

OPEN

Highways and Transport Committee

Thursday, 20 June 2024

Service Budgets 2024/25 (Highways & Transport Committee)

Report of: Adele Taylor, interim Director of Finance and Customer Services (s151 Officer)

Report Reference No: HTC/25/24-25

Ward(s) Affected: All Wards

Purpose of Report

- 1 This report sets out the allocation of the approved budgets for 2024/25 to the Highways & Transport Committee.
- 2 The report contributes to the Council's objective of being an open and enabling organisation.

Executive Summary

- 3 The Medium-Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2024/25 to 2027/28 was approved by full Council on 27 February 2024.
- 4 Due to the unprecedented financial circumstances that the council finds itself in it was not possible to present a fully balanced budget for the medium term this time. The focus has been wholly on 2024/25 to ensure that effective scrutiny could be achieved in every area to work towards presenting a balanced position in February.
- 5 Service committees are being allocated budgets for 2024/25 in line with the approved MTFS. The financial reporting cycle will provide regular updates on progress on delivery of the budget change items, the forecast outturn position, progress on capital schemes, movement on reserves and details of any supplementary estimates and virements.

The financial reporting timetable for 2024/25 was approved by Finance Sub-Committee on 22 March 2024 and is included at Appendix B.

- 6 In addition to the usual comprehensive reporting at First, Second and Third Financial Reviews (September, November and January cycles), in recognition of the Council's challenging financial position and the importance of achieving a balanced outturn, it has been agreed by the Finance Sub Committee that all service committee meetings during 2024/25 will receive an update report on the delivery of the approved MTFS budget policy change items. This will be based on the tables of budget policy items shown in Appendix A, for each respective committee, and will include RAG-rating and accompanying commentary as reviewed and approved by Corporate Leadership Team in respect of each item.
- 7 Appendix A contains the first update on progress against each revenue budget change item for 2024/25.

RECOMMENDATIONS

The Highways & Transport Committee is recommended:

1. To note the decision of the Finance Sub-Committee to allocate the approved revenue and capital budgets, related budget policy changes and earmarked reserves to the Highways & Transport Committee, as set out in Appendix A.
2. To note the financial reporting timetable for 2024/25 set out in Appendix B as approved at Finance Sub-Committee on 22 March 2024.
3. To review progress on the delivery of the MTFS budget policy change items, the RAG ratings and latest forecasts, and to understand the actions to be taken to address any adverse variances from the approved budget.

Background

- 8 All councils are legally required to set a balanced budget each year. The MTFS was approved by full Council on 27 February 2024.
- 9 The MTFS includes a Report from the Chief Finance Officer in line with the Section 25(1) of the Local Government Finance Act 2003. This report confirms that the MTFS is balanced for 2024/25. The report also highlights the factors taken into account in arriving at this judgement

including relevant financial issues and risks facing the Council during the medium term.

- 10 Finance Procedure Rules set limits and responsibilities for movement of funds, treating reserves as part of this overall balanced position. Any movement within this balanced position is treated as a virement. To increase the overall size of the MTFS requires a supplementary estimate, which must be backed with appropriate new funding and approved in line with the Procedure Rules.
- 11 To support accountability and financial control under the committee system the 2024/25 budget is being reported across the service committees based on their associated functions. This report sets out the allocation of the revenue and capital budgets and earmarked reserves to the relevant service committee in accordance with their functions.
- 12 Each committee function has been associated with a Director budget. Budget holders are responsible for budget management.
- 13 The financial alignment of budgets to each Committee is set out in Table 1 with further details in Appendix A.

