

OPEN

Environment and Communities Committee

13 November 2025

Second Financial Review 25/26

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

Report Reference No: EC/07/25-26

Ward(s) Affected: Not applicable

For Decision and Scrutiny

Purpose of Report

- 1 This report provides the Environment and Communities Committee an update on the current forecast outturn for the financial year 2025/26. This is the second financial review (FR2) and is based on our income, expenditure and known commitments as at the end of August 2025.
- 2 The report is structured into four parts:
 - (a) An Executive Summary of the Council's Financial Position
 - (b) A Summary of Recommendations
 - (c) An Environment and Communities Committee focused narrative
 - (d) An annex for the Committee that summarises the service level financial forecast and the detailed capital programme
- 3 The Executive Summary of the Council's Financial Position provides the Committee with summary details of the Council's forecast outturn for all services. This provides the Committee with contextual information on the financial position of the Council. The Committee is asked to focus their scrutiny on the forecasts and supporting information relating to services within the remit of the Committee whilst understanding the overall financial position of the Council.
- 4 The Summary of Recommendations requests the Committee's approval for amendments to the Committee's budget, in line with the Committee's authorisation levels.

- 5 The Committee focused narrative presents the current revenue and expenditure commentary with an update on the 2025/26 approved budgeted change items relating to the Environment and Communities services.
- 6 The annex includes the summary of the service level financial forecast and the individual projects within the Directorate's capital programme.
- 7 As set out in previous Financial Reviews, the requirement to continue to identify further actions to bring the Council back to a position where we are living within our means remains, and it will be important that these actions are closely monitored, and appropriate action taken to manage our resources. This report includes information on the actions that are currently underway.
- 8 The full report to Finance Sub Committee on 3 November 2025 includes additional information on debt, Council Tax and Business Rates collection, Treasury Management and Prudential Indicators. The report can be found here [Finance Sub Committee FR2 Report](#).

Executive Summary – Council Financial Position

- 9 This is the Second Financial Review monitoring report (FR2), showing the forecast outturn position for the 2025/26 financial year.
 - 10 The report provides the current forecast outturn position for the revenue budget, capital budget, Dedicated Schools Grant (DSG) and Transformation Programme for the financial year 2025/26.
 - 11 The Second Financial Review (FR2) forecast revenue outturn is an **adverse variance of £2.345m** against a net revenue budget of £360.198m which is an improvement of £0.802m compared to the overspend reported at FR1 of £3.147m.
 - 12 The current forecast is that services will be £12.904m over budget in the current year, whilst central budgets are forecast to be £10.559m under budget, resulting in the overall outturn overspend of £2.345m overspend.
 - 13 This is after the application of planned use of conditional Exceptional Financial Support **£25.261m** as set out in the approved budget in February 2025. Please see Table 1 at the top of page 3 for details:
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Table 1 2025/26 FR2	Revised Budget	Forecast Outturn	Forecast Variance	Forecast Variance FR1	Movement from FR1 to FR2
	£m	£m	£m	£m	£m
Service Committee					
Adults and Health	167.257	167.334	0.077	(0.295)	0.372
Children and Families	98.420	107.283	8.863	8.998	(0.135)
Corporate Policy	43.708	43.492	(0.216)	0.062	(0.278)
Corporate Policy - Cross Transformation	(13.452)	(3.821)	9.631	9.631	-
Economy Growth	28.756	25.996	(2.760)	(2.285)	(0.475)
Environment and Communities	43.618	40.921	(2.697)	(2.545)	(0.152)
Highways and Transport	17.151	17.159	0.008	0.114	(0.106)
Total Service Budgets	385.458	398.364	12.906	13.680	(0.774)
Finance Sub:					
Central Budgets	55.000	44.439	(10.561)	(10.533)	(0.028)
Funding	(415.197)	(415.197)	-	-	-
Total Finance Sub	(360.197)	(370.758)	(10.561)	(10.533)	(0.028)
Exceptional Financial Support	(25.261)	(25.261)	-	-	-
TOTAL	-	2.345	2.345	3.147	(0.802)

