

NON-SERVICE AREA BUDGETS - CENTRAL ITEMS

1. SUMMARY

- 1.1 This Appendix provides details of all other General Fund budgets that are not included within service area budgets. These come under the headings of Central Items in the summary budget at Appendix A. It should be read in conjunction with section 3 on Brent's 2014/15 budget proposals.

2. DETAIL

- 2.1 The table to this Appendix summarises the budgetary implications for the council for 2014/15 and the potential requirement for the next two financial years. The following sections of this Appendix take each of the items in turn.

3. AGENCY/THIRD PARTY BUDGETS

- 3.1 Agency and third party budgets are set out below. These are generally payments over which the Council has limited control in the short term.

3.2 CORONERS COMMITTEE

- 3.2.1 Brent is one of five boroughs forming the London Northern District Coroners Courts Committee, namely Haringey (the lead borough), Brent, Barnet, Enfield and Harrow. Haringey deals with the administration, and charges the other boroughs on a population basis. Brent's forecast outturn for 2013/14 is £236k which is slightly lower than the budget of £238k.

- 3.2.2 The 2014/15 budget is not yet available and is not expected before the Brent budget is set. We are expecting the budget to rise by £5k to £243k.

3.3 LOCAL AUTHORITY ASSOCIATIONS

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

- 3.3.2 Brent's 2014/15 subscription paid to The Local Government Association has been set at £43k for 2014/15. This is unchanged from the 2013/14 subscription.

- 3.3.3 The London Councils' subscription covers a number of cross London bodies. The 2014/15 joint committee subscription will be levied as follows:

	2014/15
	£'000
London Councils :	
Core	165
London Government Employers	4
Total Main Subscription	<u>169</u>
Young Peoples Education & Skills Board	<u>3</u>
Total	<u>172</u>
Reduction for use of reserves	<u>(10)</u>
Revised Total	<u>162</u>

The core contribution of £172k for 2014/15 has remained unchanged from 2013/14. However, in 2013/14 in recognition of the financial climate faced by boroughs, the Leaders' Committee approved a one-off payment of £25,000 per borough from accumulated Joint Committee reserves thus reducing the payment to £147k. For 2014/15 a reduction of £10k for use of reserves was also agreed reducing the 2014/15 payment to £162k. In addition to the above other service areas receive charges principally the London Councils grants scheme charge of £341k which is met by the Assistant Chief Executives. In total for 2014/15 Brent will receive £45k from London Councils reserves made up of £10k from the Joint Committee, £30k from the Grants Committee and £5k from Transport Executive Committee.

3.4 LOCAL GOVERNMENT INFORMATION UNIT

3.4.1 The council subscribes to the Unit. It is an independent research and information organisation supported by over 150 councils. For 2014/15 Brent's subscription will remain unchanged at £26k.

3.5 WEST LONDON ALLIANCE

3.5.1 The West London Alliance is a partnership between a number of West London local authorities, which aims to provide a collaborative service and a clear single voice by lobbying on behalf of the area's residents, service providers and business communities. The subscription for 2014/15 will total £34k.

3.6 COPYRIGHT LICENSING

3.6.1 The Copyright Licensing Agency licenses public and private bodies to photocopy and scan material from books, journals and periodicals. The actual spend in 2013/14 was £17k and will continue to budget for £20k in 2014/15.

3.7 EXTERNAL AUDIT

3.7.1 This budget relates to the work undertaken by KPMG in relation to the statutory audit of the Council's financial statements and grant claims. For 2013/14 the budget for external audit fees was £380k and is expected to remain unchanged in 2014/15.

4 CAPITAL FINANCING CHARGES AND INTEREST RECEIPTS

4.1 These budgets are a direct result of borrowing to finance capital programme expenditure and are strongly influenced by external factors linked to the economy and the movement of interest rates. Members will be aware of significant changes in recent years and should also reference the Treasury Management Strategy included in Appendix K. They also reflect the overall level of the capital programme (see Section 7). The two budgets reviewed in this section are:

- (a) Interest receipts which the council estimates it will receive from positive cash flow and holding reserves during 2014/15.
- (b) Capital Financing Charges, which are the principal repayments and interest on the council's borrowing.

