

OPEN

Finance Sub-Committee

3 November 2025

Medium Term Financial Strategy 2026/27 - 2029/30

**Report of: Ashley Hughes, Executive Director of Resources
(Section 151 Officer)**

Report Reference No: FSC/12/25-26

Ward(s) Affected: Not applicable

For Decision or Scrutiny: Both

Purpose of Report

- 1 This report is an update paper, following the last budget update received by this Committee (September 2025) and the Corporate Policy Committee on 2 October 2025, to further assist with the development of the Medium-Term Financial Strategy (MTFS) 2026 to 2030.
- 2 The report sets out the list of budget savings proposals making up this position ready for public consultation launch in November 2025.

Executive Summary

- 3 The Medium-Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2025/26 to 2028/29 was approved by full Council on 26 February 2025.
- 4 The MTFS is underpinned by a set of assumptions around income, expenditure and core funding that result in a 4-year position. The budget could only be balanced for the 2025/26 financial year by use of Exceptional Financial Support (EFS) by way of a capitalisation direction. This is not sustainable in the medium to long term and needs to be addressed urgently for the Council to be financially sustainable. The gaps

that were forecast in later years are being addressed as part of the business planning process this year, as well as the Council learning to live within its means by delivering all savings and containing approved growth within 2025/26, otherwise there will be increased pressures in future years and preparing a balanced budget/ MTFS will continue to be challenging.

- 5 The budget gap in the last update paper, without mitigations, was £33.3m on the General Fund Revenue budget for 2026/27. This is the year, by law, that elected members must set a legal budget by no later than the 11 March 2026.
- 6 Since that budget assumptions report there have been further changes identified that needed to be worked towards, and details are set out in the main section of the report.
- 7 A programme of public engagement during November and December will be undertaken to support the 2026/27 budget setting and consultation.
- 8 Finance Sub-Committee must take into consideration the following information with respect to future years' financial positions, given they are shown as balanced from 2027/28:
 - (a) The balanced positions assume the full and permanent delivery of all new savings proposals, existing savings proposals and the Transformation Programme.
 - (b) That the modelled demographic and complexity of need growth numbers do not change materially over the life of this MTFS.
 - (c) That the Council will exercise the considerable capital programme restraint described in the MTFS in full.
 - (d) There are no further adverse inspection results that require a significant financial response to support the improvements they may describe.
 - (e) That an approach to dealing with Dedicated Schools' Grant deficits is found and published in the Schools' White Paper, which has been delayed into 2026.
 - (f) That the approach in (e) is not one that demands the Council manages the deficit unilaterally. The Council's DSG deficit was £113m at the end of 2024/25.
 - (g) The DSG override is removed in 2028. At this point, the resources on the balance sheet are not forecasted to be sufficient to deal with the scale of deficit Cheshire East will face.
 - (h) The Local Government Association (LGA) Corporate Peer Challenge described significant culture change requirements. These must be delivered in full to deliver the MTFS required to remove a need for Exceptional Financial Support.
 - (i) An MTFS can only succeed when a Council's policies and procedures, plans and strategies, and outcomes are focused on the

Council's core business. All elected members and officers must understand the scale of the challenges financially, the need to build up general and earmarked reserves to safe levels and that this will create clear tension with other commitments and priorities which will require reviewing by members as to whether they remain deliverable in the previously foreseen timeframes.

