



Second Financial Review 2025/26

Results to end of August 2025

Contents

Section 1: Debt..... 3

Section 2: Council Tax and Business Rates..... 7

Section 3: Treasury Management 10

Section 4: Prudential Indicators revisions to: 2024/25 – 2027/28 and future years 20

Section 1: Debt

- 1.1 Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt on 31 August 2025 was £20.5m, this has reduced by £0.3m since FR1.
- 1.2 Annually, the Council raises invoices with a total value of over £96m. Around 40% of the Council's overall sundry debt portfolio relates to charges for Adult Social Care, the remainder being spread across a range of functions including Highways, Property Services, Licensing and Building Control.
- 1.3 The Revenue Recovery team (using their experience gained in collecting Council Tax and Non-Domestic Rates) engage with services to offer advice and assistance in all aspects of debt management, including facilitating access to debt collection services (currently provided by Bristow & Sutor).
- 1.4 The total amount of service debt over six months old is £12.5m, this has risen from £10.5m since August 2024, largely within Adult's Social Care . The current split is £10.9m of Adult Social Care debt and £1.6m of Sundry Debt. A provision of £6.1m was made at year ended 31 March 2025 to cover doubtful debt in the event that it needs to be written off.
- 1.5 **Table 1** shows the outstanding debt split by Directorate, compared to FR1.

Table 1 FR2 August 2025/26	Outstanding Debt			Over 6 months old		
	FR1 £m	FR2 £m	Increase / (Decrease) £m	FR1 £m	FR2 £m	Increase / (Decrease) £m
Adults and Health Committee						
Adults, Public Health and Communities	16.332	16.163	(0.169)	10.749	10.918	0.169
Children and Families Committee						
Children's Social Care (inc. Directorate)	0.401	0.053	(0.349)	0.000	0.000	0.000
Prevention and Early Help	0.074	0.018	(0.056)	0.000	0.000	0.000
Schools	0.004	0.010	0.006	0.000	0.001	0.001
Highways and Transport Committee						
Highways and Infrastructure	1.986	1.620	(0.366)	0.619	0.961	0.342
Economy and Growth Committee						
Growth and Enterprise	1.427	1.209	(0.218)	0.376	0.392	0.016
Environment and Communities Committee						
Environment and Neighbourhood Services	0.454	1.296	0.843	0.174	0.172	(0.002)
Corporate Policy Committee						
Finance and Customer Services	0.106	0.099	(0.007)	0.080	0.079	(0.001)
Governance and Compliance	0.024	0.017	(0.007)	0.000	0.000	0.000
HR and Customer Experience	0.003	0.000	(0.003)	0.000	0.000	0.000
Digital	0.042	0.021	(0.022)	0.000	0.000	0.000
Total	20.854	20.506	(0.348)	11.998	12.523	0.525

1.6 **Table 2** lists the top 10 debtors @ 31 August 2025

Table 2 - Top 10 Aged Debtors FR2 August 2025/26						
	1-3 Months	3-6 Months	6-9 Months	9-12 Months	12+ Months	Total Balance
RM Estates Ltd	0.483	-	-	-	0.121	0.604
Ansa Environmental Services	0.597	-	-	-	-	0.597
Individual A	-	-	0.336	-	-	0.336
Everybody Health and Leisure	0.160	-	-	-	-	0.160
Warrington Borough Council	-	0.110	-	-	-	0.110
Individual B	-	-	-	0.084	-	0.084
Aviva	0.080	-	-	-	-	0.080
Individual C	-	-	-	-	0.075	0.075
NFU Mutual	-	-	-	-	0.072	0.072
Individual D	-	-	-	-	0.065	0.065
Total	1.319	0.110	0.336	0.084	0.333	2.183

