

OPEN

Council

11 December 2024

Exceptional Financial Support

Report of: Interim Executive Director of Resources (S151 Officer)

Report Reference No: C/15/24-25

Ward(s) Affected: All Council Wards are affected

Purpose of Report

1. To seek authority for the Chief Executive to request that the in-principle exceptional financial support, of up to £17.6 million by way of a capitalisation direction for 2023/24 and 2024/25, be able to be applied only in 2024/25, from the Secretary of State for Housing, Communities and Local Government. This will address the Council's budgetary pressures during the financial year 2024/25.
2. To seek authority for the Chief Executive to submit a request for exceptional financial support of up to £31.4 million by way of a capitalisation direction for 2025/26 to the Secretary of State for Housing, Communities and Local Government, and indications of a potential request of £23.7m for 2026/27.
3. To delegate to the Interim Executive Director of Resources (S151 Officer) the ability to update those requests once further financial information from the local government finance settlement is received. This will be in consultation with the Chief Executive and will be reported at the earliest opportunity to the relevant committee.
4. The proposed application for financial support aligns with all Council Corporate Plan Priorities:

Open

We will provide strong community leadership and work transparently with our residents, businesses and partners to deliver our ambition in Cheshire East

Fair

We aim to reduce inequalities, promote fairness and opportunity for all and support our most vulnerable residents.

Green

We will lead our communities to protect and enhance our environment, tackle the climate emergency and drive sustainable development.

Executive Summary

5. This is an urgent report to the Council, which is necessitated by a request from the Ministry of Housing, Communities and Local Government (MHCLG) received on 4th December 2024 to submit a formal request and supporting evidence for any Exceptional Finance Support (EFS) by Friday 13th December 2024.
6. At the same time, any revisions to previous in-principle decisions also need to be submitted, for the current year.
7. It is proposed that the Chief Executive be authorised to request this exceptional financial support in a sum of up to £17.6 million for 2024/25 (being a revision to the previous request, which had originally been split over 2 financial years). MHCLG have confirmed the deadline of 13 December 2024 for any application to be made, with sufficient supporting information to support this application.
8. It is also proposed that the Chief Executive submit a request for EFS of up to £31.4 million by way of a capitalisation direction for 2025/26 from the Secretary of State for Housing, Communities and Local Government, and indications of the potential requests of £23.7m for 2026/27. These sums are based on the Medium Term Financial Plan model that was presented to Corporate Policy Committee (CPC) on 28th November 2024.
9. It is recognised that the model presented to CPC is still subject to revision after announcements relating to funding and other financial policy impacts that are expected later in December, that could have a material impact on the request. Therefore a delegation to the Interim Executive Director of Resources (S151 Officer), to allow revisions of the information and size of the request, is also sought to ensure that the Council can continue active dialogue with Central Government around our request.
10. The additional information required also asks how the EFS request will be funded (through a mixture of borrowing and/or flexible use of capital receipts); and there is potential for this to change during this period, so it is important that this is updated.
11. EFS can also be in the form of a request for flexibility around Council Tax limits over and above the referendum limits set by Central Government.

We currently do not have a policy around this, but it is recommended that supporting information about our Council Tax limits be discussed at the next meetings of Finance Sub-Committee and Corporate Policy Committee and to allow the Interim Executive Director of Resources to submit supporting information as part of the discussions with MHCLG ahead of these meetings.

12. Any final requests will have to form part of the Council's budget setting papers in February 2025, following further discussion and agreement with MHCLG. A request at this stage is therefore an indication that we may need to utilise an amount "up to" our request.

RECOMMENDATIONS

The Council is recommended to agree:

1. That the Chief Executive finalise and submit a request for exceptional financial support in the form of an in-principle capitalisation direction for 2024/25 to the Secretary of State for Housing, Communities and Local Government for up to £17.6m.
2. That the Chief Executive finalise and submit a request for exceptional financial support in the form of an in-principle capitalisation direction of up to £31.4m for 2025/26 to the Secretary of State for Housing, Communities and Local Government, and indications of a potential request of £23.7m for 2026/27.
3. Delegate to the Interim Executive Director of Resources (S151 Officer) the ability to update those requests once further financial information from the local government finance settlement is received. This will be in consultation with the Chief Executive and will be reported at the earliest opportunity to the relevant committee(s).

Background

13. In order to address the risk to services from the Council's budgetary pressures, it is proposed that the Chief Executive be authorised to request exceptional financial support of up to £17.6 million from MHCLG for 2024/25; a revision from our previous request which was spread over 2 financial years.

