

Cabinet Meeting: Monday, 09 December 2024

Question from: Councillor Leigh

Question to: Councillor Dacre

The Quarter 2 Revenue & Capital Monitor report highlights the Council's dire financial situation. Despite my repeated warnings, the severity of the Council's ever-increasing cost pressures and its overspending cannot be ignored any longer. Neither can it be overlooked that we have effectively exhausted our true 'Reserves'. It is alarming that, despite the Conservative Group's concerns about borrowing, the Council still plans to borrow £51 million over the next three years. The Cabinet member has previously stated that the Council's borrowing ratio to total income is low compared to similar authorities. However, this does not alter the fact that this additional borrowing will incur costs that the Council cannot afford. Could you please confirm how much this extra borrowing will cost the Council?

In response

This report and previous reports to Cabinet and Council have set out the extremely difficult environment we are operating in. Local Government is facing unprecedented financial challenge.

For years successive reports from Council Officers have noted that the main cost pressures facing this Council are from the demand led statutory services which require national action to address.

This is not a Calderdale problem alone. The Local Government Association Autumn Budget and Spending Review submission 2024 stated:

'Inflation, wage pressures and growing demand and complexity of need mean that councils face a funding gap of £6.2 billion over the next two years. And this needs to be seen in the context of the estimated £24.5 billion in cuts and efficiencies in service spending that councils made between 2010/11 and 2022/23. If councils' net service spend had grown in line with inflation, wage growth, demographics and demand drivers since 2010/11 it would have been a full 42 per cent higher in 2022/23 than actual service spend in 2022/23. Councils have had to absorb these huge pressures through service cuts or efficiencies.'

What this does not mention is that Councils have also had to turn to Reserves to cover Budget gaps whilst effecting transformation. In the Budget papers for this year our S151 Officer made it clear that "careful use of Reserves is seen as a short term measure only to ensure a balanced budget position is maintained whilst savings are being delivered. It is not foreseen as a long term solution". This cautious approach has been challenged by the continued wait for national solutions and new challenges such as homelessness, reduced recycling income and increased waste disposal costs.

The latest approved Capital Programme 2024/25 to 2026/27 totals £330m, as set out in the Monitor. The majority of which is funded from external grant which we have successfully secured from Government, Government agencies and West Yorkshire Combined Authority amounting to £268m.

The amount of borrowing required to fund the capital programme is £51m, which is 15% of total capital spend.

The estimated cost each year of this capital investment over the next four years is £9.4m, £11.9m, £14.3m and £15.6m - representing a cost of capital ratio of 4.3%, 5.3%, 6% and 6.3% (well below the last published comparator median of 6.9%).

Some of this borrowing was necessary to secure much greater investment, such as the relatively small amounts of match funding required for Public Sector Decarbonisation funds.

You know from Cabinet Reports that the borrowing for SE Calderdale will be covered by income in future years and is essential to unlock growth potential for the Borough.

Borrowing for Ainley Depot was essential on Health and Safety grounds, as a responsible employer we could not expect staff to work in crumbling, unsafe buildings.

These are just some examples of strategic investment in the future of the Council and Calderdale.

Phasing and prioritisation of the Capital Programme will continue to be subject to review as part of the Council's financial planning process.