- 1.7 The top 10 debtors represent £2.2m, 10.6% of total debt. 60.4% of this total debt owing is between 1 and 3 months old, 24.7% is between 3 and 12 months old and 15.3% is more than 12 months old. At this time £0.5m has been provided for.
- 1.8 The £0.6m ANSA debt is awaiting clearance pending salary commitments; £0.7m is currently with the liquidation team, whilst another £0.6m is being dealt with by external lawyers /a debt collection agency. The remaining £0.2m relates to Adults Social care debt where sale of property is involved, processes are underway to recover this debt but this is likely to take some time.
- 1.9 The level of Adult Social Care debt can fluctuate depending on when in the month the snapshot is taken, for example if it is before or after the Direct Debit income is received and allocated. The debt also has different levels of risk depending on the type of debt. For example, around £3m is linked to deferred arrangements which is debt that is secured on property or assets and therefore carries a low risk. There is also around £5m of debt which is deemed to be lower risk as its linked to areas such as probate, property sales or deputyship. The main categories of ASC debt have distinct provision calculations appropriate for the level of risk involved.

1.10 The Highways position for outstanding debt is reasonably consistent throughout the year and made up of three elements: the movement of funds from Cheshire West and Chester Council and Warrington Borough Council in relation to the Cheshire Road Safety Group; third party claims for damage to the highway; and permit fees. The third party claims are often paid in instalments.

The previous outturn positions are:

- 31 March 2025 Outstanding debt £1.5m, over 6 months old £0.6m.
- 31 March 2024 Outstanding debt £1.6m, over 6 months old £0.7m

1.11 Work is planned in 2025/26 to review the provision for Sundry Council debt and to establish new working practices where necessary.

1.12 The Council has robust processes in place to ensure that all outstanding debt is chased up (where commercially viable) and, where necessary, payment plans are put in place with advice from Legal Services.

Section 2: Council Tax and Business Rates

Council Tax

2.1 **Table 1** details each precepting authorities share of the budgeted collectable rates income.

Table 1 Share of Council Tax Collectable Rates	Band D Charge	Collectable Rates £m
Cheshire East Council	1,882.04	307.264
Town and Parish Councils	78.54	12.822
Cheshire Police and Crime Commissioner	276.94	45.214
Cheshire Fire Authority	95.09	15.524
Total	2,332.61	380.824

2.2 The collectable rates valuation is based on the assumption that of the total amount billed, at least 99% will be collected. **Table 2** demonstrates that the target to collect at least 99% of Council Tax within three years continues to be achieved.

Table 2 Council Tax Collection Rates	2021/22 %	2022/23 %	2023/24 %	2024/25 %	2025/26 %
After 1 year	97.8	98.2	98.0	97.8	46.0*
After 2 years	98.5	98.8	98.7	**	**
After 3 years	99.0	99.1	**	**	**

* 2025/26 rate is up to 31 August 2025. ** Data is not yet available.

2.3 The collectable rates valuation may also vary during the year due to changes to Council Tax Support payments, the granting of discounts and exemptions, and changes to numbers and value of properties. **Table 3** shows the collectable rates position as forecast at 31 August 2025.

Table 3 Council Tax Net Rates Payable – August 2025	Collectable Rates £m
Total Rates Billed	446.258
Council Tax Support Scheme	-19.607
Discounts, Exemptions & Reliefs	-41.191
Write-offs	-3.000

Total Net Rates Payable Forecast	382.460
---	----------------

2.4 After accounting adjustments, the Council Tax Collection Fund is forecasting a £0.476m surplus for 2025/26, of which, £0.400m is attributable to Cheshire East Council. This estimated surplus would be paid out in 2026/27 and be credited to the Collection Fund Earmarked Reserve.

2.5 The Council Tax Support scheme will be reviewed during 2026/27 with the possibility of implementing any changes in 2027/28.

Non-Domestic Rates (NDR)

2.6 Collectable rates are distributed between Cheshire East Council (49%), Cheshire Fire Authority (1%), and Central Government (50%).

2.7 Non-domestic Rates valuations for 2025/26 were set out in the NNDR1 return to Central Government in January 2025. Any variance to this forecast is included in the following years' NNDR1 return and any gain or loss will be recovered in 2026/27. The total Net Rates Payable into the Collection Fund was forecast at £160.940m.

2.8 **Table 4** demonstrates that the target to collect at least 99% of Non-Domestic Rates within three years continues to be achieved.

