OPEN

Adults and Health Committee

23 June 2025

Final Outturn 2024/25

Report of: Adele Taylor, Interim Executive Director of Resources (s151 Officer)

Report Reference No: AH/07/25-26

Ward(s) Affected: N/A

For Decision and Scrutiny

Purpose of Report

1 This report provides members with an overview of the Cheshire East Council final outturn for the financial year 2024/25. Members are being asked to consider the financial performance of the Council. The report also proposes treatment of year end balances that reflects risks identified in the Medium-Term Financial Strategy which was approved by Council on 26 February 2025.

2 To highlight financial performance across all Departments, and within Central Budgets shows how the Council is achieving its financial strategies and managing financial control and accountability.

3 Reporting the financial outturn at this stage, and in this format supports the Council's vision to be an effective and enabling Council as set out in the Cheshire East Plan 2025 to 2029.

Executive Summary

4 This report outlines how the Council managed its resources through sound financial planning, monitoring, and reporting to achieve outcomes and value for money.

5 The Outturn is reported as part of the Statutory Accounts and is therefore subject to audit. The audited Accounts will be presented to the Audit and Governance Committee on 4 December 2025.

6 The Council set its 2024/25 annual budget in February 2024. The budget was balanced, as required by statute, with planned use of reserves of £22m, plus £30m of savings to achieve in year, and included important assumptions about spending in the year. The budget is part of the Medium-Term Financial Strategy (MTFS) 2024 to 2028.

7 The Third Financial Review (FR3) forecast revenue outturn was an adverse variance of £18.3m (prior to the application of any Exceptional Financial Support), an improvement of £1.8m from FR2.

8 Prior to the application of Exceptional Financial Support and a proposed £7.8m transfer to reserves (see para 68 below), the 2024/25 service outturn position is an adverse variance of £9.8m, reflecting an underlying improvement since FR3 of £8.5m, as detailed below in Table 1 (Total Service Expenditure plus Central Budgets).

Table 1 Outturn 2024/25	Revised Budget (NET) £m	Outturn £m	Variance £m	Forecast Variance FR3 £m	Movement from FR3 to Outturn £m
Service Committee					
Adults and Health	137.1	154.7	17.6	20.0	(2.4)
Children and Families	92.6	96.1	3.5	5.4	(1.9)
Corporate Policy	44.2	41.9	(2.2)	2.5	(4.7)
Economy and Growth	27.9	22.7	(5.3)	(3.8)	(1.5)
Environment and Communities	47.8	46.3	(1.5)	(0.6)	(0.9)
Highways and Transport	16.2	14.4	(1.8)	(0.5)	(1.3)
TOTAL SERVICE EXPENDITURE	**365.8**	**376.0**	**10.2**	**22.9**	**(12.7)**
Finance Sub:					
Central Budgets	25.0	32.4	7.4	(4.6)	12.0
Funding	(390.8)	(390.8)	(0.0)	-	(0.0)
TOTAL FINANCE SUB	**(0.0)**	**17.6**	**17.6**	**18.3**	**(0.7)**
Exceptional Financial Support	-	(17.6)	(17.6)	(17.6)	-
GRAND TOTAL	**(0.0)**	**(0.0)**	**(0.0)**	**0.7**	**(0.7)**

9 Whilst an improvement on the Third Financial Review position of £8.5m, the service overspend of £9.8m remains a significant financial challenge for the Council. Cost pressures in Adults and Children's services remain a key issue. Details of in year pressures, ongoing impacts into 2025/26 and improvements against FR3 by Committee are reported in paragraphs 30 to 63 below.

10 The out-turn position, net of proposed transfers to useable reserves of £7.8m, is an overspend of £17.6m. This includes the setting up of a reserve to set aside sufficient one-off resources to be able to respond to the steps that will be necessary to support the delivery of our transformation, change and improvement activity especially in light of the recent publication of the non-statutory Best Value notice. This will be able to pump prime activities to ensure that change is made at pace to support our longer-term financial sustainability. Any use of this reserve will need to be recommended by the Chief Executive and Executive Director of Resources and any virements will then need to follow the usual approval processes.

11 As reported at FR3, in order to address the risk to services from the Council's budgetary pressures, there was an urgent report to Council on the 11 December 2024 on Exceptional Financial Support (EFS). The report sought the authority for the Chief Executive to request that the in-principle EFS of up to £17.6m by way of a capitalisation direction for 2023/24 and 2024/25 be able to be applied only in 2024/25, from the Secretary of State for Housing, Communities and Local Government in order to address the Council's budgetary pressures during the financial year 2024/25. The costs of accepting the EFS support will impact over the medium term and these have been built into the 2025/26-2028/29 MTFS approved in February 2025.