- 9 There are weaknesses described in the non-statutory Best Value Notice of May 2025 and the Assurance Panel letter to Full Council in July 2025. Progress in rectifying these weaknesses has occurred, the Financial Leadership Improvement Programme update is on this agenda, but much is still needed to be done.
- 10 Service Committees will receive reporting on the budget for 2026/27 and the MTFS. Specific risks relating to their budgets are described in more detail in those reports. These will be provided as background information to the next meeting of this Finance Sub-Committee in January 2026.
- 11 The Council must ensure the conditions for successful delivery of budget proposals are in place. Without the following conditions, it will be difficult to confirm the robustness of estimates under Section 25 of the Local Government Finance Act 2003.
 - A robust, consistent, corporate Programme and Project Management approach in a suitably resourced Programme Management Office.
 - Delivery plans for proposals must exist, be of sufficient detail to enable delivery monitoring, must consist of the cost of change where it is appropriate to do so, including those from services not involved directly in delivery.
 - A strong culture of owning performance and delivery, underpinned by monthly officer-led Performance Boards.
 - Elected members agree to oversee delivery through quarterly Star Chambers and apply the same methodology to challenge the budget process into 2027/28.
 - Delivery, in full, of the Financial Leadership Improvement Plan, particularly around the Enterprise Resource Programme and budget holder accountability.

RECOMMENDATIONS

The Finance Sub Committee is asked to:

1. Note the updated budget position for the period 2026/27 to 2029/30 as set out in Table 3.
2. Scrutinise and feedback on the list of budget savings proposals that are contained in the budget consultation launched in November 2025 as contained in Annex 1.
3. Note the risks identified in paragraph 8 and apply them to their scrutiny of the budget proposals.
4. Note that Corporate Policy Committee have been asked to approve the conditions for successful budget delivery as noted in paragraph 8 above.
5. Note that all Services Committees are being presented with the opportunity to review the savings proposals within their remit as part of the November cycle of meetings.

Background

- 12 The Medium-Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2025/26 to 2028/29 was approved by full Council on 26 February 2025.
- 13 As a reminder, Table 1 sets out the revenue budget estimates for the four years from 2025/26 to 2028/29 as at February 2025.

Table 1: Summary position for 2025/26 to 2028/29	Approved Net Budget 2025/26 £m	Estimated Net Budget 2026/27 £m	Estimated Net Budget 2027/28 £m	Estimated Net Budget 2028/29 £m
Adults & Health	159.449	157.245	158.761	160.240
Children & Families	97.290	97.226	97.025	96.767
Corporate Policy	42.786	47.182	49.072	50.557
Economy & Growth	28.442	29.137	29.569	29.897
Environment & Communities	45.702	48.971	49.953	56.745
Highways and Transport	16.901	17.053	17.121	17.151
Council Wide Transformation savings	(13.452)	(34.182)	(45.212)	(45.212)
Total Service Budgets	377.118	362.632	356.289	366.145
<i>CENTRAL BUDGETS:</i>				
Capital Financing	35.039	38.758	41.860	43.248
Flexible use of Capital Receipts	(1.000)	(1.000)	(1.000)	(1.000)
Bad Debt Provision (change)	(0.050)	(0.050)	(0.050)	(0.050)
Contingency Budget	15.953	30.861	42.783	55.709
Risk Budget	-	3.800	1.960	0.750
Pension adjustment	(0.727)	(0.727)	(0.727)	(0.727)
Use of (-) / Top up (+) Reserves	1.304	5.000	8.898	8.898
Total Central Budgets	50.519	76.642	93.724	106.828
TOTAL: SERVICE + CENTRAL BUDGETS	427.637	439.274	450.012	472.972
<i>FUNDED BY:</i>				
Council Tax	(307.264)	(325.591)	(344.983)	(365.498)
Business Rate Retention Scheme	(57.122)	(57.122)	(57.122)	(57.122)
Revenue Support Grant	(0.849)	(0.849)	(0.849)	(0.849)
Specific Unring-fenced Grants	(37.140)	(34.098)	(34.098)	(34.098)
TOTAL: FUNDED BY	(402.375)	(417.660)	(437.052)	(457.567)
Exceptional Financial Support - Capitalisation Directi	(25.261)			
Funding Position (+shortfall)	-	21.614	12.961	15.406

14 The table above highlighted the fact that the Council continued to face a significant four-year funding gap at that time and was only able to balance in 2025/26 with the use of EFS. There continues to be the requirement to increase general reserves to more appropriate levels, to support the future financial sustainability of the Council and the above four-year budget built this level to £20m.