Table 4 Non-Domestic Rates Collection Rates	2021/22 %	2022/23 %	2023/24 %	2024/25 %	2025/26 %
After 1 year	95.6	98.2	97.7	97.9	47.9*
After 2 years	98.3	98.8	99.9	**	**
After 3 years	99.2	99.4	**	**	**

* 2025/26 rate is up to 31 August 2025.

** Data is not yet available.

2.9 **Table 5** shows the revised Non-Domestic Collectable Rates position as forecast at 31 August 2025.

Table 5 Non-Domestic Net Rates Payable – August 2025	Collectable Rates £m
Total Rates Billed	207.149
Small Business Relief	-17.634
Discounts, Exemptions & Reliefs	-26.483
Write-offs	-2.000
Total Net Rates Payable Forecast	161.032

2.10 After accounting adjustments, the Non-Domestic Rates Collection Fund is forecasting a £3.157m surplus for 2025/26, of which, £1.547m is attributable to Cheshire East Council. This estimated surplus would be paid out in 2026/27 and be credited to the Collection Fund Earmarked Reserve.

Section 3: Treasury Management

Background

- 3.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 3.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 3.3 Investments held for service purposes or for commercial profit are considered in the Investment Report (see [MTFS approved February 2025](#)).

External Context

- 3.4 **Economic background:** Concern over the implementation of American tariffs still persists leading to a higher than expected increase in US inflation which is limiting the federal bank expectations of a rate cut later in the year which President Trump believes should happen anyway.
- 3.5 Data released during the period showed the UK economy expanded by 0.3% in the second quarter of the calendar year, lower than Q1 but still above market expectations. Sunny weather in the UK is thought to have helped with retail sales rising by 0.6% in July suggesting increased customer confidence.
- 3.6 Consumer Price Inflation rose to 3.8% in July, the highest level since January 2024. The main driver was transport costs in line with peak holiday demand for air fares etc. Housing and household services inflation was actually slightly down on previous quarter.
- 3.7 Having started the financial year at 4.5%, the Bank of England's Monetary Policy Committee (MPC) made a further cut to Bank Rate in August to 4%. This dovish tilt by the Committee is expected to continue and financial market expectations are that the next cut will be in November, in line with the publication of the next quarterly Monetary Policy Report (MPR).
- 3.8 **Financial Markets:** Market pressures persist with UK budget deficit now over 5%. The delay of the budget to November maintains uncertainty which, along with international trading conditions, has had an effect on gilt markets as confidence in UK debt has weakened.

The 10 year UK benchmark gilt yield remains elevated although has fallen from a peak of 4.80% at the start of September. This is keeping the market for Local Authority borrowing at higher levels than the falling Base Rate would otherwise suggest.

- 3.9 **Credit Review:** Arlingclose, our treasury advisors, maintained its advised recommended maximum unsecured duration limit on most banks on its counterparty list at 6 months. Other banks remain on 100 days.
- 3.10 Credit default swap prices on UK banks spiked in early April following the US trade tariff announcements but have since generally trended downwards and ended at similar levels to this time last year.
- 3.11 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

Local Context

- 3.12 As at 31 August 2025 the Council has borrowings of £385.694m and investments of £43.321m. This is set out in further detail at **Annex A**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance Sheet Summary and Forecast	31/03/2025 Actual £m	31/03/2026 Estimate £m	31/03/2027 Estimate £m	31/03/2028 Estimate £m
General Fund CFR	539.015	553.878	593.621	600.058
Less: Other long-term liabilities *	(17.419)	(16.638)	(15.488)	(14.318)
Loans CFR	521.596	537.240	578.133	585.740
Less: External borrowing **	(396.073)	(276.888)	(133.264)	(118.641)
Internal (over) borrowing	125.523	260.352	444.869	467.099
Less: Usable reserves	(140.527)	(111.000)	(116.000)	(127.000)
Less: Working capital	(1.000)	(1.000)	(1.000)	(1.000)
(Treasury Investments) or New borrowing	(16.004)	148.352	327.869	339.099

*finance leases and PFI liabilities that form part of the Council's debt

** shows only loans to which the Council is committed and excludes optional refinancing. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

- 3.13 CIPFA's Prudential Code for Capital Finance recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. **Table 1** shows that the Council expects to comply with this recommendation during 2025/26.

