

OPEN

Council

16 July 2025

Report on the Officer Decision re: Funding for Phase 3 of the Transformation Programme

**Report of: Ashley Hughes, Executive Director of Resources,
Section 151 Officer and
Karen Wheeler, Interim Assistant Chief Executive**

Report Reference No: C/7/25-26

All Wards Affected

For Decision

Purpose of Report

- 1 This report sets out the circumstances surrounding the publication of the Officer Decision Record (ODR2) following an officer decision taken on 15th April 2025 and published on 26th June 2025.
- 2 Clarification is provided upon a decision referral request which was then submitted. This report therefore seeks to address all issues raised in respect of the background, process and the decision taken.
- 3 Council is asked to approve a virement of funds to cover the expenditure approved by Full Council on 26th February 2025 as part of the MTFS.

Executive Summary

- 4 On 21 March 2024, the Corporate Policy Committee resolved to empower the Chief Executive to 'take all necessary steps to implement a whole organisation transformation programme as outlined' in the report.
- 5 Full Council, which met on 26 February 2025, approved the MTFS. This included provision for the cost of a transformation programme in the sum of up to £3.5m, to be met from reserves.

- 6 The officer decision and actions referred to in the ODR2 are in line with the MTFs provision relating to the transformation programme, and with the resolution of the Corporate Policy Committee. The funds utilised have been used for their intended and designated purpose.
- 7 On 15 April 2025 an officer decision, documented in the form of the ODR2, was made to progress the transformation programme utilising some of the allocated funds, in line with delegated authority from the Corporate Policy Committee and general delegations. (For more information on officer scheme of delegations using this link: [Cheshire East Council Constitution](#) Chapter 2, Part 5, pp63 & 64 refer)
- 8 The submission of the decision-referral request helpfully identified the need for this report to Council, and for the authority which the recommendations of this report seeks. An administrative error meant that there was a delay in the publication of ODR2 form.
- 9 The Chief Executive acted within his authority in making the Officer Decision. However, there were flaws in the administration of the ODR2. In light of this, and in order to be transparent, the matter is subject to this report to Full Council for a decision, rather than proceeding through the referral process.

RECOMMENDATIONS

The Council is recommended to:

1. Note the contents of this report, and the opportunity provided by the use of the decision-referral process to ensure compliance with the requirements of the Constitution.
2. Approve a virement of up to £3.5m from earmarked reserves; this potentially to include sums of over £1m but which will not exceed the total virement without further decision by Full Council.

Background

- 10 On 21st March 2024 the Corporate Policy Committee received the report “*Cheshire East Approach to Transformation*”. ([\(Public Pack\)Agenda Document for Corporate Policy Committee, 21/03/2024 10:00](#), see agenda item 6, pages 35 – 46). The report explained:

“The transformation programme will facilitate deeper and broader service redesign, supported where appropriate by the investment in enhanced digital capabilities, which will be required to contribute to the savings required for the next 5 years from 2024/25 to 2028/29 as set out in the MTFS. The primary objectives being:

- (i) Support the Council to address the 4-year funding gap of £100m as outlined in the MTFS.
- (ii) Invest in digital technologies to enable services to adopt technology for various activities and processes, thus enabling the Council to fully leverage technological opportunities to accelerate its processes.
- (iii) Develop an organisational workforce that is flexible ensuring all staff have the necessary skills to work effectively within a transformed Council.”

- 11 The report made a number of recommendations that were approved, including:

“Delegate to the Chief Executive, in consultation with the Chair & Vice Chair, authority to take all necessary steps to implement a whole organisation transformation programme as outlined in sections 11-19, 24-30 of the Approach to Transformation Report approved at Corporate Policy Committee 21st March 2024.”

- 12 At the Full Council meeting on 26th February 2025, the MTFS was approved. This included an allocation from reserves of a sum of up to £3.5m for the transformation programme. ([\(Public Pack\)Agenda Document for Council, 26/02/2025 11:00](#), agenda item 7, pages 23 – 302).

- 13 In March 2025 the ODR2 was drafted which documented an officer decision, as follows:

“The decision is to progress to phase 3 of the partnership with the Council's delivery partner Inner Circle Consulting, this will provide the required capacity and capability to deliver at pace the required actions identified within the phase 3 proposal.”