Table 1: Revenue and capital budgets allocated to service committees as per the approved MTFS:

ALL COMMITTEES - Summary					
	Revenue Budget			Capital Budget	Total Revenue and Capital Budget
	2024/25			2024/25	2024/25
Service Area	Expenditure £000	Income £000	Net £000	£000	Net £000
Adults and Health	223,849	-86,407	137,442	799	138,241
Children and Families	99,583	-10,620	88,963	38,908	127,871
Corporate Policy	111,416	-69,760	41,656	10,379	52,035
Economy and Growth	36,169	-8,227	27,942	80,263	108,205
Environment and Communities	65,291	-16,642	48,649	18,978	67,627
Highways and Transport	28,669	-12,839	15,830	66,452	82,282
Finance Sub-Committee	18,727	-3,500	15,227	0	15,227
Total Cost of Service	583,704	-207,995	375,709	215,779	591,488

- 14 The 2024-28 MTFS includes a net revenue budget of £375.7m and an approved capital programme of £215.8m for the financial year 2024/25. Further details on the schemes within the capital programme are provided in Appendix A.
- 15 Appendix A sets out the list of budget change items that were approved as part of the MTFS. All budget changes must be successfully delivered during 2024/25 to avoid a further overspend in the coming financial

year. Detailed monitoring of these items will continue at every reporting opportunity and the Council's reporting 'masterplan' and committee work programmes will reflect reporting on the monitoring and delivery of all MTFs change items, including matters requiring consultation and/ or decisions. This will ensure regular reporting to Corporate Leadership Team and all service committees on implementation of the MTFs and achievement of savings, throughout the coming year. In addition to reporting at the formal 'financial review' points in the year, other progress reports will be scheduled for reporting to particular service committees, on their items as appropriate.

- 16 Appendix A sets out the capital programme tables by committee. The four-year capital programme includes investment plans of around £0.6bn. It is proposed that it will be funded through a mixture of Government grants, contributions from other external partners and Council resources. At present this programme is not affordable, with interest rates for borrowing at an average for the Council of 5.6% and a continuing need to borrow, the capital programme needs to be reduced significantly in order for the Council to be able to fund the schemes solely or partly funded by Council resources. The capital programme is currently being reviewed.
- 17 The 2024/25 budget was approved at full Council in February 2024 including the use of a further £11.7m of earmarked reserves in 2024/25 to balance the overall budget, as expenditure outweighed the income forecast. The low level of reserves and forecast further use of reserves to support the 2024/25 budget must be addressed as soon as possible. The headline reserves table, as included in the MTFs, is shown below:

	Opening Balance 2023/24 £m	Forecast Closing Balance 2023/24 as at MTFs Feb 2024 £m	Forecast Closing Balance 2024/25 as at MTFS Feb 2024 £m
General Reserves	14.1	1.1*	2.1*
Earmarked Reserves**	61.6	24.3	1.7
Total Revenue Reserves	75.7	25.4	3.8

* Closing balances are dependent on outturn at 31 March 2024 (see *Outturn Report 2023/24 for further updated final position for 2023/24*).

** As at the MTFs, all remaining Earmarked reserves excluding those held for ring-fenced purposes are being transferred into the General Fund reserve during 2024/25 to support the forecast deficit position (*this will be reviewed during 2024/25 following Outturn for 2023/24*).

The detail behind the earmarked reserve balances included in the table above, for the Highways & Transport Committee, is set out in Appendix A and is shown in the table below:

Name of Reserve	Opening Balance	Forecast Closing Balance	Forecast Closing Balance
	2023/24	2023/24 as at MTFS Feb 24	2024/25 as at MTFS Feb 24
	£000	£000	£000
Highways and Infrastructure			
HS2	785	385	0
Flood Recovery Works	400	200	0
Parking Pay and Display Machines / parking Studies	178	0	0
Highways Procurement Project	104	35	0
LEP - Local Transport Body	19	0	0
HIGHWAYS & TRANSPORT TOTAL	1,486	620	0