Borrowing Strategy

- 3.14 The Council currently holds loans of £365.931m, a decrease of £30.142m since 31 March 2025. However, this will increase to a higher level, currently forecast as £412.000m at 31 March 2026.
- 3.15 Borrowing is at a lower level than our Capital Financing Requirement (CFR) which means that internal resources (reserves, etc) are being used rather than external debt. However, increasing service demand and the unfunded special educational needs situation is utilising those internal resources resulting in increased borrowing.
- 3.16 Following the reductions in base rates, borrowing costs have begun to fall. The cost of borrowing is still higher than implied future rate cuts would suggest but this is driven by gilt yields and likely tightening of liquidity in the inter-LA market which has been witnessed in the last 2 years. The use of exceptional financial support has raised credit worthiness concerns with some lenders restricting the number of lenders available to the Council. The expectation is that borrowing costs will probably not start to fall until 2026/27 and beyond.
- 3.17 At the moment, cash shortfalls are generally being met by temporary borrowing from other Local Authorities which for a number of years has been considerably cheaper than other sources of borrowing and allowed the Council to keep financing costs low. The cost of these loans remains good value compared with longer term loans and interest forecasts suggest it is still the cheaper option in the long term. However, liquidity risk remains an issue as funds become more scarce towards year end. To reduce liquidity risk, consideration is being given to taking more shorter term (1-5 years) PWLB loans.
- 3.18 The cost of short-term borrowing for the first 5 months of 2025/26 is 4.71% which is a decrease from 5.29% for 2024/25. These costs are expected to reduce further as the outlook is for reducing interest rates and older higher cost debt is repaid.
- 3.19 **LOBO's:** The Council holds £17.000m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2025/26. It is unlikely that the lender will exercise their options but if this happens, the Council is likely to take the option to repay LOBO loans at no cost.

Investment Strategy

- 3.20 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Due to the overriding need for short term borrowing, other than £20.000m invested strategically in managed funds, the investments are generally short term for liquidity purposes. The level at 31 August 2025 is £43.321m.
- 3.21 The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 3.22 The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. The maximum amount and duration of investments with any institution depends on the organisations credit rating, the type of investment and for banks and building societies, the security of the investment. Generally credit rated banks and building societies have been set at a maximum value of £6.000m for unsecured investments and £12.000m for secured investments. Any limits also apply to the banking group that each bank belongs to. Limits for each Money Market fund have been set at a maximum value of £12.000m per fund. All potential counterparties are kept under continual review by our treasury advisors and advisory lower limits than those contained in the strategy are applied.
- 3.23 Treasury Management income to 31 August 2025 is £1.380m which is higher than the budgeted £0.720m. Borrowing costs are also lower than budgeted at £7.456m compared to budget of £8.280m. From the projected cash flows for the remainder of 2025/26 the net difference in financing costs (borrowing less investment interest) is expected to be £2.561m less than that budgeted.
- The average daily investment balance including managed funds up to 31 August 2025 is £63.932m
 - The average annualised interest rate received on in-house investments up to 31 August 2025 is 4.27%
 - The average annualised interest rate received on the externally managed funds up to 31 August 2025 is 5.54%
- 3.24 The Council's total average interest rate on all investments in 2025/26 is 4.89%. The return is higher than our own performance target of 4.77% (average Base Rate + 0.50%) due to the value added by the externally managed funds. However, the Council compares favourably to the Sterling Over Night Interest Average (SONIA) rate.

Table 2 – Interest Rate Comparison

Comparator	Average Rate to 31/08/2025
Cheshire East	4.89%
SONIA	4.23%
Base Rate	4.27%
Target Rate	4.77%

- 3.25 As the Council holds reserves and working capital, £20.000m of this has been placed in strategic investments in order to benefit from higher income returns whilst spreading risk across different asset classes.
- 3.26 The investments are in five different funds which are all designed to give an annual income return higher than cash investments but which have different underlying levels of volatility. By spreading investments across different types of fund, the intention is to dampen any large fluctuations in the underlying value of the investments.