Budget assumption updates – base scenario (September/early October)

15 As a reminder, there was further refinement to some of the assumptions and resulting values since the MTFS approved in February 2025 (Table 1). These changed the overall funding position for 2026/27 onwards as per Table 2 below. List of updates included in this table can be found in the [previous report](#).

Table 2: Base Scenario position for 2026/27 to 2029/30	Approved Budget 2025/26 £m	Estimated Net Budget 2026/27 £m	Estimated Net Budget 2027/28 £m	Estimated Net Budget 2028/29 £m	Estimated Net Budget 2029/30 £m
Adults & Health	159.449	167.450	172.795	178.074	188.074
Children & Families	97.290	101.130	104.805	108.395	118.395
Corporate Policy	42.786	45.812	46.132	46.008	46.008
Economy & Growth	28.441	28.707	28.699	28.577	28.577
Environment & Communities	45.701	47.590	47.163	52.519	52.519
Highways and Transport	16.901	16.942	16.896	16.809	16.809
Council Wide Transformation savings	(13.452)	(34.182)	(45.212)	(45.212)	(45.212)
Transformation pump priming	-	15.000	5.000	-	-
Total Service Budgets	377.116	388.448	376.277	385.169	405.169
<i>CENTRAL BUDGETS:</i>					
Capital Financing	35.039	34.997	37.637	38.932	38.690
Flexible use of Capital Receipts	(1.000)	(10.000)	(5.000)	(1.000)	(1.000)
Bad Debt Provision (change)	(0.050)	(1.000)	(0.050)	(0.050)	(0.050)
Contingency Budget	15.953	44.661	49.743	61.459	69.453
Pay inflation	-	10.154	18.382	26.746	35.110
Pension adjustment	(0.727)	(0.727)	(0.727)	(0.727)	(0.727)
Use of (-) / Top up (+) Reserves	1.304	5.000	8.898	8.898	5.000
Total Central Budgets	50.519	83.085	108.883	134.258	146.476
TOTAL: SERVICE + CENTRAL BUDGETS	427.635	471.533	485.160	519.427	551.645
<i>FUNDED BY:</i>					
Council Tax	(307.264)	(326.341)	(345.769)	(366.323)	(388.069)
Business Rate Retention Scheme	(57.122)	(47.084)	(46.767)	(46.919)	(47.048)
Revenue Support Grant	(0.849)	(63.851)	(79.786)	(85.300)	(86.161)
Specific Unring-fenced Grants + DAMPING	(37.140)	(0.929)	2.251	3.936	(0.929)
TOTAL: FUNDED BY	(402.375)	(438.205)	(470.071)	(494.606)	(522.207)
Exceptional Financial Support - Capitalisation Directi	(25.261)				
Funding Position (+shortfall)	-	33.328	15.089	24.821	29.438

Budget assumption updates – latest base scenario

- 16 Further work has been undertaken to reduce the £33.3m gap, demonstrating to MHCLG and our Assurance Panel that we are doing what we have been charged with and working towards a route out of EFS.
- 17 Therefore, there has been further refinements to some of the assumptions and resulting values since this time. These change the overall funding position for 2026/27 onwards as per Table 3 below. The current shortfall in 2026/27 is now estimated to be £18.2m. The updates include:
- Prioritised and focused support of £10m of growth to Adult Social Care has been reviewed. The growth required in 2026/27 has been revised to £6.0m with further reductions over the life of the MTFS to 2030.
 - Fees and Charges are to rise by above-inflation where they are price-inelastic and also are to move from April 2027 rises to January 2027 rises in 2026/27 creating additional income in the region of £1.25m.

