, the Quattro Site in Park Royal, Ealing (Site 328), is an existing waste management site.
- 3.17 Following meetings with HS2 Ltd and LB Ealing, it has been agreed that the Quattro site will be allocated in the Plan for future waste uses up to 2017 when construction of HS2 commences. After this, the site will be available only after HS2 has finished using the site, estimated to be at the beginning of 2024. Should the site not be

required by HS2, the site will remain allocated as an existing waste site for future re-orientation to processing of waste.

#### Meeting the apportionment gap up to 2031

- 3.18 With the recalculation of existing capacity within the West London area, the additional amount of land required to meet the apportionment gap up to 2031 has been calculated at 9.4 hectares (to manage 614,000 tonnes pa).
- 3.19 Excluding the HS2 safeguarded site, the amount of additional land available in existing sites allocated for future reorientation is 9.5 hectares, which is just enough to fill the predicted apportionment gap in 2031. Additional land totalling 5.03 hectares is also available through two additional non-waste sites. Inclusion of the HS2 safeguarded Quattro site at 0.94 hectares gives further contingency post 2024. In total, 14.53 hectares will be available without the HS2 safeguarded site, which is sufficient to meet the apportionment target for 2031 and makes some provision for management of waste beyond the apportionment target as is stipulated by national guidance (PPS10).

#### Sustainability Appraisal

- 3.20 It is a requirement to undertake a sustainability appraisal of all development plans. The Sustainability Appraisal of the Waste Plan has been updated to take account of the changes described above and has not resulted in any significant change to the results. Additionally, an Equalities Impact Assessment has also been undertaken for the proposed policies. Both documents will be published as part of the Proposed Submission consultation.

#### Next Steps

- 3.21 All 6 West London boroughs are securing formal approval of the Waste Plan for public consultation. Once all six boroughs have approved the draft Proposed Submission Version of the WLWP, the remaining timetable for its preparation will involve:
- a) a statutory six-week period seeking representations on soundness (and legality) to take place across the six boroughs during March – April 2014.
  - b) assessment of representations and any further work to support the Plan prior to its submission to the Secretary of State for formal examination.
  - c) submission of the Plan to the Secretary of State in April or May 2014.
- 3.22 Officers anticipate that an Examination in Public will be held during Summer 2014 and that the WLWP will be adopted by the six boroughs as part of their respective Local Plans in Spring 2015.
- 3.23 The council is required to publish and keep up to date a timetable for the preparation of its development plan in a document called the Local Development Scheme (LDS).

Executive is therefore asked to agree the timetable set out above, through to adoption of the Waste Plan, for publication as part of its LDS.

#### **4.0 Financial Implications**

- 4.1 Brent's financial contribution towards the preparation of a joint WLWP is provided from Planning & Regeneration's existing budget. Whilst the actual amount varies from year to year there is an expectation that this will cost in the region of £30,000. Sufficient budget exists within the Planning & Regeneration service base budget to cover the annual cost.
- 4.2 There is a need for west London boroughs to identify land for processing waste through the development plan so that sites can deal with waste locally rather than it being sent to landfill. In doing so and diverting waste away from landfill, the authority will mitigate the effect of the tariff on landfilled waste which increases year on year.

#### **5.0 Legal Implications**

- 5.1 The Council has power to make joint arrangements with other boroughs for the discharge of its functions. The West London Waste Plan will constitute part of the Borough's development plan. The drafting of the WLWP has taken into account relevant planning legislation.
- 5.2 It is a requirement of the The Local Authorities (Standing Orders) (England) Regulations 2001 that the submission of development plans to the Secretary of State for Examination must be agreed by Full Council.

#### **6.0 Diversity Implications**

- 6.1 Full statutory public consultation has been carried out in preparing the Waste Plan. An Equalities Impact Assessment has also been carried out.

#### **7.0 Staffing/Accommodation Implications**

- 7.1 There are no staffing or accommodation implications arising directly from this report.