Table 3 –Strategic Investments

Fund Manager	Asset Class	Invested £m	Current Value £m
CCLA	Property	7.500	7.377
Aegon	Multi Asset	5.000	4.804
Fidelity	Equity - Global	4.000	4.706
Schroders	Equity - UK	2.500	2.610
M & G	Bonds	1.000	0.848
TOTAL		20.000	20.345

- 3.27 The value of these investments does vary. In previous years the fund values had been affected by high inflation, the effects of the war in Ukraine and low levels of GDP. However, the last 18 months have shown a gradual improvement, particularly to the equity funds. All funds continue to deliver good levels of income return.

Chart 1 – Current Investments by Counterparty Type

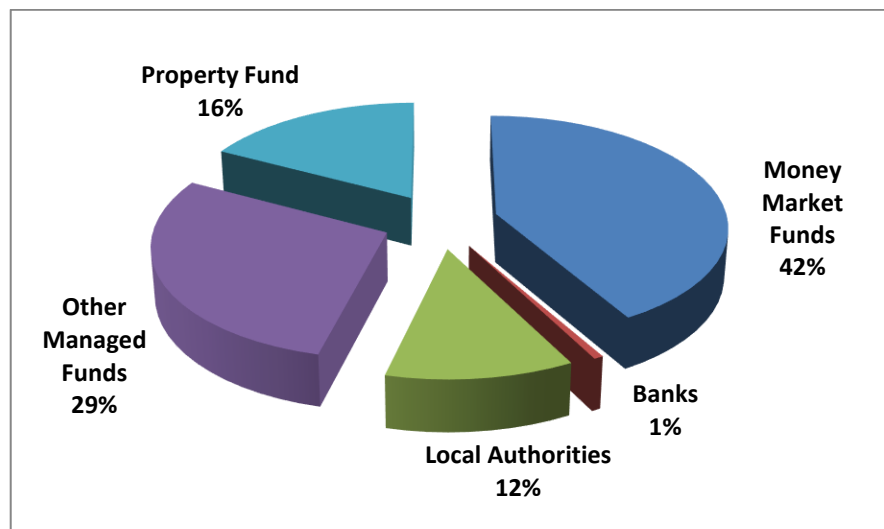
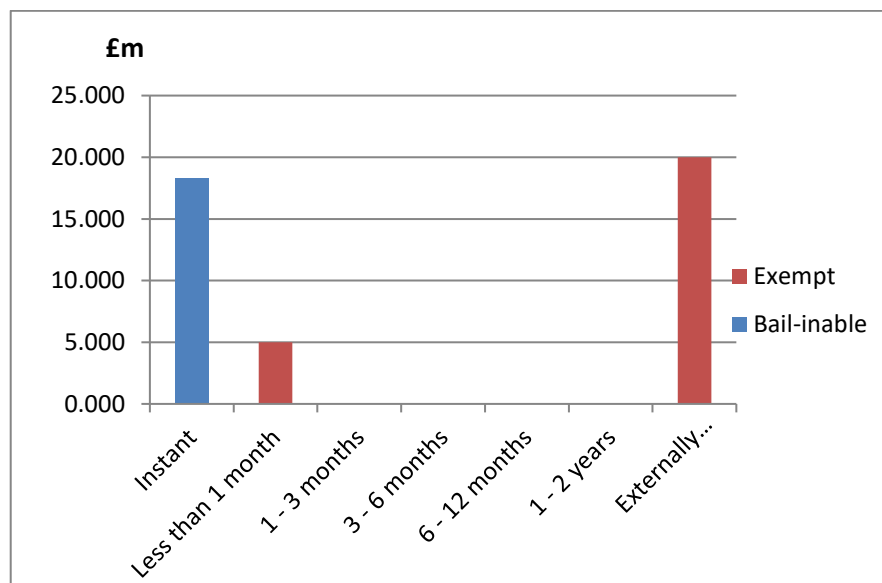