- 5% vacancy factor applied across all employee budgets for 2026/27. This saving of £8.3m has replaced the £7m on workforce savings previously included within the cross-service savings target.
- Reprofile the transformation pump priming budget for 2026/27 down to £10m plus a further £5m each in 2027/28 and 2028/29 (maintaining the £20m now over 3 years instead of 2 years) to deliver the remaining transformation programme planned savings, both service specific and cross council, over the medium term.
- Transformation and Improvement “pump prime” budgets are to be fully funded through flexible use of capital receipts. The targets are therefore increased to £15m in 2026/27, £10m in 2027/28, £10m in 2028/29 and £5m in 2029/30.
- Additional service budget changes totalling net c.£4.8m have been added. This includes refinement to roll forward proposals for 2026/27 and beyond that were originally included in the MTFS as at February 2025, plus further known items for both growth and identified savings (see Next Steps section below).
- Further analysis has been undertaken on the level of inflation within service budgets with an additional £3.5m included within the Contingency Budget.
- These changes all resulted in a betterment to the shortfall in 2026/27 and actually produced a surplus position in the later years. These surplus estimates have been credited to the reserves as can be seen in Table 3 below.

Table 3: Base Scenario position for 2026/27 to 2029/30	Approved Budget 2025/26 £m	Estimated Net Budget 2026/27 £m	Estimated Net Budget 2027/28 £m	Estimated Net Budget 2028/29 £m	Estimated Net Budget 2029/30 £m
Adults & Health	159.449	162.601	162.435	164.189	166.697
Children & Families	97.290	94.245	92.766	91.194	96.194
Corporate Policy	42.786	44.537	44.536	44.172	44.172
Economy & Growth	28.441	26.235	25.771	25.051	24.801
Environment & Communities	45.701	45.673	45.065	50.228	52.234
Highways and Transport	16.901	18.084	18.175	18.083	17.815
Council Wide Transformation savings	(13.452)	(26.943)	(37.973)	(37.973)	(37.973)
Transformation pump priming	-	10.000	5.000	5.000	-
Total Service Budgets	377.116	374.432	355.775	359.943	363.939
<i>CENTRAL BUDGETS:</i>					
Capital Financing	35.039	34.997	37.637	38.932	38.690
Flexible use of Capital Receipts	(1.000)	(15.000)	(10.000)	(10.000)	-
Bad Debt Provision (change)	(0.050)	(1.000)	(0.050)	(0.050)	(0.050)
Contingency Budget	15.953	48.538	53.620	65.336	73.330
Pay inflation (moved from service budget to contingency budget from 2026/27 until final pay agreement reached)	-	10.223	18.451	26.815	35.179
Pension adjustment relating to ASDVs only	(0.727)	-	-	-	-
Use of (-) / Top up (+) Reserves	1.304	5.001	15.456	14.479	12.011
Total Central Budgets	50.519	82.759	115.114	135.512	159.160
TOTAL: SERVICE + CENTRAL BUDGETS	427.635	457.192	470.889	495.456	523.100
<i>FUNDED BY:</i>					
Council Tax	(307.264)	(327.119)	(346.587)	(367.173)	(388.962)
Business Rate Retention Scheme	(57.122)	(47.084)	(46.767)	(46.919)	(47.048)
Revenue Support Grant	(0.849)	(63.851)	(79.786)	(85.300)	(86.161)
Specific Unring-fenced Grants + DAMPING	(37.140)	(0.929)	2.251	3.936	(0.929)
TOTAL: FUNDED BY	(402.375)	(438.983)	(470.889)	(495.456)	(523.100)
Exceptional Financial Support - Capitalisation Direction	(25.261)				
Funding Position (+shortfall)	-	18.209	-	-	-

