



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

**Finance, Economic Development and
Corporate Services Overview and Scrutiny
Committee**

10 November 2020

Report of: Councillor Adam Stokes

Cabinet Member for Finance and
Resources



Review of Special Expense Areas

This report reviews the costs that are currently being charged to the Special Expense Areas and examines the guiding principles that are adhered to when allocating costs to the Special Expense Areas.

Report Author

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| Corporate Priority: | Decision type: | Wards: |
| Administrative | Administrative | All Wards |

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| Reviewed by: | Alison Hall-Wright, Head of Finance | 28 October 2020 |
| Approved by: | Karen Bradford, Chief Executive | 2 November 2020 |
| Signed off by: | Councillor Adam Stokes, Cabinet Member for Finance and Resources | 2 November 2020 |

Recommendation (s) to the decision maker (s)

- The Finance, Economic Development and Corporate Services Overview and Scrutiny Committee is asked to review the guiding principles that are used to establish the costs being charged to each Special Expense Area.**
- The Finance, Economic Development and Corporate Services Overview and Scrutiny Committee is asked to recommend to Council the abolition of the Deepings Special Expense Area with effect from 1 April 2021.**

1 The Background to the Report

- 1.1 A provision of the Local Government Act 1992 (section 34 and 35) allows Councils to classify by resolution, certain expenditure and income as “special” rather than general, indicating that the related tax burden is chargeable against a part rather than the whole of the Council’s area.
- 1.2 A Special Expense Area (SEA) has a separate tax levy similar to a parish/town council precept. It relates to expenses that in other locations within the district are picked up by the parish/town council e.g. playing fields, cemeteries.
- 1.3 SEA’s are created to avoid “double taxation” where a resident of South Kesteven would pay for facilities in their own parish (via their parish precept) and also pay towards another facility in another parish through the District Council precept.
- 1.4 The District currently has five special expense areas:
 - (a) Grantham SEA
 - (b) Stamford SEA
 - (c) Bourne SEA
 - (d) Deepings SEA
 - (e) Langtoft SEA
- 1.5 At each annual budget setting, the costs directly associated with each of the parish areas defined above are charged accordingly. The overall budget costs are then allocated to each of the hereditaments contained in each parish (as defined by the parish boundary) and charged depending upon their Council Tax banding.
- 1.6 As stated above the budgets that are charged to each parish are allocated based on the guiding principles of whether the cost/function/activity would ordinarily be undertaken by a parish/town council in that area. In the case of Grantham, the existence of the SEA is more obvious as there is no Town Council and therefore the District Council delivers and funds a number of activities in that area.
- 1.7 The overriding principle as set out in the prevailing legislation is that functions that are carried out by the District Council only in part of its area and that would otherwise be carried out by the parish and town council are charged to that local area. It should be noted that the SEA charge forms part of the overall Band D increase calculation so the increases in each respective SEA contributes towards the overall SKDC Band D charge.
- 1.8 Should there be a desire to reduce or remove the special expense areas, then the Council has the option of either transferring the incurred costs to the General Fund or engaging with the local council to transfer the responsibility to them.

Deepings SEA

- 1.9 Deepings SEA consists of expenditure relating to sports facilities at Linchfield Road. This SEA was created to ensure the costs of creating an outdoor sports amenity were met by local tax payers who have the opportunity to utilise the facility. This mirrors the arrangement in parishes. However, it is timely to review this, as the usage by the local school and clubs has changed since the inception of the SEA.
- 1.10 The budgets allocated to the SEA and the Council Tax Band D charge can be seen in the table below:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---------------------------|---------|---------|---------|---------|
| Deepings SEA budget | £14,047 | £12,654 | £12,500 | £12,800 |
| Band D Council Tax Charge | £3.15 | £3.24 | £3.33 | £3.33 |

- 1.11 Any budget underspends are transferred at the year end to a specific Deepings SEA reserve. As at 1 April 2020 the balance of Deepings SEA reserve stood at £374. The reserve is used to ensure any variances between precepts and actual costs are maintained outside the General Fund.
- 1.12 The SEA contributes to the grounds' maintenance of the outdoor sports pitches.
- 1.13 The freehold of the pitches are not owned by SKDC and the day to day management of the pitches is undertaken by the leisure provider.
- 1.14 With the transfer of leisure management to the new leisure provider, LeisureSK Ltd, it is an appropriate opportunity to transfer the associated responsibility to the company. This is a logical proposal as the associated income from the lettings will be directly received by LeisureSK Ltd. Therefore, it is recommended that the responsibility transfers from 1 April 2021 and the Deepings SEA is terminated at that time. The associated support costs would be transferred back to the Council's General Fund.

2 Consultation and Feedback Received, Including Overview and Scrutiny

- 2.1 The Committee is invited to comment on the proposals set out in the report.

3 Available Options Considered

- 3.1 The options are set out in the report.

4 Preferred Option

- 4.1 The preferred option is to retain the SEA's but remove the Deepings SEA from 1 April 2021.

5 Reasons for the Recommendation (s)

- 5.1 The reasons for the preferred option are set out in the report.

6 Next Steps – Communication and Implementation of the Decision

- 6.1 The recommendation that is put forward by the Committee will be presented to Cabinet as part of their budget preparations for 2021/22.

7 Financial Implications

- 7.1 Should the Deepings SEA be removed from April 2021, then the costs currently charged to the SEA will be recharged to the General Fund and where appropriate charged to the leisure company.

Financial Implications reviewed by: Richard Wyles, Interim Director of Finance

8 Legal and Governance Implications

- 8.1 To ensure the costs currently associated with the Deepings Special Expense Area are re-charged appropriately to LeisureSK Ltd, details of the council's expectations and the company's liability should be captured within the governance documents setting out the relationship between the Council and the company.

8.2 There are no further legal or governance comments relating to any of the other special expense areas

Legal Implications reviewed by: Jo Toomey, Head of Governance

9 Equality and Safeguarding Implications

9.1 None

10 Risk and Mitigation

10.1 None.

11 Community Safety Implications

11.1 None

12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

12.1 None

13 Other Implications (where significant)

13.1 None

14 Background Papers

14.1 None

15 Appendices

15.1 N/A

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| Report Timeline: | Date of Publication on Forward Plan (if required) | Not applicable |
| | Final Decision date | 28 January 2021 |