Table 4 – Types of Investments and Current Interest Rates

Instant Access Accounts	Average Rate	£m
Money Market Funds	4.11%	18.065
Banks	3.77%	0.256
Fixed Term Accounts		£m
Local Authorities	4.05%	5.000
Externally Managed Funds		£m
Total – see table 3	5.54%	20.000
Summary of Current Investments		£m
TOTAL	4.77%	43.321

Chart 2 – Maturity Profile of Investments



Note: Bail-inable means that in the event of default the counterparty may be required to use part of the investments as their own capital in which case the Council would not get back as much as they invested. This would apply with most bank and Building Society investments.

Treasury Management Indicators

3.28 The Council measures and manages its exposures to treasury management risks using the following indicators.

3.29 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limit on the one-year revenue impact of a 1% rise in interest rates is:

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£2,786,000
Likely revenue impact in 2025/26 of a 1% rise in interest rates	£428,000

- 3.30 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council is expected to remain a net borrower in 2025/26 so a fall in rates would lead to savings rather than incurring additional cost so a limit of £0 was set. Rates are now more likely to reduce than increase so full revenue impact of changing rates is likely to be beneficial.
- 3.31 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. Lower limits have been set at 0%. The upper limits on the maturity structure of borrowing and the actual maturity profiles as at 31 August 2025 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	75%	68%
12 months and within 24 months	75%	4%
24 months and within 5 years	75%	7%
5 years and within 10 years	75%	10%
10 years and within 20 years	100%	3%
20 years and above	100%	8%

- 3.32 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper limit for loans maturing in under 12 months is relatively high as short term is cheaper than alternatives and allows for LOBO loans which have the potential to be repaid early. This will be kept under review as it does increase the risk of higher financing costs in the future.
- 3.33 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Price Risk Indicator	2025/26	2026/27	2027/28
Limit on principal invested beyond year end	£25m	£15m	£10m
Actual amounts committed beyond year end	£0m	£0m	£0m

Annex A: Existing Investment & Debt Portfolio Position

	31/08/2025 Actual Portfolio £m	31/08/2025 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	193.532	4.74%
Local Authorities	145.000	4.71%
LOBO Loans	17.000	4.63%
Other	10.399	4.29%
Total External Borrowing	365.931	4.71%
Other Long Term Liabilities:		
PFI	18.714	-
Leases	1.049	-
Total Gross External Debt	385.694	-
Investments:		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	18.321	4.11%
Fixed term investments:		
Local Authorities	5.000	4.05%
Managed externally:		
Property Fund	7.500	4.47%
Multi Asset Fund	5.000	5.88%
Equity - Global	4.000	6.35%
Equity - UK	2.500	7.33%
Bonds	1.000	4.23%
Total Investments	43.321	4.77%
Net Debt	342.373	-

Section 4: Prudential Indicators revisions to: 2024/25 – 2027/28 and future years

Background

- 4.1 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

Estimates of Capital Expenditure

- 4.2 In 2025/26, the Council estimates to spend £167.700m on capital expenditure as summarised below.

Capital Expenditure	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	Future Years £m
Total	88.323	167.700	171.702	136.213	178.408

Capital Financing

- 4.3 All capital expenditure must be financed either from external sources (government grants and other contributions), the Council's own resources (revenue reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of capital expenditure is as follows.

Capital Financing	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	Future Years £m
Capital Receipts	0.000	0.478	2.460	21.143	11.840
Government Grants	49.791	108.023	110.864	44.601	102.099
External Contributions	4.002	11.720	15.199	36.556	40.874
Revenue Contributions	0.901	0.814	1.001	0.000	0.000
Total Financing	54.694	121.035	129.524	102.300	154.813
Prudential Borrowing	33.629	46.665	42.178	33.913	23.595
Total Funding	33.629	46.665	42.178	33.913	23.595

Capital Financing	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	Future Years £m
Total Financing and Funding	88.323	167.700	171.702	136.213	178.408

Replacement of debt finance

- 4.4 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets may be used to replace debt finance. Planned MRP repayments are as follows:

Replacement of debt finance	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Total	15.327	17.977	21.049	23.797	24.938

Estimates of Capital Financing Requirement

- 4.5 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is currently forecast to increase by £29m during 2025/26. This is due to the forecast level of capital expenditure for 2025/26 that is assumed will be financed by borrowing. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows.