12 As indicated in Table 2 below and recognising the request in the urgent report to Council on 11 December 2024, it is proposed that the full £17.6m conditional EFS is utilised for 2024/25 to cover the following:

- Overall Council overspend in 2024/25 - **£9.8m**
- Creation of a further earmarked reserve to cover the one off costs of change and improvement activity in 2025/26 and 2026/27 - **£5.3m**
- Transfer to General Fund Reserves - **£2.5m** to increase financial resilience into 2025/26 and future years.

13 The reserves position, after agreed movements budgeted for in the MTFS and new additional requests noted below, are £29.6m, being £6.3m General Fund and £23.3m Earmarked.

Table 2: Exceptional Financial Support and Reserves - Outturn	£m
2024/25 overspend – outturn (including Service EMRs)	10.2
Improvement on central budgets - Surplus levy grant	(0.4)
Tfr to Cost of Change and Improvement Reserve	5.3
Tfr to General Fund	2.5
2024/25 Revised Out-turn	**17.6**
Exceptional Financial Support	**(17.6)**
Outturn 2024/25	**-**
Reserves	
General Fund	6.3
Earmarked Reserve	23.3
Total Reserves at 31 March 2025 – Outturn Final	29.6

14 The outturn expenditure level for capital spending for 2024/25 was £88.4m against the original MTFS budget set in February 2024 of £215.8m (FR3 £144.7m). The underspend of £56.3m (Out-turn compared to FR3) will be slipped into 2025/26 and future years. This level of slippage at 39% is a higher variance than 2023/24 (18%).

15 **Table 3** sets out the capital programme profiling changes from FR3:

Table 3	2024/25 Outturn £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2024-28 Total £000
Capital Programme FR3 Funded by:	**144,670**	**157,134**	**104,400**	**243,852**	**650,056**
Capital Programme Outturn Funded by:	**88,322**	**208,490**	**100,570**	**252,694**	**650,076**
Movement from FR3	**-56,348**	**+51,356**	**-3,830**	**+8,842**	**+20**

16 **Table 4** sets out the capital programme summary at the Outturn position by Committee:

Table 4	2024/25 Outturn £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2024-28 Total £000
Adults and Health	280	468	0	0	748
Children and Families	9,722	56,131	21,604	20,749	108,206
Corporate Policy	5,465	10,125	1,173	0	16,763
Economy and Growth	25,723	56,534	32,905	81,762	196,924
Environment and Communities	5,915	18,606	2,184	15,301	42,006
Highways and Transport	41,217	66,626	42,704	134,882	285,429
TOTAL EXPENDITURE	**88,322**	**208,490**	**100,570**	**252,694**	**650,076**
Funding:					
Grants and Other Contributions	53,793	149,212	88,370	187,853	479,228
Capital Receipts and Reserves	901	2,500	1324	33,381	38,106
Borrowing	33,628	56,778	10,876	31,460	132,742
TOTAL FUNDING	**88,322**	**208,490**	**100,570**	**252,694**	**650,076**

17 During 2024/25 a capital review was carried out with a view to reducing and re-profiling the amount of capital spend funded by borrowing which has led to significant slippage. Continued scrutiny of the capital programme will be required to minimise and delay spend funded from borrowing to reduce the ongoing revenue in future years. The authority should aim to repay more historical borrowing than any new borrowing incurred in year to ensure that the total capital financing requirement begins to decrease and the long term position becomes more sustainable.

18 Capital receipts in year amounted to £2.2m against a forecast of £2m, of this £1.2 will be used to fund transformational costs with the remaining £1m supporting the capital financing budget as planned.

19 During 2024/25, we undertook a Balance Sheet review through our Treasury Advisors, Arlingclose Ltd. As part of that review, they considered the revenue impact of the current Minimum Revenue Provision (MRP) and Capital Financing Requirement (CFR) policy currently in place and we asked them to assess our alignment with current Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. Changes to the Accounting Policy for MRP were set out in the 2025/26 – 2028/29 MTFS - in summary the out-turn impact for 2024/25 is an improvement of £3.1m against the Capital Financing Budget.