#### **8.0 Environmental Implications**

- 8.1 The Waste Plan may potentially give rise to a significant impact upon the local environment, particularly close to waste management sites. However, the identification and use of appropriate sites will mean that the environmental impact is controlled and minimised, particularly upon residential areas, and managing waste locally rather than it being sent to landfill will help mitigate the effects of climate change. A Sustainability Appraisal has been undertaken at all stages of preparing the Waste Plan.

#### **9.0 Background Papers**

West London Waste Plan, Proposed Sites and Policies, Feb 2011

**Contact Officers**

Any person wishing to inspect the above papers should contact Ken Hullock,  
Planning & Regeneration on 020 8937 5309

**Andy Donald****Director, Regeneration & Growth**

## **APPENDIX 1:**

### **CHANGES TO WEST LONDON WASTE PLAN POLICIES WLWP 1 AND 2**

#### **Previously Approved Version of the Policies**

##### WLWP Policy 1 – Safeguarding and Protection of Existing and Allocated Sites

Land accommodating existing waste management and waste transfer uses in west London will be safeguarded for continued use for waste facilities (Appendix 4 Table 4-1 and 4-2). Sites in Appendix 5 Table 5-1 are also allocated for waste use. Development for non-waste uses will not be considered on the land identified in these three tables unless compensatory and equal provision of sites for waste, in scale and quality, is made elsewhere within the west London Boroughs.

##### WLWP Policy 2 – Location of Waste Development

Waste development proposals on sites listed in Tables 4-1, 4-2 and 5.1 will generally be supported, provided that the proposals comply with the other WLWP policies and the boroughs' adopted development plans.

Waste development on other sites, not listed in Tables 4-1, 4-2 and 5.1, may be permitted if the proposals comply with the other WLWP policies and the boroughs' adopted development plans, and:

- it can be demonstrated that the development is not suitable for, or cannot be delivered at, any sites listed in Tables 4.1 and 5.1; and
- for some reason, identified sites have not come forward and it can be demonstrated that there is an emerging shortfall in capacity.

To ensure no loss in existing capacity, re-development of any existing or allocated waste sites must ensure that the quantity of waste to be managed is equal to or greater than the quantity of waste which the site is currently permitted to manage, or that the management of the waste is being moved up the waste hierarchy.

#### **Revised Version of the Policies – including suggestions made by Inspector Andrew Mead**

##### WLWP Policy 1 – Safeguarding and Protection of Existing and Allocated Waste Sites

Land accommodating existing waste management uses in west London will be protected for continued use for waste management, together with waste transfer and civic amenity sites required for the delivery of the West London Waste Authority's (WLWA) Municipal Waste Strategy.

Existing waste transfer sites which have been allocated as having the potential for redevelopment to waste management (Table 5-1) and new sites with potential for redevelopment to waste management facilities (Table 5-2) will also be safeguarded.

To ensure no loss in existing capacity, re-development of any existing waste management sites must ensure that the quantity of waste to be managed is equal to or greater than the quantity of waste which the site is currently permitted to manage, or that the management of the waste is being moved up the waste hierarchy.

Development for non-waste uses will only be considered on land in existing waste management use, waste transfer sites, civic amenity sites or land allocated in Table 5-2 if compensatory and equal provision of sites for waste, in scale and quality, is made elsewhere within the west London Boroughs.

### WLWP Policy 2 – Location of Waste Development

Waste development proposals on existing waste management sites, waste transfer and civic amenity sites or sites listed in Table 5-2 will generally be supported, provided that the proposals comply with the other WLWP policies and the boroughs' adopted development plans.

Waste development on other sites may be permitted if the proposals comply with the other WLWP policies and the boroughs' adopted development plans, and:

1. It can be demonstrated that the development is not suitable for, or cannot be delivered at any existing waste management sites, waste transfer sites, civic amenity sites or sites listed in Table 5-2;
2. Identified sites have not come forward and it can be demonstrated that there is a shortfall in the waste management capacity required to meet the boroughs' joint apportionment target; and
3. There is no adverse cumulative effect, when taken together with existing waste management facilities, on the well-being of the local community, including any significant adverse impacts against the WLWP sustainability objectives; and
4. The proposed site meets the criteria set out in policy WLWP3.