- 14 All Directorates continue to work on mitigation plans to improve the overall forecast overspend position and in doing so, are highlighting any risks associated with mitigations currently reflected in the reported £2.345m overspend. Each Directorate has plans underway to deliver approved budget changes (growth and savings) identified as part of the 2025/26 approved budget per MTFS line.
- 15 The value of additional mitigation plans not yet reflected as delivered at FR2 are estimated at £1.933m, giving a potential improved overall forecast of £0.412m overspend. However, should the current mitigations included in the FR2 forecast not materialise, alongside further risks identified, then the forecast overspend position could increase to £21.191m adverse.
- 16 The opening DSG deficit is £112.149m with an in-year projected movement of £33.829m to forecast a year end deficit of £145.978m.

- 17 The FR2 forecast outturn position against the approved Transformation budget changes for 2025/26 is outlined in Table 2 below:

Table 2 - Transformation Budget Saving	Original Budget	Forecast Outturn	Forecast Variance	Forecast Variance FR1	Movement from FR1 to FR2
	£m	£m	£m	£m	£m
Access to Services & Corporate Core (Cross cutters including Digital/Workforce/3 rd Party Spend/Fees & Charges)	(13.452)	(3.821)	9.631	9.631	-
Service Delivery – Adults Social Care	(7.000)	(7.000)	-	-	-
Service Delivery – Children’s	(3.788)	(0.868)	2.920	2.420	0.500
Service Delivery – Place	(0.175)	(0.175)	-	-	-
Total	(24.415)	(11.864)	12.551	12.051	0.500

- 18 The capital programme for the current year is forecasting expenditure of £167.700m in year, an underspend of £40.791m against a budget of £208.491m at FR2. This is an increase against the approved MTFS budget of £173.142m due to increases in Supplementary Capital Estimates (SCEs) of £23.031m as well as some reprofiling of projects.
- 19 The overall forecast revenue overspend of £2.345m remains a significant financial challenge for the Council when considered in addition to the planned use of Exceptional Financial Support (EFS) of £25.261m.
- 20 Reserves at out-turn were £29.413m, being £6.299m of General Fund Reserves and £23.114m of Earmarked Reserves. A planned net use of Earmarked Reserves and the General Fund Reserve is forecast at £2.282m leaving £27.131m total available reserves. The Council’s level of reserves is therefore insufficient to cover the current forecast revenue outturn for the year without further action.

RECOMMENDATIONS

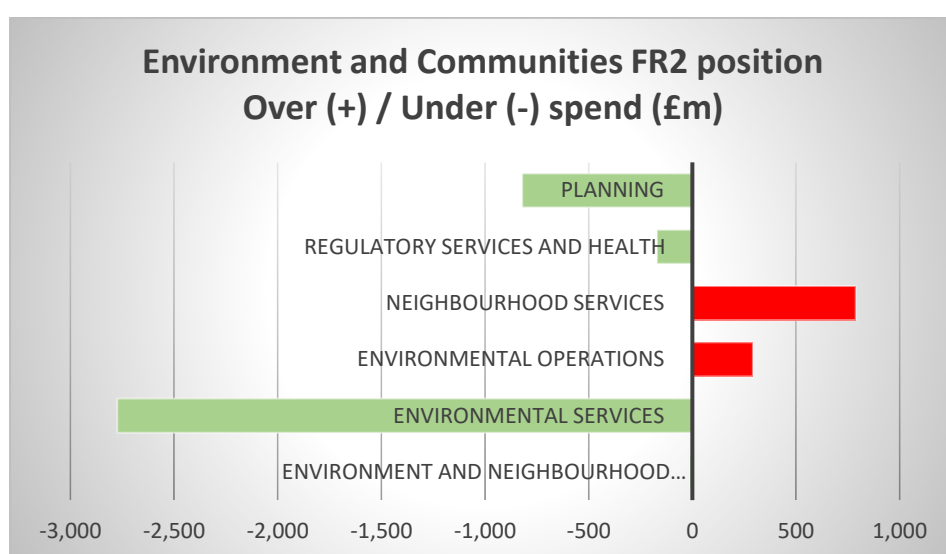
The Environment and Communities Committee is recommended to:

1. Note the overall Council's Financial Position as described within the Executive Summary – Council Financial Position.
 2. Scrutinise the latest revenue forecast for Environment and Communities Directorate, review progress on the delivery of the MTFS approved budget policy change items (Table 3), the RAG ratings and to understand the actions to be taken to address any adverse variances from the approved budget.
 3. Note the overall in-year forecast capital spending for Environment and Communities Directorate of £15.284m against a revised MTFS budget of £18.606m in Tables 4 and 5.
 4. Note the Capital Budget reductions in Table 6.
 5. Note the available reserves position in Table 7.
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Environment and Communities Committee Focused Narrative

Revenue and Expenditure Commentary including an update on the 2025/26 Approved Budget Change Items

- 21 The Environment and Communities Directorate second financial review for 2025/26 presents a forecast underspend of £2.697m against a budget of £43.618m which is an improvement of £0.152m on the FR1 position.
- 22 The graph below presents the service level position of the Directorate with the summary data available within Section 1 of Annex 1.



- 23 There are a number of one-off items generating an in-year improvement compared to budget. This is partially offset by a £1.027m pressure within Leisure Commissioning which is as a result of delays in the delivery of MTFS savings, a pressure related to capital financing costs and a shortfall in income.

Mitigations

- 24 Within Environmental services there is a reported underspend of £2.774m which is due to one-off benefits from an increased Extended Producer Responsibility grant of £1.394m; improved company reserves of £0.800m and a lower Ansa management fee of £0.148m from current vacancies. General underspends have been generated from vacancy management and additional income.
- 25 Within Development Management there is a £0.667m underspend generated mainly from additional income. There are other service underspends of £0.283m due to vacancies.
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Update on 2025/26 Approved Budget Change Items

- 26 The following section provides an explanation of the key drivers behind variances to the budget for the Environment and Communities directorate. Table 3 provides detailed commentary on the progress against the approved budget change items that were agreed as part of the approved budget in February 2025.

Table 3 – Detailed List of Approved Budget Change Items

MTFS Ref No	Detailed List of Approved Budget Changes – Service Budgets	2025/26 MTFS £m	2025/26 Forecast Outturn £m	2025/26 Forecast Outturn Variance £m	Progress 2025/26 (RAG rating and commentary)
Environment and Communities 2025/26 Revised Budget as per Cover report Table 1		43.618	40.921	(2.697)	
Change from 2024/25 budget		(2.741)	(5.438)	(2.697)	
74	Strategic Leisure Review (Stage 2)	0.403	0.626	0.223	Red - Initial savings secured via committee decision on 11 March 2024. Proposals are being developed with EHL and town and parish councils to secure the residual £0.250m amount - dialogue is ongoing. Delays to disposing of Middlewich and Holmes Chapel Leisure Centres in year are having a negative impact on savings position.
75	Libraries Strategy - Stage 1	(0.100)	(0.061)	0.039	Amber - Committee approval to implement final Strategy secured on 27th November 2024, implementation now ongoing with revised opening hours at Tier 3 sites going live from January 2025 and Tier 2 sites as of 1st April 2025. Staff consultations now complete, new structure implemented from 7th July. Engagement with Town and Parish Councils