4.2 In the recent past the council has underspent on this budget. This reflected successful debt restructuring exercises, new borrowing at lower than anticipated interest rates, higher than estimated interest receipts and improved cash flow. The current low level of interest rates continues to support the budget, but the capital programme will increase the budget in future years.

4.3 The council is estimated to have £428m of long-term debt outstanding at 31 March 2014. The average interest rate on existing loans, following debt restructuring, is around 4.68%. Investments are estimated to average £100m during 2014/15, with an estimated average return of 0.6%, reflecting very low rates on new deposits. Interest on investments is shared between the General Fund and other interest bearing accounts. The budget assumes long term borrowing will be at 4.0% although some borrowing may be taken at lower variable rates.

4.4 The net budget for 2014/15 for interest receipts and capital financing charges is £26.306m. It is forecast that interest earned on deposits in 2013/14 will amount to £750k and the estimate for 2014/15 is £642k. It is not expected that Interest rates will rise during 2014 but this is dependent on the state of the national economy and international markets in 2014/15.

5. LEVYING BODIES

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

5.2 Levies estimated to be paid in 2014/15 are shown below.

	2013/14 Actual £'000	2014/15 Estimate £'000
Lee Valley Regional Park	253	253
London Pension Fund Authority	309	310
Environment Agency	181	183
West London Waste Authority – Fixed Cost Element	2,617	1,862
Contingency	67	109
	3,427	2,717

5.3 A council tax base for 2014/15 of 79,205 was agreed by General Purposes Committee on 21 January 2014. All the levies are calculated on each authority's relative tax base. This means that changes in levies paid by Brent may not be exactly the same as increases or decreases in the budgets of the levying bodies. The reduction in the West London Waste Authority for 2014/15 levy partly reflects reductions in the overall costs but also changes in the charging mechanism where costs have transferred between the fixed cost and the pay as you throw (PAYT) elements.

5.4 Lee Valley Regional Park Authority (LVRPA)

LVRPA is funded by a levy on all London Boroughs, Essex and Hertfordshire County Councils and Thurrock Unitary Authority. Its purpose is to *“regenerate, develop and manage some 10,000 acres of Lee Valley which had become largely derelict and transform it into a unique leisure and nature conservation resource for the benefit of the whole community.”* The LVRPA have announced an overall 2% reduction in its levy for 2014/15 but we are still awaiting a final levy figure for each individual borough.

5.5 London Pensions Fund Authority (LPFA)

The LPFA levy is to meet expenditure on premature retirement compensation relating to former employees of the Greater London Council (GLC). It is split between all London Boroughs but Inner London Boroughs bear significantly higher charges.

The main LPFA levy for outer London boroughs was broadly unchanged in 2012/13 and was frozen in 2013/14. For 2014/15 the LPFA levy has increased from £309k to £310k.

5.6 Environment Agency

For 2013/14 most flood defence expenditure will again be funded directly by the Department for Food and Rural Affairs (Defra). As in previous years, a small element remains payable relating to regional schemes, many of them to improve flood defences. The Environment Agency increased their levy by 5% in 2013/14. The Environment Agency has announced a provisional levy for 2014/15 for Brent of £183k a £2k increase from the £181k levy in 2013/14 though this is still subject to final agreement.

5.7 West London Waste Authority (WLWA)

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

5.8 The charges from the WLWA are split into two parts - a fixed element and a variable element. The fixed charge is apportioned according to each constituent authority's council tax bases before the start of the financial year and is included in the central levy costs. The variable element is called Pay As You Throw (PAYT) and is charged according to the tonnages delivered to WLWA. Charges vary depending on the type of waste sent for disposal such as landfill or organic waste and these costs are paid for by Environment & Neighbourhoods.