## **APPENDIX 2:**

### **ADDITIONAL POLICY: PRESUMPTION IN FAVOUR OF SUSTAINABLE DEVELOPMENT**

The Government expects a policy to be included in all development plan documents to ensure implementation of the presumption in favour of sustainable development contained in the National Planning Policy Framework. WLWP Policy 5 is taken directly from advice provided by PINS.

The new policy reads as follows:

#### **WLWP Policy 6 – National Planning Policy Framework: Presumption in Favour of Sustainable Development**

When considering development proposals, boroughs will take a positive approach that reflects the presumption in favour of sustainable development contained in the National Planning Policy Framework. They will always work proactively with applicants jointly to find solutions which mean that proposals can be approved wherever possible, and to secure development that improves the economic, social and environmental conditions in the area.

Planning applications that accord with the policies in this waste plan (and, where relevant, with policies in neighbourhood plans) will be approved without delay, unless material considerations indicate otherwise.

Where there are no policies relevant to the application or relevant policies are out of date at the time of making the decision then the borough will grant permission unless material considerations indicate otherwise – taking into account whether:

1. Any adverse impacts of granting permission would significantly and demonstrably outweigh the benefits, when assessed against the policies in the NPPF taken as a whole; or
2. Specific policies in the NPPF indicate that development should be restricted.

## APPENDIX 3

### a) Existing Sites

Existing sites in draft Plan approved by Cabinet in November 2011

Site Number	Site Area (ha)	Borough	Description	Site Type
352	1.46	Brent	Twyford Waste Transfer Station	Existing
1261	2.71	Brent	Veolia Transfer Station, Marsh Road	Existing
309	1.15	Ealing	Greenford Reuse & Recycling Site, Greenford	Existing
310	0.94	Ealing	Greenford Depot, Greenford Road, Greenford	Existing
328	2.10	Ealing	Quattro, Victoria Road, Park Royal	Existing
303	4.25	Hillingdon	Victoria Road Transfer Station	Existing
353	3.11	Hounslow	Transport Avenue Waste Transfer Station	Existing
342	3.67	Richmond	Twickenham Depot	Existing
<b>Total</b>	<b>19.39</b>			

Revised list of sites for draft Submission Version of Plan, January 2014

Site Number	Site Area (ha)	Borough	Description	Site Type
352	1.46	Brent	Twyford Waste Transfer Station	Existing
1261	2.71	Brent	Veolia Transfer Station, Marsh Road	Existing
309*	1.78	Ealing	Greenford Reuse & Recycling Site	Existing
310*		Ealing	Greenford Depot, Greenford Road	Existing
328#	0.94	Ealing	Quattro, Victoria Road, Park Royal	Existing
331	0.88	Hillingdon	Rigby Lane Waste Transfer Station	Existing
342	2.67	Richmond	Twickenham Depot	Existing
<b>Total</b>	<b>10.44</b>			

\* These sites are contiguous and for the purposes of this Plan are considered as a single, consolidated site

# This site will not be available from 2017 to 2024 following an HS2 Safeguarding Direction

## b) Proposed new sites

Proposed New Sites in Plan approved by Cabinet in November 2011

Site Number	Site Area (ha)	Borough	Description	Site Type
222	2.83	Harrow	Council depot, Forward Drive	Proposed
244	3.12	Hillingdon	Yeading Brook, Bulls Bridge	Proposed
2861	3.20	Hounslow	Western International Market	Proposed
<b>Total</b>	<b>9.15</b>			

Revised list of Existing Sites for draft Submission Version Plan, January 2014

Site Number	Site Area (ha)	Borough	Description	Type
222	1.83	Harrow	Council depot, Forward Drive	Proposed
2861	3.20	Hounslow	Western International Market	Proposed
<b>Total</b>	<b>5.03</b>			