The Officer Decision was made following consultation with the Leader and Deputy Leader, as the form demonstrates. Please select this link to access the published form: [Decision - Officer Decision Record: Phase 3 Inner Circle Transformation Programme | Cheshire East Council](#)

- 14 It is acknowledged that the ODR2 form and process should have been clearer:

- (a) The ODR2 refers to phase 3 of the transformation programme. The reference to phase 3 related, in fact, to part of phase 2, as described in the report to CPC in March 2024:

In section 14 of the report of March 2024, timescales and phases of the transformation programme are outlined:

- *“Phase 1: 3-6 months*
- *Phase 2: 6-36 months - Whole organisation transformation programme”*

Phase 1 commenced in May 2024 and finished in September 2024, as the transformation plan had been completed and submitted to the Ministry of Housing, Communities and Local Government by the deadline of the end of August 2024. Phase 1 was part-funded by a grant from the Local Government Association (LGA).

Phase 2 then commenced, focussing on mobilisation and implementation of the transformation programme plan. Operationally, Phase 2 has been split down into Phase 2 and Phase 3. The initial part of Phase 2 ended in March 2025 and covered the mobilisation of the transformation programme plan. The next part of Phase 2, that is referred to in the ODR2 as “Phase 3”, covers implementation of the transformation programme plan. The issues raised within the decision referral process have helpfully identified the lack of clarity and potential for confusion which subsequently arose:

- (b) It is acknowledged that there were some procedural errors with the ODR2 form. There was an administrative error in that the ODR2 form was not published in a timely way.
- (c) The decision was then implemented, in good faith, and the partnership with our transformation partners continued with some associated expenditure taking place following the completion of the ODR2 form. This should not have happened until the end of the period allowed for decision referral requests. The expenditure was from the earmarked reserve which had been approved by Council on 26 February 2025 as part of the MTFS in line with the intended purpose.
- (d) At this stage no virement has been authorised. However, from a budgetary perspective, it is acknowledged that a virement approval is required to cover the transfer of budget from earmarked reserves. Whilst the Corporate Policy Committee had authorised *the Chief Executive, in consultation with the Chair & Vice Chair, to take all necessary steps to implement a whole organisation transformation programme as outlined in the Approach to*

Transformation Report given the sum in question, the necessary virements are reserved to Full Council. This report now seeks to secure authority for the virement, by way of a recommendation to Council.

- 15 In the light of the above, to ensure compliance with the Constitution, and to ensure appropriate transparency in this matter, this report is being brought before Council.

Consultation and Engagement

- 16 Following the publication of the ODR2 on 26th June, questions were raised by a number of Members, in respect of which responses were provided.
- 17 Subsequently, a decision-referral request was received, supported by the requisite number of Members. The grounds put forward as the basis of the referral request is: *“The proposed action is outside of the Council’s Policy and Budgetary Framework. Virements from earmarked reserves are subject to financial controls.”*

Reasons for Recommendations

- 18 To ensure compliance with the Constitution, and to ensure appropriate transparency in this matter, this report is being brought before Council.
- 19 Whilst the Chief Executive acted within his authority in making the Officer Decision to continue with our transformation partners, Inner Circle Consulting (see paragraph 13), there were flaws with the administrative handling of the ODR2. Similar issues were previously identified leading to a recent review of the Officer Decision making procedures. An audit report is in the process of being finalised and will be reported to Audit and Governance Committee in due course.
- 20 The Council’s Financial Procedures Rules have not been breached as the ODR2 notes in the finance section that *“Provision has been made within the 2025/26 MTFS for the cost of transformation up to £3.5m through a centrally held earmarked reserve.”* There was no decision to vire the allocated reserves.
- 21 It is important to note that the transformation reserve is to cover the cost of change, which also includes extra capacity internally within the operational services within the council.
- 22 Councillors making the referral request are correct that a virement is required to vire any amount over a £1m. As no virement has been approved it is appropriate to bring forward the request to Full Council to do so.

- 23 This report is being presented to Full Council for a decision in this instance, rather than proceeding through the referral process. We feel this demonstrates a transparent approach.

Other Options Considered

- 24 A decision could have been made to follow the decision referral process. However, the outcome of that approach would have been likely to require a report to Council in any event. This would not have provided a timely solution to the issues helpfully raised. Therefore, in the interests of transparency and to provide certainty, a report to the July meeting of Council was the right course of action.