MTFS Ref No	Detailed List of Approved Budget Changes – Service Budgets	2025/26 MTFS £m	2025/26 Forecast Outturn £m	2025/26 Forecast Outturn Variance £m	Progress 2025/26 (RAG rating and commentary)
					undertaken to shape the Strategy proposals and seek funding contributions, which has resulted in a total of 8 sites being supported to a total of c.£154k enabling over 2,150 hours of library opening time per annum. Budget gap of £39,000 yet to be found, mitigated through in year savings from ongoing staff vacancies.
76	Reduce revenue impact of carbon reduction capital schemes	0.171	0.171	-	Green - Carbon Neutral Council target 2030 for the Council to be Carbon neutral with minimum of offset.
77	Pay Inflation	2.270	2.698	0.428	Red - LGS pay offer for 2025.Full and final offers of 3.20% increase resulting in overspend of c.£1.7m across the Council.
78	Pension Costs Adjustment	(0.159)	(0.159)	-	Completed
79	Explore a Trust delivery model for Libraries and other services	(0.150)	(0.150)	-	Green - Growth item to cover one off costs relating to implementation of alternative delivery model(s) for libraries service. Aligned to development of Libraries Strategy.
80	Land Charge Income Adjustment	0.147	0.147	-	Amber - Uncertainty around implementation timescales of HM Land Registry changes to centralise some aspects of land charges functions hence

MTFS Ref No	Detailed List of Approved Budget Changes – Service Budgets	2025/26 MTFS £m	2025/26 Forecast Outturn £m	2025/26 Forecast Outturn Variance £m	Progress 2025/26 (RAG rating and commentary)
					understanding of actual impact, to be regularly monitored.
81	Local Plan Review	0.315	0.315	-	Amber - Reprofiled budget adjustment to provide additional funding towards development of new Local Plan which has now commenced.
82	Review of CCTV service - service efficiencies and income generation from existing services	(0.040)	(0.040)	-	Green - On target. Restructure has been subject to recruitment process with final outcomes communicated. Establishment to be updated on Unit 4.
83	Environmental Services Growth 2025/26 onwards	3.041	1.808	(1.233)	Green - Environmental Services Growth 2025/26 onwards.
84	Environmental Services Savings 2025/26 onwards	(2.366)	(2.170)	0.196	Green - Environmental Services Savings 2025/26 onwards.
85	Environmental Services Growth - Pensions	0.727	0.727	-	Green - Environmental Services Growth - Pensions (2025/26 onwards). This is net nil for the Council and forms a housekeeping item to ensure the budgets for staff who have transferred in from the ASDVs, at different pension contribution rates, are consistent in advance of changes for all employees.
86	Environmental Services – expected income from Extended Producer Responsibility for packaging	(7.000)	(8.394)	(1.394)	Green - New Central Government Legislation Extended producer responsibility (EPR) 2025-26, Deposit Return Scheme 2027-2028 and Waste

MTFS Ref No	Detailed List of Approved Budget Changes – Service Budgets	2025/26 MTFS £m	2025/26 Forecast Outturn £m	2025/26 Forecast Outturn Variance £m	Progress 2025/26 (RAG rating and commentary)
					Disposal Carbon Tax UK Emissions Trading Scheme (ETS) 2027-28.
In year	Libraries Strategy Stage 1 (mitigation)	-	(0.039)	(0.039)	Savings mitigated through in year vacancy saving. 2025/26 RAG rated amber.
In year	Environment & Communities Mitigations to balance back to Finance Review position	-	(1.077)	(1.077)	Environment & Communities Mitigations to balance back to Finance Review position
In year	Fees and Charges	-	0.160	0.160	Adjustment for fees and charges - presenting Lyon Review items centrally

Capital Programme

27 **Table 4** below sets out the Environment and Communities capital programme position for 2025/26 as at FR2, showing forecast of £15.284m against revised MTFS budget of £18.606m.