### Details of changes to identified sites

1. The WLWP Proposed Submission Draft previously approved by the Cabinet included 8 existing sites totalling 19.39 hectares and 3 new sites totalling 9.15 hectares, which amounted to a total of 28.54 hectares. At the time, sufficient land had been identified for waste management facilities to ensure that the London Plan (2011) apportionment could be met up to 2026.
2. Re-appraisal of the existing and new sites has been undertaken by the boroughs as part of work for the Sustainability Appraisal accompanying the WLWP Proposed Submission Draft. Following discussions between the boroughs, amended designations of the following sites has resulted in a reduced area for each site:
  - Council Depot, Forward Drive site (Site 222) - LB of Harrow from 2.83 ha to 1.83 ha
  - Twickenham Depot (Site 342) - LB of Richmond from 3.67 ha to 2.67 ha
  - Combined Greenford Depot and Greenford Reuse & Recycling sites (Sites 309 & 310) - LB of Ealing from 2.09 ha to 1.78 ha.
4. LB Ealing suggested that two of their existing safeguarded sites, Greenford Reuse & Recycling Site and Greenford Depot be consolidated as they are located next to each other and form part of a larger site. Previously they were divided because each part has a separate licence from the Environment Agency. Combined, the sites total 1.78 hectares. The above values take account of this consolidated and reduced area.
5. The three sites that have been 'deleted' since the approved Proposed Submission Draft are:
  - Victoria Road Transfer Station (Site 303) – London Borough of Hillingdon
  - Transport Avenue Waste Transfer Station (Site 353) – London Borough of Hounslow
  - Yeading Brook, Bulls Bridge (Site 244) – London Borough of Hillingdon

6. Victoria Road and Transport Avenue are both owned by SITA UK. Both sites are now required for waste transfer (rather than treatment) following the decision by the West London Waste Authority to award SITA UK a long term contract to manage West London's residual household waste. Parts of the sites will still be providing recycling and composting facilities which will count toward the London Plan 2011 apportionment.
7. The Bulls Bridge site in Hillingdon has now been granted planning approval for an aggregates processing development.
8. Officers identified Rigby Lane Transfer Station, Hillingdon (Site 331), originally included in the "Proposed Sites and Policies" Consultation document, as an additional site to be allocated for future waste management in light of the loss of three sites discussed above. Rigby Lane is an existing facility which has been used as a waste facility for more than two decades. It is currently owned by SITA UK, who recently submitted a planning application to re-orientate the site following the loss of 0.01 ha to Crossrail safeguarding. The site is 0.88 hectares in size.
9. The number of "existing" sites is now six, totalling 10.44 hectares and there are two "new" sites totalling 5.03 hectares, which amount to a combined total of 15.47 hectares of land available through safeguarding for future waste management. This means that there is a surplus capacity of 6.07 hectares identified for West London when measured against the projected London Plan 2031 apportionment target of 614,000 tonnes per annum. Therefore no further site assessments need to be undertaken prior to the WLWP Proposed Submission Draft being published for consultation
10. In summary the changes to sites are as follows:

Sites with reduced areas:

- Site 222, Council Depot, Forward Drive – LB Harrow – 1.83 hectares
- Site 342, Twickenham Depot – LB Richmond – 2.67 hectares
- Consolidated Site 309 & Site 310, Greenford Depot and Greenford Reuse & Recycling Site – LB Ealing – 1.78 hectares

Existing Sites no longer available for inclusion:

- Site 303, Victoria Road Transfer Station, LB Hillingdon – 4.25 hectares
- Site 353, Transport Avenue Waste Transfer Station, LB Hounslow – 3.11 hectares

New Site no longer available for inclusion:

- Site 244, Bulls Bridge, Yeading Brook, LB Hillingdon – 3.12 hectares

Additional (replacement) site:

- Site 331, Rigby Lane Transfer Station, LB Hillingdon – 0.88 hectares (existing site)



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