5.9 The Budget for 2014-15 will include the first full year of the West London Residual Services Contract which is to provide interim landfill services pending the construction of the Energy for Waste Plant in South Gloucester. As a consequence of the new contract there are a number of complex changes to the charging mechanisms. The majority of costs for operating the transfer stations will move to the PAYT rates. Overall the WLWA's fixed costs will fall by £5.0m and the PAYT costs will rise by £1.6m giving a net reduction of £3.4m following the finalisation of certain aspects of the contract. The fixed charge for Brent will fall by £755k from £2.617m to £1.862m.

5.10 At present there is a £109k contingency within the Levies Budget to fund any variation in charges that arise during 2014/15.

6. PREMATURE RETIREMENT COMPENSATION (PRC)

- 6.1 This is the ongoing revenue cost of pensions caused by premature retirements that do not fall on the Pension Fund, which took place primarily up to 31st March 1994. The amount paid to pensioners is uplifted by the Consumer Price Index (CPI) inflation rate applicable in the previous September (2.7%). It is now estimated that a provision of £5.365m will be required in 2014/15, an increase of £141k.

7. SOUTH KILBURN DEVELOPMENT

- 7.1 Work on the regeneration of South Kilburn is progressing well. To date 362 new homes have been completed as part of 'Phase 1a' (defined as Texaco Garage Site, McDonald House, Marshall House Albert Road Zone 11a and the Carlton Vale Roundabout Site Zone 3C) of the South Kilburn Regeneration Programme. 264 of these new homes are affordable and have been occupied by South Kilburn households.
- 7.2 On 13th February 2012 the Executive authorised the disposal of the land at Cambridge Court, Wells Court and Ely Court and Bond Hicks Bolton and Wood House (together defined as 'Phase 1b') to Catalyst Housing Group. On 13th July 2012 the Phase 1b sites were handed over to Catalyst Housing Ltd (formerly Catalyst Housing Group) and a capital land receipt was obtained. Construction works are now underway on site. This development will deliver 208 new homes in summer/autumn 2014, 122 of these new homes will be affordable. The affordable homes will be made available to secure tenants currently residing in Gloucester House, Durham Court, Masefield House and Wordsworth House (together defined as 'Phase 2b') , thereby facilitating vacant possession of these sites for redevelopment.
- 7.3 On 22nd April 2013 the Executive authorised the Strategic Director of Regeneration & Growth [formerly the Director of Regeneration & Major Projects] to enter into development agreements in respect of land at Bronte House and Fielding House (together defined as Phase 2a) and British Legion and Albert Road Day Care Centre (together defined as Site 11b) with preferred developer partners.
- 7.4 In December 2013 Bronte House and Fielding House was handed over to Network Housing Association Ltd for development. Network Housing Association Ltd will comprehensively redevelop Bronte House and Fielding House to deliver 229 new homes of which 103 will be affordable and made available to existing South Kilburn residents. The new homes will be completed by November 2016.
- 7.5 In December 2013 Site 11b was handed over to Bouygues (UK) Limited to redevelop the site to deliver a new mixed used development comprising 144 new homes (28 of which will be affordable) and 480m² of commercial floor space by November 2016

- 7.6 The capital receipts from the disposal of both Site 11b and Bronte House and Fielding House are being recycled back into the delivery of future phases of to ensure the momentum of the programme is maintained. In particular the capital receipt from the disposal of Site 11b will provide a cash injection into the programme enabling works to commence on some of the more challenging and difficult sites.
- 7.7 Design and planning work has now commenced on the remaining Phase 2 sites comprising Peel Precinct, Gloucester, Durham, Masefield and Wordsworth House.
- 7.8 It is intended a detailed planning application for Gloucester and Durham will be submitted in Spring/Summer 2014. A hybrid planning for Peel, which will include provision for a new South Kilburn Health Centre, will also be submitted in 2014. A Health Care Provider will also be procured to manage, operate and maintain the South Kilburn Health Centre. A review of the South Kilburn Spatial Planning Document (SPD) will also be undertaken in 2014. Design and planning may also commence on the to comprehensive redevelop 5-9 Chippenham Gardens and the Post Office site with the Council's adjoining land at 4 - 26 Stuart Road (together defined as the 'Post Office Plus Site') subject to the Council agreeing and entering into a Collaboration Agreement with the adjoining land owner.
- 7.9 Projected revenue spending in 2013/14 will be in the region of £900k. This has been used to fund work on the decanting of residents, legal costs, independent advice for residents and other consultant fees. Provision of £900k has been made in the budget for 2014/15 to meet costs associated with decant costs, negotiations with the preferred development partners, legal costs, specialist consultant advice and ongoing independent advice for residents.