Next Steps

- 18 There has been further work carried out to challenge this updated position. Business case submissions for future planned savings were presented to Corporate Leadership Team on 13 October. Further changes that could be made to the above position (Table 3) have been included in the latest figures and a full list of savings proposals is included at Annex 1.
- 19 Business cases are being refined and upgraded to ensure they contain all the information required for transparent oversight of delivery. The final budget Corporate Policy Committee recommend to Full Council will be one that only has proposals with robust business cases and delivery plans.
- 20 Further work to support Children's Services to review the permanent demography and complexity growth budget of £10m with a target to reduce it by at least £5m per annum to 2030. This work began after the Ofsted inspection on Monday 20 October.
- 21 Savings still need to be delivered through service redesign and as part of the wider transformation programmes and should be considered as stretch

deliverables. This work will form part of the final set of proposals for February 2026. As such, stretch transformation numbers in relation to redesign are being completed by December 2025.

- 22 The Council will continue to review its MTFS and budget reductions programme going forward. The assumptions included within this report will be refreshed through November and December to take account of available information on Government funding decisions as well as the macro-economic environment.
- 23 Over the period November to January, these proposals will be further developed to ensure robust delivery plans are in place and work will commence, with a view to maximising the full year effect of delivery in 2026/27. Priority will be placed on income maximisation across all service areas to reduce the burden on expenditure reductions, however there will be a need for efficiencies in costs alongside a genuine requirement to invest in transformation where the return on investment delivers long-term improvements in outcomes for residents in line with the Cheshire East Plan alongside recurrent reductions in costs that support the MTFS.
- 24 The draft budget savings proposals will be subject to consultation and engagement both online and in person sessions with various stakeholders. This will likely be prior to the Provisional Local Government Finance Settlement so would be updated with changes as a result of those announcements.
- 25 This position includes the list of savings proposals as contained in Annex 1 and summary Table 4 has been provided below.

TABLE 4 - DRAFT BUDGET SAVINGS PROPOSALS 2026/27 TO 2029/30	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
	(57.781)	(14.562)	(8.158)	7.086
Children and Families	(3.826)	(0.725)	(0.725)	-
Adults and Health	(11.769)	(5.984)	(4.537)	(2.961)
Corporate Policy	(5.988)	(1.423)	(1.517)	-
Corporate Policy - Council Wide Transformation	(13.491)	(11.030)	-	-
Economy and Growth	(2.885)	(0.543)	(0.597)	(0.250)
Environment and Communities	(4.615)	(0.653)	(0.544)	0.580
Highways and Transport	(0.257)	(0.154)	(0.238)	(0.283)
Finance Sub Committee - Central Budgets	(14.950)	5.950	-	10.000

Public Engagement in Support of the 2026/30 Budget Consultation

26 As part of the council's commitment to transparency and inclusive decision-making, a programme of public engagement will be undertaken to support the 2026/27 budget setting and consultation. This will include a range of activities designed to inform residents and stakeholders about the council's financial planning and to gather feedback on proposed priorities and service allocations. Engagement will be delivered through a combination of in-person events including at least two Community Assemblies, digital channels and alternative methods to ensure accessibility and broad participation. Insights gathered through these activities will be used to inform the development of the final budget proposals, ensuring that community and stakeholder views are considered as part of the decision-making process.

27 Below is a list of the stakeholders that will be involved in the consultation and engagement:

- Trade Unions
- MPs
- Councillors
- Staff Network Chairs and Equality Champions
- Cheshire Association of Local Councils (ChALC)
- Parent Carer Forum
- Cheshire East staff
- Voluntary, Community, Faith, and Social Enterprise (VCFSE)
- Community Assemblies
- Schools Forum
- Youth Council

28 All committees will receive reports during the November cycle of meetings for them to scrutinise proposals relating to the remit of the committee. There will be a further opportunity during the January 2026 committee meeting cycle to comment further as feedback is received.

Consultation and Engagement

29 The annual business planning process involves engagement with local people and organisations. Local authorities have a duty to consult on their budget with certain stakeholder groups and in Cheshire East we include the Schools Forum as well as business rate payers. 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.