Implications and Comments

Monitoring Officer/Legal/Governance

- 25 The Deputy Monitoring Officer is content, having received advice from the Section 151 Officer, that this report accurately outlines the chronology of decision-making and constitutional provisions in this matter. She is also content that the recommendations of this report appropriately address outstanding matters.

Section 151 Officer/Finance

- 26 In reviewing the ODR2 signed 15 April 2025, the following was considered:
- 27 Under the Council's Financial Procedure Rules (FPR), the Chief Executive is able to approve contract awards to a value of £1bn. At Full Council in February 2025, a reserve totalling £3.5m was created expressly to fund Transformation in 2025/26 and future years. Corporate Policy Committee delegated the decisions to progress Transformation to the Chief Executive as outlined in this report.
- 28 The ODR2 is silent on viring from reserves. Virements from reserves require approval from the Chief Finance Officer up to £500,000. Sums in excess of £500,000 require political approval in consultation with the Chief Finance Officer (CFO). At Cheshire East, the CFO is the Executive Director of Resources, Section 151 Officer.
- 29 The ODR2 is not signed by the CFO, nor are they noted as having been consulted on a decision
- 30 Following the creation of the earmarked reserve at Full Council in February 2025, a subsequent report to Full Council was needed to vire from reserves an amount to fund 2025/26 expenditure on Transformation. This report seeks that permission.

- 31 The CFO is an author of this report and determined with the Deputy Monitoring Officer it was necessary to place before Full Council at the earliest opportunity.
- 32 As there is a funding source approved by Full Council already in place, there is no adverse impact on the 2025/26 budget nor the Medium-Term Financial Strategy (MTFS). Costs must be constrained within existing resources.
- 33 Neither officers or committees have the authority to overspend the budget set by Full Council.
- 34 A decision not to approve the virement will place the Council's Transformation Programme, and associated savings, at critical risk of non-delivery.
- 35 Financial Sustainability is a key plank of the Transformation Programme. It is referenced as a critical improvement item in both the Corporate Peer Challenge and the Best Value Notice.
- 36 It is the advice of the CFO that Council approves the reserves virement and allows the rapid progression of improvement and transformation to continue.
- 37 To disregard this advice places the Council at risk of the budget no longer balancing by law and therefore requiring the Section 151 Officer to issue a Section 114 notice.

Human Resources

- 38 The use of reserves is to secure resources to support the implementation the transformation programme.

Risk Management

- 39 This report, and its recommendations appropriately address procedural issues which have arisen during the delivery of the transformation programme. The recommendations of this report manage this risk by ensuring that, as required by the Council's Constitution, a virement is agreed by Full Council.
- 40 Issues in relation to Officer Decisions are the subject of an internal audit report which is in the process of being finalised with the responsible senior officers. Implementation of recommended actions arising from this review, as part of wider measures to improve report writing will further manage the risk of decision-making processes not being completed correctly.

Impact on other Committees

- 41 This report and its recommendations ensure appropriate alignment between the decisions made by the Corporate Policy Committee, the exercise of delegated powers by officers, the Constitution, and the decisions of Council.

Policy

- 42 The transformation programme will help us deliver against the three commitments in the Cheshire East Plan (please click this link to access the Cheshire East Plan: [Our Cheshire East Plan 2025-29](#)). Our three commitments are:

- 1. Unlocking prosperity for all*
- 2. Improving health and wellbeing*
- 3. An effective and enabling council*

- 43 We know that part of our transformation and improvement journey is becoming the sort of council we want to be and working in a way that we can be proud of. We have said *“We act with integrity, professionalism and transparency in everything we do, building trust by delivering services that meet the expectations of our stakeholders.”*
- 44 Bringing this report to the council today is part of working towards the type of organisation we want to be.

Equality, Diversity and Inclusion

- 45 There are no direct equality, diversity and inclusion implications.

Consultation

Name of Consultee	Post held	Date sent	Date returned
<i>Statutory Officer (or deputy) :</i>			
Ashley Hughes	S151 Officer	06/07/25	08/07/25
Jennie Summers	Deputy Monitoring Officer	06/07/25	08/07/25

<i>Other Consultees:</i>			
Christopher Allman	Director of Planning and Environment (former Acting Director of Transformation)	08/07/25	08/07/25

Access to Information	
Contact Officer:	Sam Pittam-Smith sam.pittam-smith@cheshireeast.gov.uk
Appendices:	N/A
Background Papers:	N/A