- 18 The Council must transform to create sustainable services and support infrastructure projects that reflect ‘whole life’ costs. This must cover the medium to long term and be backed by reserves that can manage any emerging risks. This is crucial if the Council is to maintain the value that local decision making can bring to local services.
- 19 The Chief Executive has taken the initiative to engage senior officers in a self-assessment of the Council against the Local Government Association (LGA) – Transformation Capability Framework. As requested by Members, the Council has also commissioned an LGA Corporate Peer Review which took place during March 2024. The outcome of these reviews will inform a programme of transformation activity across the Council during the 2024/25 year.
- 20 The transformation programme, needed to help address the financial deficit, as set out in the MTFS report, will focus on:
- (a) Reprioritisation, to create an opportunity to invest in critical areas but also disinvest from areas.
 - (b) Customer engagement and experience, through using technology to streamline service delivery enabling self-service available 24/7, whilst ensuring specialised support and guidance is given to those that need it.
 - (c) Achieving value for money in and across all services, by reducing manual, repetitive tasks through automation of systems and processes.

- (d) Reviewing organisational structures and operating models to maximise performance and outcomes.
 - (e) Developing the right skills and behaviours across the entire workforce to achieve high productivity levels.
 - (f) Achieving financial targets through the effective implementation of well informed and clear decisions informed by data and insight.
 - (g) Developing the Asset Management Plan to align it to service requirements and dispose of surplus assets.
- 21 Further background information on the reserves balances is available in the Reserves Strategy and the S.25 statement which was approved as part of the MTFS for 2024/25 at the Council meeting on 27 February (Appendix C: MTFS – Annex 13 (Reserves Strategy) and Page 16 (S.25 statement)).
- 22 The council has been in discussion with government for a number of months about particular specific financial issues, including increased demand and unfunded costs for special educational needs, and the continued financial uncertainty following the government’s announcement, in October 2023, of the cancellation of HS2 north of Birmingham and spending already incurred by the council in preparation for HS2 phase 2.
- 23 On 29 February 2024, the government announced some Exceptional Financial Support for Cheshire East Council. The support will be in the form of a capitalisation direction. It provides the council with the facility to spread the cost of any additional emerging pressures, up to £17.6m, to future years, effectively providing an alternative to use of reserves should the need arise. This reduces the risk of a Section 114 notice. The support is not in the form of cash. The council would need to pay back expenditure capitalised under this arrangement, in the longer term.
- 24 Reducing these financial risks will enable investment in providing the required organisational capacity and resources in 2024/25 for a council-wide transformational change programme, to create sustainability in the medium-term.
- 25 The table below summarises the estimated four-year position, as included in the MTFS. Early work on business planning for 2025/26 and future years is underway, as part of the Transformation Programme.

	Estimated Net Budget 2024/25 £m	Estimated Net Budget 2025/26 £m	Estimated Net Budget 2026/27 £m	Estimated Net Budget 2027/28 £m
Total Service Expenditure	360.5	380.2	399.1	417.1
Central Budgets:				
Capital Financing	28.5	43.0	57.1	69.8
Income from Capital Receipts	-1.0	-1.0	-1.0	-1.0
Use of Reserves	-12.2	-	-	-
Total Central Budgets	15.2	42.0	56.0	68.7
TOTAL: SERVICE + CENTRAL BUDGETS	375.7	422.2	455.2	485.9
Funded by:				
Council Tax	-287.1	-298.8	-310.6	-322.9
Business Rates Retention	-56.6	-56.6	-56.6	-56.6
Revenue Support Grant	-0.4	-0.4	-0.4	-0.4
Specific Unringfenced Grants	-31.6	-24.5	-24.5	-24.5
TOTAL: FUNDED BY	375.7	380.3	392.2	404.4
FUNDING POSITION	0.0	41.9	63.0	81.5

Consultation and Engagement

- 26 The annual business planning process involves engagement with local people and organisations. Local authorities have a statutory duty to consult on their budget with certain stakeholder groups including the Schools Forum and businesses. In addition, the Council chooses to consult with other stakeholder groups. The Council continues to carry out stakeholder analysis to identify the different groups involved in the budget setting process, what information they need from us, the information we currently provide these groups with, and where we can improve our engagement process.
- 27 Cheshire East Council conducted an engagement process on its Medium-Term Financial Plans through a number of stages running from January 2024 to Council in February 2024.
- 28 The budget consultation launched on-line on 9 January 2024, included details of the proposals against each Corporate Plan aim. This consultation was made available to various stakeholder groups and through a number of forums.