Table 4 Capital 2025/26	MTFS £m	Out - turn £m	Actuals FR1 £m	Actuals FR2 £m	Forecast Spend £m	Gov Grants £m	Ext Contributions £m	Rev Contributions £m	Cap Receipt £m	Prud Borrow £m	TOTAL £m
Environment and Communities	19.357	18.606	0.451	1.099	15.284	8.655	1.600	0.647	-	4.382	15.284

28 **Table 5** shows the movement in the 2025/26 Capital budget since the MTFS Budget was approved in February 2025.

Table 5 Capital Movement 2025/26	MTFS Budget 2025-29 £m	SCE Outturn and FR1 £m	Carry Forward & Budget Reduction Outturn and FR1 £m	Virement Outturn and FR1 £m	Re profiled to future FR1 £m	SCE FR2 £m	Virement FR2 £m	Budget Reduction FR2 £m	Re profiled to future FR2 £m	FR2 2025/26 £m
Environment and Communities	19.357	1.610	6.154	-	(1.229)	-	(0.050)	(0.004)	(10.555)	15.284

- 29 Carry forwards from 2024/25 amounted to £6.154m. This figure includes Crewe Towns Fund Programme of £3.104m, the Strategic Leisure Review of £0.421m, Green Investment Scheme (Solar Farm) of £0.485m and the Fleet EV Transition of £0.606m.
- 30 FR1 and FR2 reviews have resulted in £11.784m being reprofiled into future years, made up mainly of Weekly Food Waste Collections of £5.413m, Fleet EV Transition of £3.23m, Parks of £0.934m, Crewe Towns Fund - Valley Brook Green Corridor of £0.748m, and the Review of Household Waste Recycling Centres of £0.65m.
- 31 Due to the above changes, forecast expenditure in 2025/26 has reduced by £4.073m that includes additions to the Capital Programme. These additional include King George Playing Fields of £1.522m and the LTA - Tennis Facility Improvements of £0.85m.
- 32 Each Committee is being asked to recognise the need for capital restraint particularly if external borrowing is required. This is being monitored and tracked through the work of the Capital Programme Board.
- 33 **Table 6** shows Capital Budget Reductions to Note.

Table 6 - Committee / Capital Scheme	Approved Budget £m	Revised Approval	Reduction	Reason and Funding Source
Environment and Communities				
Wybunbury Parish Open Space	0.005	0.001	(0.004)	Project now complete
Total	0.005	0.001	(0.004)	

Reserves Position

34 Table 7 below shows the Environment and Communities position on reserves by the end of 2025/26.

Table 7 Earmarked Reserves	Balance at 1 April 2025	Drawdown to Support Service Exp	Additional Contributi ons to Reserves	Balance Forecast at 31 March 2026	Notes
	£m	£m	£m	£m	
Strategic Planning	(0.287)	0.050	-	(0.237)	To meet costs associated with the Local Plan - site allocations, minerals and waste DPD. - Reserve needed in 26/27
Trees / Structures Risk Management	(0.084)	-	-	(0.084)	To help respond to increases in risks relating to the environment and adverse weather events.
Air Quality	(0.036)	0.036	-	-	Air Quality Management - DEFRA Action Plan. Relocating electric vehicle chargepoint in Congleton
Licensing Enforcement	(0.010)	0.010	-	-	Three-year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
Flood Water Management (Emergency Planning)	(0.002)	0.002	-	-	Grant relating to Public Information Works.
Neighbourhood Planning	(0.041)	0.041	-	-	To match income and expenditure.
Street Cleansing	(0.022)	0.022	-	-	Committed expenditure on voluntary litter picking equipment and electric blowers.
Total Reserves	(0.482)	0.161		(0.321)	

Consultation and Engagement

- 35 As part of the budget setting process the Pre-Budget engagement process provided an opportunity for interested parties to review and comment on the Council's Budget principles.

Reasons for Recommendations

- 36 The overall process for managing the Council's resources focuses on value for money, good governance and stewardship. The budget and policy framework sets out rules for managing the Council's financial affairs and contains the financial limits that apply in various parts of the Constitution. As part of sound financial management and to comply with the constitution any changes to the budgets agreed by Council in the MTFS require approval in line with the financial limits within the Finance Procedure Rules.
- 37 This report provides strong links between the Council's statutory reporting requirements and the in-year monitoring and management processes for financial and non-financial management of resources.