Capital Financing Requirement	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Total	521.596	537.240	578.133	585.740	574.410

Asset disposals

- 4.6 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council received £2.2m of capital receipts from asset sales in 2024/25 and plans to receive a further £25.9m in future years. However, as capital receipts can take longer to crystallise than often anticipated at the outset, a prudent approach has been taken in setting the MTFS as shown below. Any

capital receipts in excess of those planned within the MTFs, and that are not already planned as funding for capital programmes, will be utilised at the discretion of the s151 Officer with a view to achieving the most beneficial longer term financial outcome for the Council.

Capital Receipts	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Asset Sales	2.100	1.000	1.000	1.000	1.000
Loans Repaid	0.100	0.200	0.200	0.200	0.200
Total	2.200	1.200	1.200	1.200	1.200

Gross Debt and the Capital Financing Requirement

- 4.7 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short term loans (currently available at around 4.70%) and long term fixed rate loans where the future cost is known but fixed over a period when rates are expected to fall (currently 4.66%– 5.3%).
- 4.8 Projected levels of the Council's total outstanding debt (which comprises borrowing, Private Finance Initiative liabilities, leases) are shown below, compared with the capital financing requirement.

Gross Debt and the Capital Financing Requirement	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Borrowing	396.073	364.901	417.174	444.298	444.965
PFI Liabilities	17.419	16.638	15.488	14.318	13.076
Total Debt	413.492	381.539	432.662	458.616	458.041
Capital Financing Requirement	521.596	537.240	578.133	585.740	574.410

- 4.9 Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. As can be seen from the above table, the Council expects to comply with this in the medium term.

Liability Benchmark

- 4.10 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20m at each year end. This benchmark is currently £399m and is forecast to rise to £455m over the next four years.

Borrowing and the Liability Benchmark	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Outstanding Debt	396.073	364.901	417.174	444.298	444.965
Liability Benchmark	399.594	445.142	480.476	477.582	455.722

- 4.11 The table shows that the Council expects to borrow above its liability benchmark during 2025/26 but rises to be above the benchmark in the medium term.

Affordable borrowing limit

- 4.12 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	2024/25 Limit £m	2025/26 Limit £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Authorised Limit for Borrowing	570.000	590.000	590.000	590.000	590.000
Authorised Limit for Other Long-Term Liabilities	17.419	16.638	15.488	14.318	13.076
Authorised Limit for External Debt	587.419	606.638	605.488	604.318	603.076
Operational Boundary for Borrowing	560.000	580.000	580.000	580.000	580.000
Operational Boundary for Other Long-Term Liabilities	17.419	16.638	15.488	14.318	13.076
Operational Boundary for External Debt	577.419	596.638	595.488	594.318	593.076

Investment Strategy

- 1.1. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 1.2. The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with money market funds, other local authorities or selected high quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in shares and property, to balance the risk of loss against the risk of returns below inflation.

Treasury Management Investments	31/03/2025 Actual £m	31/03/2026 Estimate £m	31/03/2027 Estimate £m	31/03/2028 Estimate £m	31/03/2029 Estimate £m
Short Term	38.915	20.000	20.000	20.000	20.000
Long Term	20.000	20.000	20.000	20.000	20.000
Total Investments	58.915	40.000	40.000	40.000	40.000

Source: Cheshire East Finance

- 1.3. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by an investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Ratio of Financing Costs to Net Revenue Stream	31/03/2025 Actual	31/03/2026 Estimate	31/03/2027 Estimate	31/03/2028 Estimate	31/03/2029 Estimate
Finance Costs (£m)	29.433	31.724	36.493	40.731	42.984
Proportion of net revenue stream %	7.44%	7.88%	8.84%	8.90%	10.12%

Source: Cheshire East Finance