Reasons for Recommendations

- 29 In accordance with the Corporate Plan and the Policy Framework the Finance Sub-Committee has the responsibility to co-ordinate the management and oversight of the Council's finances, performance and risk management arrangements.
- 30 The Sub-Committee is responsible for allocating budgets across the service committees. This responsibility includes the allocation of revenue and capital budgets as well as relevant earmarked reserves.
- 31 The Sub-Committee has responsibilities within the Constitution to approve, or recommend for approval, virement and supplementary estimates that will amend the MTFs. Such requests are brought to the Committee as they arise.

Other Options Considered

- 32 Not applicable.

Implications and Comments

Monitoring Officer/Legal

- 33 The legal implications surrounding the process of setting the 2024 to 2028 Medium-Term Financial Strategy were dealt with in the reports relating to that process.

Section 151 Officer/Finance

- 34 Contained within the main body of the report.

Policy

- 35 The Corporate Plan sets the policy context for the MTFs and the two documents are aligned. Any policy implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

An open and enabling organisation
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Equality, Diversity and Inclusion

- 36 Under the Equality Act 2010, decision makers must show 'due regard' to the need to:
- 37 - Eliminate unlawful discrimination, harassment and victimisation;

- 38 - Advance equality of opportunity between those who share a protected characteristic and those who do not share it; and
- 39 - Foster good relations between those groups.
- 40 The protected characteristics are age, disability, sex, race, religion and belief, sexual orientation, gender re-assignment, pregnancy and maternity, and marriage and civil partnership.
- 41 Having “due regard” is a legal term which requires the Council to consider what is proportionate and relevant in terms of the decisions they take.
- 42 The Council needs to ensure that in taking decisions on the Medium-Term Financial Strategy and the Budget that the impacts on those with protected characteristics are considered. The Council undertakes equality impact assessments where necessary and continues to do so as proposals and projects develop across the lifetime of the Corporate Plan. The process assists us to consider what actions could mitigate any adverse impacts identified. Completed equality impact assessments form part of any detailed Business Cases.
- 43 Positive impacts include significant investment in services for children and adults (protected characteristics primarily age and disability).
- 44 The Corporate Plan’s vision reinforces the Council’s commitment to meeting its equalities duties, promoting fairness and working openly for everyone. Cheshire East is a diverse place and we want to make sure that people are able to live, work and enjoy Cheshire East regardless of their background, needs or characteristics.
- 45 The proposals within the MTFs approved in February 2024 include positive and negative impacts. A separate Equality Impact Assessment has been produced and is included in the MTFs 2024-28 Appendix C, Annex 3. Any service changes will be subject to a specific EqIA process as part of their development.

Human Resources

- 46 Any HR implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

Risk Management

- 47 Financial risks are assessed and reported on a regular basis, and remedial action taken if and when required. Risks associated with the achievement of the 2024/25 budget and the level of general reserves

were factored into the 2024/25 financial scenario, budget and reserves strategy.

Rural Communities

48 The report provides details of service provision across the borough.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

49 The report provides details of service provision across the borough.

Public Health

50 Public Health implications of any service budget or policy changes which may be brought forward under the remit of this committee will be considered on a case by case basis.

Climate Change

51 Any climate change implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

Access to Information	
Contact Officer:	Adele Taylor Interim Director of Finance and Customer Services (Section 151 Officer) adele.taylor@cheshireeast.gov.uk
Appendices:	A - Allocation of revenue and capital budgets, budget change items and earmarked reserves for the Highways & Transport Committee B – Financial Reporting Timetable 2024/25
Background Papers:	The following are links to key background documents: Medium-Term Financial Strategy 2024-2028