

REPORT TO THE COUNCIL MEETING OF 10th DECEMBER 2018

Meeting:	Council
Date:	10th December 2018
Subject:	Special Expense Policy
Report of:	Simon Riley, Head of Finance and Corporate Services (S151 Officer)
Portfolio Holder:	Cllr James Hallam
Status:	Decision
Relevant Ward(s):	All Wards

- 1 Purpose Report
- 1.1 For Members to approve the updated special expenses policy for application from the 1st April 2019
- 1.2 Members to note changes to the reporting of special expenses in the recommendation by Executive of budget proposals to Council for approval to aid clarity and transparency
- 2 **Recommendations:**
- 2.1 **To adopt the updated Special Expense Policy set out in Appendix B for application from the 1st April 2019**
- 2.2 **To note and approve that surpluses/deficits from the 2017/18 outturn be transferred to an Earmarked Reserve in line with the proposed policy.**
- 3 Summary of Reasons for the Recommendations
- 3.1 To refresh the Special Expense Policy (last updated in February 2016) and to recommend that additional information of the distribution of expenditure between General Fund items and Special Expense items is provided within the Executive's recommendation of budget to the Council.
- 4 Impact on Communities
- 4.1 To ensure transparency of special expenses categories to communities.

5 Key Facts

- 5.1 The Council is required in setting the Council Tax to separate the budget requirement into special expenses charged to particular localities (where services provided by HDC are provided by parishes elsewhere in the District) and those services provided from within the HDC Budget for all residents of the District.
- 5.2 The Council is required to set the overall Council Tax (aggregating both areas detailed in 5.1) which forms the nationally set and reported basis for reporting and application of referendum principles, if applicable. However, this is then split out on the Council Tax Bill into the two elements with separate lines for Harborough District Council and, if applicable, special expenses for a particular locality.
- 5.3 The current policy (approved by Council in February 2016) required that surpluses/deficits from previous years were included in the subsequent year calculation. This has led to significant volatility between financial years which means the reported percentage increases/decreases varied between financial years even when the overall Council Tax has been zero or in line with the MTFS.
- 5.4 In refreshing the special expenses policy for approval in this report, the S151 Officer has reviewed the Council's budget and special expense categories to ensure that expense and income policies is correctly charged in accordance with the proposed policy and that any changes (for example leasing of land to third parties) is up to date. The S151 Officer also reviewed other special expenses policies to ensure that the categories of expenditure HDC charged were broadly consistent with other Local Government areas. Whilst there are differences due to local resolutions by Councils the areas contained within the updated HDC policy are applied by the majority of Councils reviewed.
- 5.5 Within the previous policy it included a category of parks, open spaces and recreation grounds. Review of the areas charged under the current policy indicates that the areas charged to Special Expense were the Council's destination parks (Welland Park and Lutterworth Country Park) and recreation areas with play equipment. The inclusion of 'open space' within the category definition was therefore potentially misleading as this description within the FCC contract includes numerous open spaces that would not fall under the category of special expense. It is, therefore, recommended that the category is amended to parks and recreation grounds. The consistent application of this category means Council play areas in Broughton Astley, Fleckney, Great Glen and Scraftoft are now included within the policy.

- 5.6 The inclusion of closed churchyards as a special expense items was considered. When a Church of England Churchyard is closed the local authority is required to take on the maintenance of the site under Section 215 of the Local Government Act, 1972 if formally requested to by the Diocese (and the Parish Council has formally resolved not to take on responsibility) Harborough currently maintains 21 closed churchyards. These are transferred without any resources/funding from the diocese. Parish Councils could take on the responsibility but on the whole these have transferred to the District Council. If a parish has taken on responsibility under Section 215 of the Act (for example Walcote and Misterton), the Council will approach the Parish to discuss the potential impact of 'double taxation' and appropriate mitigations. Given most of the transfers are historic in nature and any change in policy would have a significant impact on many small communities with a low tax-base it is recommended that this remains a District Council General Fund responsibility.
- 5.7 The Council currently charges to Special Expenses; Harborough Town Centre Support. This cost centre includes officer input and the cost of promoting and running events. The current events charged to the special expense are Harborough by the Sea and the Classic Car Show along with Market Harborough specific contributions to Christmas events and illuminations. Future events will be assessed by the S151 Officer in consultation with the Portfolio Holder to assess whether they are Market Harborough specific or events held within Market Harborough but for the benefit/accessible for the whole District (food and drink fairs etc.)
- 5.8 In recent years, the Council has received Counsel advice on Special Expenses which supports the Council's current policy that locality based services such as the Council provided Leisure Centres and Indoor Market which serve all residents of the District should not be categorised as Special Expense. The policy has been updated to specifically exclude such items.
- 5.9 The new Special Expenses Policy for adoption is attached at Appendix B. This is shown with tracked changes with deleted text struck through and revised text underlined
- 5.10 The review by the S151 Officer, confirmed by an Internal Audit consultancy review highlighted that the required information was provided within the Council Tax report approved by Council on 26th February 2018, but that there could be additional information provided on the distributional impact of changes in the split between General Fund and Special Expenses on specific parishes – These appear on the Council Tax Bill. To aid transparency the Executive will include within the budget recommended to Council for approval a breakdown of the actual Council tax split between Special Expenses and Harborough District Council element (charged to all residents). Members should note however that the Council's headline Council Tax increase that is reported by all Councils remains the aggregate of both General Fund and Special Expenses.