- 30 All committees will receive reports during the November cycle of meetings for them to scrutinise proposals relating to the remit of the committee. There will be a further opportunity during the January 2026 committee meeting cycle to comment further as feedback is received.

Reasons for Recommendations

- 31 In accordance with the Constitution Committees play an important role in planning, monitoring and reporting on the Council's finances. Each Committee has specific financial responsibilities.
- 32 The Council's annual budget must be balanced. The proposals within it must be robust and the strategy should be supported by adequate reserves. The assessment of these criteria is supported by each Committee having the opportunity to help develop the financial proposals before they are approved by Full Council

Other Options Considered

- 33 The Council has a legal duty to set a balanced annual budget taking regard of the report from the Chief Financial Officer. As such options cannot be considered that would breach this duty. Any feedback from the consultation process and individual committee feedback must still recognise the requirement for Council to fulfil this duty.

Option	Impact	Risk
Do nothing	Not an option as the council must legally set a balanced budget for the coming financial year	The Council would be acting unlawfully if budgets are not aligned to available resources

Implications and Comments

Monitoring Officer/Legal/Governance

- 34 The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget and require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor

its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

- 35 The provisions of section 25 of the Local Government Act 2003, require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the chief finance (s.151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
- 36 The Council should therefore have robust processes in place so that it can meet statutory requirements and fulfil its fiduciary duty. It must ensure that all available resources are directed towards the delivery of statutory functions, savings and efficiency plans. Local authorities are creatures of statute and are regulated through the legislative regime and whilst they have in more recent times been given a general power of competence, this must operate within that regime. Within the statutory framework there are specific obligations placed upon a local authority to support communities. These duties encompass general and specific duties and there is often significant local discretion in respect of how those services or duties are discharged. These will need to be assessed and advised on as each circumstance is considered.
- 37 The financial position of the Council must therefore be closely monitored, and Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings or alternative mitigations.
- 38 This report provides an update on progress towards the setting of the 2026/27 budget.
- 39 It also provides updates and comments regarding the Council's use of Exceptional Financial Support under The Levelling-up and Regeneration Act 2023 which inserted an amended Section 12A as a trigger event within the Local Government Act 2003, in relation to capital finance risk management. The legislation also provides for risk mitigation directions to be given to the Council which limit the ability to undertake certain financial action. The limitations are based on identified risk thresholds.

Section 151 Officer/Finance

- 40 Please see all sections of this report.

Human Resources

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

Risk Management

- 42 Financial risks are assessed and reported on a regular basis, and remedial action taken if required. Risks associated with the achievement of the 2025/26 budget and the level of general reserves were factored into the 2025/26 financial scenario, budget, and reserves strategy.

Impact on other Committees

- 43 All committees will work towards bringing forward budget change proposals to assist with the medium term financial strategy.

Policy

- 44 The Cheshire East 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 with in the individual reports to Members or Officer Decision Records to which they relate. This contributes to Commitment 3: An effective and enabling Council.

Equality, Diversity and Inclusion

- 45 Any equality 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.

Consultation

Name of Consultee	Post held	Date sent	Date returned
Statutory Officer (or deputy):			
Ashley Hughes	S151 Officer	20/10/2025	24/10/2025
Kevin O'Keefe	Interim Monitoring Officer	20/10/2025	22/10/2025

Legal and Finance			
Chris Benham	Director of Finance	20/10/2025	22/10/2025
Hilary Irving	Interim Head of Legal Services	20/10/2025	23/10/2025
Other Consultees:			
Executive Directors/Directors:			
CLT			

Access to Information	
Contact Officer:	Chris Benham – Director of Finance Chris.benham@cheshireeast.gov.uk
Appendices:	Annex 1 – Proposals Budget Savings for Consultation
Background Papers:	The following are links to key background documents: MTFS 2025-2029 Financial Review 1 2025/26