
REPORT TO:	Overview and Scrutiny Commission
DATE:	27 September 2021
SERVICE AREA:	Legal and Governance
REPORTING OFFICER:	Scrutiny, Governance and Risk Manager (<i>Mark Codman</i>)
SUBJECT:	MEDIUM TERM FINANCIAL STRATEGY 2022/23 TO 2026/27 – DRAFT OVERVIEW AND SCRUTINY COMMENTS
WARD/S AFFECTED:	ALL DISTRICT
FORWARD PLAN REF:	N/A

1.0 PURPOSE OF REPORT

- 1.1 The Overview and Scrutiny Commission (the Commission) considers the Medium Term Financial Strategy (MTFS) each year and reports to Cabinet and Council on the outcome of its deliberations.
- 1.2 The purpose of the report is to agree the comments to provide to Cabinet at its meeting on 13 October 2021 and to Council on 15 December 2021.

2.0 RECOMMENDATION/S

- 2.1 It is recommended that the Overview and Scrutiny Commission:
- (1) agree the budget parameters as laid out in the [Medium Term Financial Strategy 2022/23 to 2026/27](#)
 - (2) consider the comments in paragraphs 5.3 and 5.4 to refer to Cabinet/Council

3.0 RECOMMENDED REASONS FOR DECISION

- 3.1 Assisting the Council and the Executive in the development of its budget and policy through consideration of policy issues is a role covered under Overview and Scrutiny terms of reference.
- 3.2 The Budget and Policy Framework Procedure Rules set out that the MTFS is referred to the Commission.

4.0 ALTERNATIVE OPTION CONSIDERED AND RECOMMENDED FOR REJECTION

4.1 None. It is the working practice of the Council that Cabinet/Council consider the Commission's comments on the MTFS for the reasons at 3.1 and 3.2.

5.0 THE REPORT

Background

5.1 In accordance with Budget and Policy Framework Procedure Rules the MTFS is referred to the Commission in each year for consideration. The Commission can undertake additional work or consultation and reports to the Executive on the outcome of its deliberations. The Commission has until Cabinet 13 October 2021 to report on its deliberations.

5.2 The MTFS 2022/23 – 2026/27 was presented to Cabinet on 18 August 2021 by the Head of Finance and was circulated to the Commission.

Overview and Scrutiny Commission Consideration of the MTFS - 6 September 2021

5.3 The Commission considered the Medium Term Financial Strategy 2022/23 to 2026/27 at their meeting held on 6 September 2021. The Head of Finance was in attendance to present the strategy and respond to questions. The Commission agreed that all the points of discussion raised at the meeting would be referred to Cabinet (these are at para. 5.4) and that the following related points should be emphasised:

- 1) The Commission noted the impacts of Local Government Reorganisation on compiling of the MTFS. The Commission expressed gratitude to the Finance department and wider teams in their work in compiling the MTFS, which had been achieved against a complex and challenging backdrop. Particular praise was given to the Head of Finance.
- 2) As part of the ongoing Local Government Reorganisation process, the Commission noted that all Members would be involved, including decisions regarding changes to services. Members expressed the view that the current, transitional period represented significant opportunities for progress to be made in terms developing and delivering better services for local people. Throughout the process, opportunities for progress should be harnessed, with an optimistic, positive approach and a commitment to continuing to deliver high-quality service to customers.

5.4 The other areas discussed at the meeting are listed below. The paragraph references in brackets relate to sections of the [MTFS](#):

- 1. Business Rate Retention Scheme (BRRS):** the strategy assumed that implementation of the Fair Funding Review and reforms to the BRRS would be delivered in 2023/24. This included a full reset of

business rate retention baselines. The effect for the Council was a significant loss of business rate income in 2023/24. If implementation took place earlier, there would be an additional one-off cost to the Council of around £600k in 2022/23. Confirmation was provided that the Council was a member of the Leeds City Region business rates pool which allowed for 50% of any growth in business rates to be retained locally by authorities who were members. Local authorities who were members of the LCR business rates pool were Leeds, York, Wakefield, Calderdale, Kirklees and Bradford and Harrogate Borough Council's share was 40% of the pooled amount. (paras 35 - 43)