6 Legal Issues

- 6.1 The Council has a legal duty to set its Council Tax by the 11th March each year. The separation of the budget requirement into Special Expenses and General Fund complies with the requirement of Section 35 of the Local Government Act 1992.
- 6.2 The setting of Council Tax is a full Council decision.

7 Resource Issues

- 7.1 The financial impact of the refreshed policy has been modelled on the 2018/19 budget. Based on the overall Council Tax remaining constant at the £167.97 approved by Council for 2018/19 there would be a small increase in the budget supported by Special Expenses from £542,352 to £549,685 with an equal and opposite impact on the net expenditure charged to the General Fund.

	2018/19	2018/19 Rebased	Taxbase	2018/19	2018/19 Rebased	Change	No Change scenario - Figures on CTAX Bill (% Increase)
Total Council Tax	5,822,329.00	5,822,329.00	34,663.80	167.97	167.97	-	-
Council Tax Supporting							
Special Expense	542,352.00	549,685.00	14,557.30	37.26	37.76	0.50	1.35
HDC General Fund	5,279,977.00	5,272,644.00	34,663.80	152.32	152.11	- 0.21	- 0.14

- 7.2 The revised policy will be applied for the financial year 2019/20 and, therefore, the amount charged and the split between General Fund and Special Expenses will be based on the actual 2019/20 budget recommended by Executive to Council. It is expected there will be reduced volatility in the future through the creation of an earmarked reserve for surpluses and deficits which previously led to marked swings between financial years.
- 7.3 The report requests that Members approve the creation on an earmarked reserve for surpluses and deficits. It is proposed that the 2017/18 outturn be transferred into this reserve as below rather than be incorporated into the levying of Special Expenses in 2019/20:

Summary of Special Expenses By Parish - 2017/18			
	2017/18	2017/18	Movement
	Actual	Budget	
	£	£	
Blaston	525	200	325
Foxton	1,488	900	588
Great Bowden	10,631	4,600	6,031
Great Easton	6,463	4,200	2,263
Lutterworth	45,783	53,400	(7,617)
Market Harborough	524,683	538,100	(13,417)
Saddington	3,386	3,900	(514)
Thurnby & Bushby	31,769	37,100	(5,331)
	624,728	642,400	(17,672)

8 Equality Implications

8.1 None as far as this report is concerned.

9 Impact on the Organisation

9.1 None as far as this report is concerned.

10 Community Safety Implications

10.1 None as far as this report is concerned.

11. Carbon Management Implications

11.1 None as far as this report is concerned.

12. Risk Management Implications

12.1 None as far as this report is concerned.

13 Consultation

13.1 The portfolio holder has been consulted

14 Background Papers

14.1 2018/19 Revenue Budget

Previous report(s):

Information Issued Under Sensitive Issue Procedure: No

Ward Members Notified: n/a

Appendices:

A: Modelled impact on 2018/19 Budgets

B: Revised Special Expenses Policy from 1st April 2019

Appendix A

Modelling of Revised Special Expense Policy	Allotments	Parks and Recreation Grounds	Cemeteries	Public Conveniences	Harborough in Bloom	Harborough Town Centre Support	Memorial Gardens/Public Realm	Rebased 2018/19 Charge on Revised Policy
Blaston			197					197
Foxton			384					384
Great Bowden	242		4,456					4,698
Great Easton			4,807					4,807
Lutterworth		46,161						46,161
Market Harborough	- 278	288,292	27,601	35,261	12,040	39,500	22,565	424,981
Saddington	2,066		1,582					3,649
Thurnby & Bushby		40,985						40,985
Broughton Astley		12,592						12,592
Fleckney		3,671						3,671
Great Glen		3,074						3,074
Scraptoft		4,485						4,485
	2,031	399,260	39,028	35,261	12,040	39,500	22,565	549,685