8. INSURANCE FUND

- 8.1 The council operates an Insurance Fund in order to self insure its buildings and contents as well as to cover employee and third party legal liabilities and professional indemnity, though it has insurance policies to limit the council's overall exposure to large scale catastrophic events. The authority has an excess of £309k on any particular claim and has a maximum exposure of £3.5m in any financial year. These arrangements are in place to minimise the council's costs as opposed to covering all costs through external insurance. Service areas are charged insurance premiums for buildings, contents and vehicles. The level of the Fund is reviewed against the known and potential level of liabilities for claims. Members have been informed in previous years that the amount in the Fund needed to be reviewed closely and significant on-going contributions would be required to ensure the Fund has resources to meet current and future claims.

8.2 The main strains on the Fund are as follows:

(i) Damage to Buildings

Building losses have averaged around £50k per annum for the last 4 years.

(ii) Tree Roots

The council operates a Tree Root Fund in order to cover structural damage to third party properties. The Tree Root Fund runs on a self insurance basis though the Council has a stop loss cover of £3.5m to limit our exposure. In recent years insurers have reassessed the way they undertake and deal with subsidence claims and these matters are now being fast tracked with the previous average of some three to four years in settling a claim being brought down to closer to 12 months. The Ministry of justice have been reviewing the claims process and Brent will be looking to adopt any measures recommended with a view to improving claims handling procedures. Insurers have also been seeking 100% of the damages from local authorities. The council has adopted an amended tree maintenance policy and work continues between the Insurance Section, Environment and Neighbourhoods and the Loss Adjusters on improving the way claims are being dealt with to help reduce costs.

(iii) Third Party Claims

The vast majority of third party claims relate to accidents by members of the public on the pavements and highways. Although there has been a downward trend in recent years however, the poor weather and increased number of potholes in recent winters has seen the number of claims rise, though we still compare well with other London boroughs.

8.3 The overall cost of insurance will remain unchanged. However there is a transfer of budgets from service areas in respect of items that were previously recharged but will now be met centrally.

9. FREEDOM PASS SCHEME GROWTH

9.1 The Freedom Pass Scheme provides free off peak travel for all people in London aged 60 or over. People with disabilities are funded for 24-hour travel on almost all tube and bus services and off peak on National Rail and independently operated bus services in Greater London. From April 2008, the government introduced free off peak bus travel for all people aged 60 or over and people with disabilities to use anywhere in the UK and provided central funding to meet the additional cost of free off peak travel for non-residents.

9.2 For 2014/15 the cost of concessionary fares increased to £15.902m from £15.344m an increase of £558k. Overall, the costs of concessionary fares have increased by 4.1% for London Councils and 3.6% for Brent. The largest element in the increase relates to TfL fares where the Mayor announced on 3

December an increase of 3.1% across London's transport network which is in line with RPI (July 2012).

- 9.3 For future years the assumption for the budget is that fares will increase by 3.5% and that there will be 1.5% increase in the volume of journeys as more people qualify for concessionary fares. For 2014/15 the increase in concessionary has been included within the Adults budget.

