

Finance Sub Committee

Responses to questions raised by Members on 7 November 2024

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Question	Response
<p>The committee noted the register of all contracts awarded and that contract reference C3224 – Crewe Youth Zone Project had been awarded a contract value of £4,739,997. Members requested an update on this and highlighted that this appeared in several other financial documentation with funds for the project coming from a number of different sources. Officers committed to providing a written response.</p>	<p>I confirm that the contract value is correct, and the contract is for the capital grant payment for the project. The project is funded from a number of different sources, but Cheshire East Council has signed the contract which is why it is on the contracts register.</p>
<p>It was queried if utilising EFS was better than issuing a section 114 notice. Officers committed to providing a written response.</p>	<p>To answer the question, it is important to recognise the difference between what a S114 Notice is versus what Exceptional Financial Support is.</p> <p>A Section 114 Notice is an acknowledgement that, in the view of the relevant authority's chief financial officer (CFO), the authority's expenditure in the current financial year is likely to exceed the resources available to it (including borrowed funds) to meet that expenditure (in other words, a forecasted deficit).</p>

It is not a statement that it is insolvent; rather it is the trigger point for the relevant authority to determine a course of action to address (and resolve) the forecasted deficit

- The authority (full Council) is required to meet and consider the Section 114 Notice within 21 days;
- An immediate consequence of a Section 114 Notice is that it legally suspends the incurring of expenditure in relation to new commitments by the authority without the prior approval of the CFO until the authority has agreed the course of action required to deal with the forecasted deficit.

In the current financial year, the Council has an “agreed in principle” ability to utilise “Exceptional Financial Support” for 2024/25 through Central Government which is one of the tools that the Council is able to use to avoid the CFO issuing such a Notice and allows the Council to continue to conduct its business. This was in place for the start of this financial year but through the financial reporting, the CFO and her team have been showing the impact of not utilising this support to demonstrate the need to continue to take long term action to ensure long-term financial sustainability.

It is therefore not an either/or situation in terms of S114 and EFS but more that EFS is one of the tools used to bring back spending within control limits.

The consequences of issuing a S114 would likely lead to a need to have a combination of stopping immediate spending on anything but essential spend, seeking options to capitalise revenue through either borrowing and/or additional asset sales (through a capitalisation direction with Central Government) and all other short term measures that could be identified. The capitalisation direction is in fact part of the EFS

toolkit. These actions are already being undertaken wherever possible (although not to the same limits as would be the case if a S114 was issued).