



**Melton
Borough
Council**

Special Expenses Policy

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1. Introduction

1.1 Special expenses are applied when Melton Borough Council (MBC) provides a service in a parish (or unparished area) which is provided in other parishes by a town or parish council.

1.2 The cost of this service has to be met by the council taxpayers of the town or parish where (MBC) is providing the service so a special expense is charged to the council tax payers of that parish. This avoids double taxation.

1.3 It should be noted that special expenses are not additional spending over and above the budget set by the Council but a classification within the overall budget. The Authority's budget includes Special Expenses, and some Council Tax calculations are based on the total including Special Expenses.

1.4 The district consists of 26 parished areas, and one unparished area being Melton Mowbray. Parish councils exercise certain functions in their respective areas, which the Borough Council must exercise directly in the unparished area. These are known as concurrent functions.

2. Legislation

2.1 Section 35 of the Local Government Finance Act 1992 (the Act) specifies the items which are to be treated as special items for the purposes of calculating the Council Tax. Section 35(2)(d) specifically defines a special expense as *“any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by a parish council are the authority's special expenses unless a resolution of the authority to the contrary effect is in force.”* Essentially, there are three areas within the provisions of Section 35 of the Act that it is considered apply to the Council:

- i. A precept relating to part only of the Council's area e.g. parish precepts;
- ii. The whole of the expenses (or only some) of those incurred by the Council in performing in a part of its area a function performed elsewhere in its area by a Parish Council are its special expenses;
- iii. Any net expenses which arise out of the Council's possession of property held in trust for a part of its area are Special Expenses.

2.2 The first two items above can only be treated as a special expense if the Council has made resolutions to that effect.

2.3 In practical terms this is done by the Council at the time of setting the Council Tax in February each year as the report presented to the Council is in the form of a resolution which sets out the calculations required under Chapter III of the Act.

3. Special Expense Items

3.1 The Council levies Special Expenses in respect of the following services:

- i. All Cemetery provision including closed churchyards
- ii. Open spaces with the exception of destination parks
- iii Town Area Community Centres
- iii. War Memorial
- iv Skate Park Facilities
- v Allotments
- vi Infrastructure/ public realm outside of the town centre and destination parks such as litter bins, benches, bus shelters

3.2 The whole of the net expense (inclusive of any income) is to be included in the definition of the special expense. These include direct and indirect costs (including recharges).

3.3 Those debt charges will be included for all projects which fall within a special expenses only to the extent that it would be for prudential borrowing. Capital receipts resulting from the sale of special expense assets will be held for special expense purposes unless Council determines otherwise.

3.4 The Council provides a series of services from specific localities for all the residents of the Borough (for example Leisure Centres, Country Park). These are not locality specific and are excluded from the definition of a special expense

3.5 This results in the following special expense areas:

- i Melton Mowbray Town Area
- ii Sproxton No 2 (Stonesby and Sproxton No 4 (Saltby) Closed Churchyards
- iii Frisby closed Churchyard
- iv Gaddesby (29) closed Churchyard

4. Calculation of Special Expenses

4.1 MBC will calculate an average council tax across the whole of its area under section 31B of the Local Government Finance Act 1992. Included in that will be the amounts payable to parish councils under their precepts, plus the amounts MBC will spend on performing functions which are performed in parts of its area by parish councils.

4.2 Under section 34 of the Local Government Finance Act 1992, MBC must then deduct the total of any special items. For each part of its area, MBC must then add back amounts for any relevant special items for that part of its area. The amount added back is calculated by dividing the special item (i.e. the authority's estimated cost of performing the function in that part of its area) by the tax base for the part of the area in which the authority performs the function.

4.3 Treating expenses as special expenses does not affect the overall amount that MBC needs to raise through council tax, and does not, therefore, affect the average amount of council tax across the whole of the district. It simply means that, compared with what would happen if the expenses were not treated by MBC as special expenses, the council tax charged by the Borough Council is:

- lower for areas where the parish council performs the concurrent function, as that aspect of the service is charged separately by the Parish Council; and
- higher for areas where MBC performs the concurrent function, as all MBC's costs of performing the concurrent function must be met by taxpayers in the area where MBC provides the service.

4.4 Special Expenses are estimated for the year approaching (in line with all other budget estimates). A working balance and reserves are maintained for Special Expenses Melton Mowbray only and not for rural special expenses. As such budgets for the rural special expenses include previous years under or overspends.

4.5 If work is undertaken through the Authority's capital programme, any effect from depreciation and funding does not have any effect in the revenue budget until the following year where an estimate is included where the capital expenditure is known, otherwise there is a delay and it falls into the year after. If the item falls within the special expenses policy then the special expenses budget for future years is amended to include the relevant costs.

4.6 Budget monitoring will be undertaken on special expenses in line in line with corporate budget monitoring procedures and any under/overspends cannot be offset by other funds and must be contained within the special expense area to which they relate. As part of the budget setting and year end reports specific approval will be sought from Members regarding the treatment of any under/overspend on Special Expenses Melton Mowbray where both a working balance and a reserve are maintained.

5. Review

5.1 The list of concurrent functions included within the Special Expenses Items can be reviewed as appropriate and the policy updated as necessary. The policy will be considered annually as part of the setting of the budget for the forthcoming year.