10. PRIVATE FINANCE INITIATIVES - PFI

- 10.1 This section includes details of the Affordable Housing PFI.
- 10.2 Funding for the Affordable Housing PFI was agreed in the 2007/08 budget. This involved a transfer from capital financing charges for unsupported borrowing – which had previously been used to fund the council's contribution to funding of affordable housing schemes - to fund the PFI. The budget increased gradually to 2011/12 as properties were delivered and then by 2.5% thereafter. Dwellings are owned by Hyde Housing and are non-HRA. Rent collection is largely a Hyde risk.
- 10.3 The PFI is governed by the single project agreement which reached financial close on 6th July 2010. This comprised the construction of 384 dwellings in total of which 20 are supported living units split between a 15 bed and a 5 bed development. The completed scheme will also contain a further 15 supported living units in the later developments. All of the 384 dwellings have been successfully handed over as programmed. The PFI contractor BCE also provides full housing management and maintenance services for the dwellings.
- 10.4 The risk relating to the Council's ability to support the modelled rents as a result of the introduction of housing benefit changes in April 2013 are potentially very serious. We have worked closely with the Council's PFI partners BCE and have had the figures checked and modelled by BDO. This process is on-going and the PFI, Housing Benefit and Welfare Reform Team are working closely to consider impacts at an individual household level and how problems may be avoided.
- 10.5 A minimum of 75 units were due to convert from temporary to permanent tenancies by January 2013. In order to maintain rental income levels to the project the conversion has been deferred. This will allow for the Council and the PFI Partners to consider how to improve and assure the longer-term financial performance of the project. It is anticipated that the outcome of these discussions will be reported to the Executive by July 2014.
- 10.6 The Council will contribute £1,348k to this scheme in 2014/15, and this includes an increase of £31k when compared to 2013/14 to reflect the Council's agreed contribution to the scheme. The contribution for 2014/15 is included in Regeneration and Growth's budget.

11. COUNCIL ELECTIONS

- 11.1 This is a budget to cover the costs of the 2014 local elections; a budget of £100k will be provided for each year and rolled up into a reserve which can be used to pay for the elections. It will also cover any costs of by-elections up to the time of the next local elections.

12. CARBON TAX

- 12.1 The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a mandatory UK-wide scheme that is designed to incentivise large public and private sector organisations to take up cost-effective energy efficiency opportunities through the application of reputational and financial drivers. Organisations will be required to purchase credits to cover CO₂ emissions for any given year. Monies are to be retained by the government to support public finances and environmental initiatives. Phase 1 of CRC scheme has been running since April 2011 with CO₂ tonnages charged at £12 per tonne. The charge for 2011/12 which was calculated in arrears was £279k of which £212k was met by schools giving a net general fund contribution of £67k. This was used as the budget for 2013/14.

- 12.2 Phase 1 of the CRC scheme will end in March 2014 and a second phase will run from April 2014 for 5 years until 2018/19 with a review by government in 2016. Phase 2 of the scheme has a number of changes from the previous phase it includes street lighting but now excludes schools. In addition unlike phase 1 where payment for a financial year was made the following year and based upon final figures, phase 2 of the scheme provides for allowances to be purchased upfront in June of the financial year at a discounted rate with the balance outstanding settled in September of the following year at a higher rate

- 12.3 For 2014/15 the inclusion of street lighting in the scheme means there is a significant increase in costs. The authority is currently budgeting for a CRC payment of £240k based upon 15,000 tonnes at £16 per tonne. The government has recently announced that there will be a discounted rate for 2014/15 of £15.60 for purchasing allowances in advance against a non-discounted rate of £16.40 for paying for the allowances in September 2015. For future years rates will increase by inflation. The authority is currently assessing its options for purchasing allowances for 2014/15 and future years.

13. REDUNDANCY COSTS

- 13.1 As part of the Authority's One Council Programme a number initiatives have been in place to rationalise and improve the Council's services and meet savings required by central government. This process of rationalising council structures will continue during 2014/15. The Council therefore needs to make provision for any redundancy and severance costs. By using the redundancy and restructuring reserve to meet the one off costs of restructures in previous in full it is possible to reduce the ongoing redundancy budget from £2.611m to £1.054m for 2014/15.