2. **Business Rates Appeals:** as explained at paragraph 37 of the MTFs, each individual business has the right to appeal the valuation of its premises. Confirmation was given that the strategy included an estimated provision for some successful appeals. (paras. 35 - 43)
3. **Business rates income and changes to ways of working due to the pandemic:** Members queried whether there had been an impact on business rate collection as a result of more people working from home. The HoF explained that the government had provided business rate relief to companies and compensation to local authorities for the loss of business rates income. However there was no effect on business rate income generally as a result of more people working from home. (paras. 35 - 43)
4. **New Homes Bonus (NHB) and timescales/delays between approval (planning permissions) and delivery of new homes:** the HoF confirmed that the figures given for the NHB in 2022/23 and 2023/24 were estimates based on amount of new homes built, reductions in empty homes and increasing affordable housing. Estimates included the delay between permission and delivery as a factor in calculations. (paras. 44, 47, 48)
5. **North Yorkshire Pension Fund:** it was confirmed that at the last review the valuation of was 126% of the fund. The next review of the value of the fund would happen late in 2022, for implementation from 2023/24 and the impact of changes in valuations at that time would be with the new authority. (para. 50)
6. **Earmarked reserves:** The Commission referred to the Audit Completion Report - Year Ended 31 March 2020, provided by the Council's external auditors. It included a low priority internal control recommendation about inclusion of details of earmarked reserves (both actual and projected) for the period of the MTFs. The HoF confirmed that paragraph 52 of the strategy provided details about reserves and this section had been expanded in the proposed strategy. Reviews and analysis of Council reserves would take place as part of the preparations for Local Government Reorganisation. (para. 52)
7. **Turkish Baths:** it was confirmed that the repayment of £135k to the Council Investment Reserve would be removed in 2023/24. This

followed the repayment of investments to fund refurbishments to the facility that will have been completed in 2022/23. In addition, the service had put forward details that had been approved, of further additional income and future service level expenditure reductions in 2023/24 and 2024/25. (para. 65)

- 8. Subvention (Harrogate Convention Centre):** Members requested more details about the £500k of one-off funding for subvention that was listed as a new service level expenditure item. The HoF explained that this was potentially funding/grants to be used to boost the visitor economy in the district. This could include incentives that encouraged longer-term economic growth. It was confirmed that a decision had not yet been made about this item, but it was prudent to include it within the MTFs as it was being considered. (para. 65)
- 9. Ripon New Pool and Leisure Centre Project:** the HoF confirmed that calculations about future repayments relating to the new swimming pool were based on the latest information and approved budget for the project. It was confirmed that specialist, investigative work was ongoing at the Ripon Leisure Centre site. (para. 65)
- 10. Increases to income as a result of increasing existing fees and charges:** Members referred to the 2.5% increase that was included in the MTFs. The HoF confirmed that the MTFs set the parameters for increases which would only be undertaken where it is economically advantageous. Individual services had the flexibility to make decisions about this and a breakdown of areas of the Council where changes were not 2.5% along with narrative about the reasoning for this would be available as part of the budget preparation and approval process. (para. 65)
- 11. Waste, service level new expenditure item, additional refuse crews (£87k) in 2024/25 due to housing growth:** it was confirmed that, following a service review, waste management services had been streamlined and round optimisation had resulted in fewer resource requirements. As part of the preparation of the MTFs there were assessments about future growth in the district (an average increase in council tax base of 1.5% per annum was assumed). In addition, detailed information about capacity and costs had been provided by the service to inform the inclusion of this new expenditure item in 2024/25. Members noted that at a national level, waste reviews currently were being undertaken by central government which would likely result in regulatory changes and financial implications. (para. 65)
- 12. Local Government Reorganisation implementation costs:** Members referred to the potential disruption and costs of change management. The HoF confirmed that the MTFs included one-off funding of £1million for implementation costs. North Yorkshire County Council (NYCC) had been successful with their bid for a county unitary. The bid itself had included some details of the potential costs of the transition, although these details had not been agreed with Harrogate Borough Council as a partner in the reorganisation. It was

however confirmed that NYCC would incur the majority of the transformation costs. (para. 65)

13. Local Plan: details of potential costs and timescales associated with a review and examination of the Local Plan were included within the MTFS. There was a requirement to review the Local Plan every five years. It was confirmed that decisions about this part of the Local Plan process within the geography of the new council had yet to be made. (para. 65)

5.5 At the meeting the Commission agreed to request more information from the service responsible about item 11 above (waste crews). The following information was provided by the Head of Parks and Environmental Services and has been circulated to Commission Members and those attending the meeting:

- The council has not had a reduction in waste crews over the past two years. The MTFS included an addition of two new crews in 2023/24. However, the council has brought forward the addition of one crew to 2021/22 with a second to be introduced in 2024/25. This is better phasing for the housing development across the district and management of resources across the organisation.

6.0 REQUIRED ASSESSMENTS AND IMPLICATIONS

6.1 The following were considered: Financial Implications; Human Resources Implications; Legal Implications; ICT Implications; Strategic Property/Asset Management Considerations; Risk Assessment; Equality and Diversity (the Public Sector Equality Duty and impact upon people with protected characteristics). If applicable, the outcomes of any consultations, assessments, considerations and implications considered necessary during preparation of this report are detailed below.

7.0 CONCLUSIONS

This report enables Cabinet/Council to consider the views of the Overview and Scrutiny Commission on the [Medium Term Financial Strategy 2022/23 to 2026/27](#).

Background Papers – none.

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