Other Options Considered

- 38 None. This report is important to ensure Members of the Committee are sighted on the financial pressure the Council is facing and the activity to date to try and mitigate this issue, and are given an opportunity to scrutinise this activity and identify any further actions that could be taken to learn to live within our means Do nothing. Impact – Members are not updated on the financial position of the Council. Risks – Not abiding by the Constitution to provide regular reports.

Implications and Comments

Monitoring Officer/Legal/Governance

- 39 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.
- 40 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.
- 41 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
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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.

- 42 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.
- 43 This report provides an update on progress for 2025/26 for all services.
- 44 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

- 45 The Council's financial resources are agreed by Council and aligned to the achievement of stated outcomes for local residents and communities. Monitoring and managing performance helps to ensure that resources are used effectively, and that business planning and financial decision making are made in the right context.
 - 46 Reserve levels are agreed, by Council, in February each year and are based on a risk assessment that considers the financial challenges facing the Council. If spending associated with in-year delivery of services is not contained within original forecasts for such activity it may be necessary to vire funds from reserves.
 - 47 The unplanned use of financial reserves could require the Council to deliver a greater level of future savings to replenish reserve balances and / or revise the level of risks associated with the development of the Reserves Strategy in future.
 - 48 As part of the process to produce this report, senior officers review expenditure and income across all services to support the development of mitigation plans that will return the outturn to a balanced position at year-end.
 - 49 Forecasts contained within this review provide important information in the process of developing the Medium-Term Financial Strategy. Analysis of variances during the year will identify whether such performance is likely to continue, and this enables more robust estimates to be established.
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- 50 The risk associated with the scale of these challenges is that the Council could act illegally, triggering the requirement for a s.114 report from the Chief Financial Officer. Illegal behaviour in this context could materialise from two distinct sources:
1. Spending decisions could be made that exceed the available resources of the Council. This would unbalance the budget, which is unlawful.
 2. Spending decisions to restrict or hide pressures could be made that avoid an immediate deficit, but in fact are based on unlawful activity.
- 51 The consequences of the Council undermining a budget with illegal activity, or planned illegal activity, is the requirement to issue a s.114 report. Under these circumstances statutory services will continue and existing contracts and commitments must be honoured. But any spending that is not essential or which can be postponed must not take place.
- 52 Further consequences would be highly likely and could include the appointment of Commissioners from the MHCLG, and potential restrictions on the decision-making powers of local leaders.

Human Resources

- 53 This report is a backward look at Council activities at outturn and states the year end position. Any HR 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.

Risk Management

- 54 Financial risks are assessed and reported on a regular basis, and remedial action taken if required. Risks associated with the achievement of the 2024/25 budget and the level of general reserves were factored into the 2025/26 financial scenario, budget, and reserves strategy.

Impact on other Committees

- 55 All Committees will receive this financial update report.

Policy

- 56 This report is a backward look at Council activities and predicts the year-end position. It supports the Council's vision of being an effective and enabling Council as set out in the Cheshire East Plan 2025-2029
- 57 The forecast outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2026 to 2030 Medium-Term Financial Strategy.
- 58 The approval of supplementary estimates and virements are governed by the Finance Procedure Rules section of the Constitution.
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Equality, Diversity and Inclusion

- 59 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):			
Chris Benham	Director of Finance	04/11/2025	04/11/2025
Kevin O'Keefe	Interim Monitoring Officer	04/11/2025	04/11/2025
Legal and Finance			
Chris Benham	Director of Finance	04/11/2025	04/11/2025
Jennie Summers	Acting Head of Legal Services	04/11/2025	04/11/2025
Other Consultees:			
Executive Directors/Directors:			
CLT			

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