14. To address the current risks that are identified in the model for the Medium Term Financial Plan, further requests for 2025/26 of £31.4m and indications of £23.7m for 2026/27 should also be requested, alongside all of the supporting evidence and information requested by MHCLG.
15. The request for information was received on 4th December 2024 with a submission date of 13th December 2024.
16. The Council's Corporate Policy Committee held on 28th November 2024, [Agenda for Corporate Policy Committee on Thursday, 28th November, 2024, 10.00 am | Cheshire East Council](#) (item 49) considered the latest model of the Medium Term Financial Plan, which took into account all of the information as we currently know it about the Council's financial position, but recognised that there remains significant uncertainty around funding relating to information due at the end of December 2024 in the provisional local government finance settlement. This could materially change the model and supporting information, and any revisions would need to be advised to MHCLG before final agreement could be sought.
17. The Council's general budget pressures are associated with a number of factors, including, but not limited to:
 - (a) Demand-led pressures continuing to rise beyond the rate of funding increases
 - (b) The ongoing impact of inflation and interest rates on all aspects of our budget, including revenue spend, borrowing costs and cost of capital schemes, as well as the revenue costs of our deficit on the Dedicated Schools Grant from the impact of increased SEND costs.
 - (c) Revisions to funding mechanisms
 - (d) The need to invest in improvements within Children's Services
18. At the same meeting of Corporate Policy Committee, it was noted that the in-year 2024/25 financial forecast position remains a significant overspend, of over £20m.
[Agenda for Corporate Policy Committee on Thursday, 28th November, 2024, 10.00 am | Cheshire East Council](#) (item 48)
19. The current forecast would mean the Council would deplete its reserves in order to sustain compliant services in 2024/25. Adverse variations in the forecasts put the Council at risk of a Section114 Notice being issued by the Council's Section 151 Officer. The impact of this would be counter-productive to the Council's transformation approach. In-principle approval

for access to exceptional financial support would enable the Council to manage risks locally, as well as enable the development of a programme of activities aimed at providing sustainable, affordable local services.

20. The Chief Executive and Chief Financial Officer have been in liaison with MHCLG's local authority financial risk team to ensure that our financial position remains a priority.

Consultation and Engagement

21. The financial position of the Council has been reported at all service committees and the Corporate Policy Committee and the information being submitted to MHCLG is all based on publicly available reports.

Reasons for Recommendations

22. The Council is recommended to empower the Chief Executive to request exceptional financial support and provide all relevant supporting information by the 13 December 2024.

Other Options Considered

23. The Council has four options in relation to the recommendations of this report:

Option	Impact	Risk
Do nothing	The Council has no access to exceptional financial support.	The S151 Officer is highly likely to have to issue a Section 114 Notice
Apply for Exceptional Financial Support at the recommended level	This approach addresses the immediate needs to support the council	As detailed in the report
Apply for Exceptional Financial Support in excess of the recommended level	This provides higher financial security than the recommended option.	The application may be refused if deemed excessive and not related to specific financial issues.
Apply for exceptional Financial Support of less than the recommended level	The application would not represent the value needed to deal with our current in-year specific issues, nor provide access to	Insufficient financial support may still present circumstances that could trigger the

	a recognised guidance level of general reserves.	need to issue a Section 114 Notice.
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Implications and Comments

Monitoring Officer/Legal

24. Section 100B (4) of the Local Government Act 1972 envisages that there will be special circumstances in which reports need to be considered at a meeting of the principal council, without having been published in the usual way, with five clear working days' notice²⁵. The Chair of the Council is of the opinion that this report should be considered as a matter of urgency, and the report explains the reasons for this. These reasons will be recorded in the minutes of the meeting, as required by legislation.
25. The Chief Executive could take an urgent decision in these circumstances but, given the steps being taken to safeguard the Council's financial position, for transparency, the Council are being asked to take the decision. There are no other legal implications to the report being considered as an urgent item of business, nor to the recommendations which are contained within it.

Section 151 Officer/Finance

26. By submitting a request for Exceptional Finance Support (EFS) and the additional supporting information requested, this ensures that the Council can continue conversations with MHCLG to remain financially sustainable and avoid the need to issue a s114 notice.
27. Given the level of uncertainty within the current model, it will be important that as more up to date financial information emerges, that the model is updated and communicated to MHCLG.
28. EFS is not free and therefore the costs of drawing down and utilising any capitalisation direction needs to be recognised in the medium-term financial plan.
29. All budget and resource managers need to continue to bear down on any unnecessary costs to minimise the need for EFS but also need to recognise longer term consequences of short-term financial decisions to ensure the council learns to live within its means.

Policy

30. The proposed course of action meets all of the Council's Corporate Plan priorities:

An open and enabling organisation	A council which empowers and cares about people	A thriving and sustainable place
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Equality, Diversity and Inclusion

31. The proposed course of action will have a positive impact in terms of equality, diversity and inclusion issues, removing the risk of a Section 114 Notice being issued with consequent impact upon the delivery of Council services.

Human Resource

32. If a Section 114 Notice was issued, there would be significant impacts upon services which would have a knock-on effect for Council employees.

Risk Management

33. If an application for exceptional financial support was not made, then the Council's budgetary pressures would remain, with the consequent risk of a Section 114 Notice being issued.

Rural Communities

34. Rural communities will benefit from the exceptional financial support available from MHCLG, should the Committee resolve to take the recommended course of action.

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

35. These individuals will benefit from the exceptional financial support available from MHCLG, should the Committee resolve to take the recommended course of action.

Public Health

36. Securing exceptional financial support from MHCLG will have a positive overall impact on the health and wellbeing of all Cheshire East residents.

Climate Change

37. Securing exceptional financial support from MHCLG will enable the Council to continue to pursue its carbon-neutral approach.

Access to Information	
Contact Officer:	Adele Taylor adele.taylor@cheshireeast.gov.uk
Appendices:	NONE
Background Papers:	The background documents relating to this report are set out as links within it