20 The annex and appendix attached to this report set out details of the Council's financial performance:

21 Annex **1:** Outturn 2024/25 – Sets out detailed information for each of the following areas as at 31 March 2025 (per Committee area):

- **Section 1** 2024/25 Financial Outturn position
- **Section 2** 2024/25 Approved Budget Change Items
- **Section 3** Revenue Grants for approval and Grant Register
- **Section 4** Capital
- **Section 5** Reserves
- **Section 6** Treasury Management
- **Section 7** Investment Strategy

RECOMMENDATIONS

The Adults and Health Committee is recommended to:

1. Consider the overall financial performance of the Council in the 2024/25 financial year, as contained within the report, as follows:
   a) A Net Revenue Overspend of £17.6m against a revised budget of £365.8m (4.8% variance) funded by conditional Exceptional Financial Support (Capitalisation Direction) via borrowing.
   b) General Reserves closing balance of £6.3m.
   c) Capital Spending of £88.4m against an approved programme of £215.8m (59% variance).

2. Consider the contents of Annex 1.

3. Approve the new Reserves in the Reserves Section (**Annex 1, Section 5, Table 1**) which includes proposed movements to reserves.

4. Recommend to Council to approve the Supplementary Revenue Estimate (SRE) Request for Allocation of Additional Grant Funding over £1,000,000 as per **Annex 1, Section 3, Table 1.**

5. Approve the Adults and Health Committee Supplementary Revenue Estimates (SRE) Request for Allocation of Additional Grant Funding (Specific Purpose) over £500,000 up to £1,000,000 as per **Annex 1, Section 3, Table 2.**

Background

22 This single view of the financial picture of the Council provides the overall financial context.

23 The financial outturn for Cheshire East Council is an overspend of £17.6m. This is net of appropriate allocations to useable reserves. Further detail is provided in **Table 1** and **Annex 1**.

24 On 1 April 2024 total Council reserves were £37.8m. The closing balance on 31 March 2025 is £29.6m, this represents an improvement vs forecast of £12.4m.This is partly due to lower drawdowns for services than previously forecast, plus the creation of new reserves as mentioned in paragraph 12 above.

25 Capital - The original budget set in February 2024 was £215.8m. During 2024/25 a review was carried out the aim of reducing and reprofiling the amount of capital spend funded by borrowing. At FR3 the forecast spend had reduced to £144.7m. Actual spend for 2024/25 outturn was £88.4m.

26 Capital receipts in year amounted to £2.2m against a forecast of £2m, of this £1.2m will be used to fund transformational costs with the remaining £1m supporting the capital financing budget as planned.

27 Capital Financing Budget – The impact of funding EFS via Capitalisation Directive/Borrowing over the term of the MTFS are shown in the table below (extract from MTFS Report Feb 2025).

Table 5: Capital Financing Budget - elements	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**
Interest Payable – DSG Deficit	5.6	6.4	7.4	7.4
Interest Payable – EFS*	1.0	1.7	1.6	1.6
Interest Payable – Capital Borrowing	13.5	12.8	13.3	13.3
Interest receivable	(2.3)	(2.1)	(2.1)	(2.1)
Total Net Interest	**17.8**	**18.8**	**20.2**	**20.2**
MRP – EFS*	0.5	1.3	2.1	2.2
MRP – Capital Borrowing	16.7	18.7	19.6	20.8
Total MRP	**17.2**	**20.0**	**21.7**	**23.0**
Total CFB requirement	**35.0**	**38.8**	**41.9**	**43.2**

**EFS MRP/Interest above relates to both 2024/25 £17.6m and 2025/26 £25.3m*

28 During 2024/25, we undertook a Balance Sheet review through our Treasury Advisors, Arlingclose Ltd. As part of that review, they considered the revenue impact of the current Minimum Revenue Provision (MRP) and Capital Financing Requirement (CFR) policy currently in place. We asked them to assess our alignment with current Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. Changes to the Accounting Policy for MRP were set out in the 2025/26 – 2028/29 MTFS against the Capital Financing Budget (Refer to Appendix A, Annex 5, Section 3 of the MTFS – Approved Feb 2025).

29 Changes to the Accounting Policy needed to be made in 2024/25 due to new regulations coming in from 1 April 2025 and therefore have the benefit of reducing the 2024/25 charge to revenue with a betterment to the overall outturn position plus ongoing impacts from 2025/26 onwards have been reflected through the MTFS. In summary the out-turn impact for 2024/25 being is a net improvement of £3.411m.

30 There are a number of key issues that have caused the revenue overspend, including:

- Continued demand and complexity of care beyond levels previously identified in Adult's services;
- Increasing demands of Children's Social care, in terms of complexity and the number of cases;
- Increased borrowing costs associated with the unfunded Dedicated Schools Grant (DSG) deficit;
- Non delivery of some previously agreed savings and/or income targets;
- The financial impact of investment in transformation and improvement activity over the medium term;
- Under-recovery of rent allowances;

31 In order to mitigate the cost pressure facing the Council, various tasks to urgently review spend and identify additional savings have been undertaken in year through actions led by the Strategic Finance Management Board, which included:

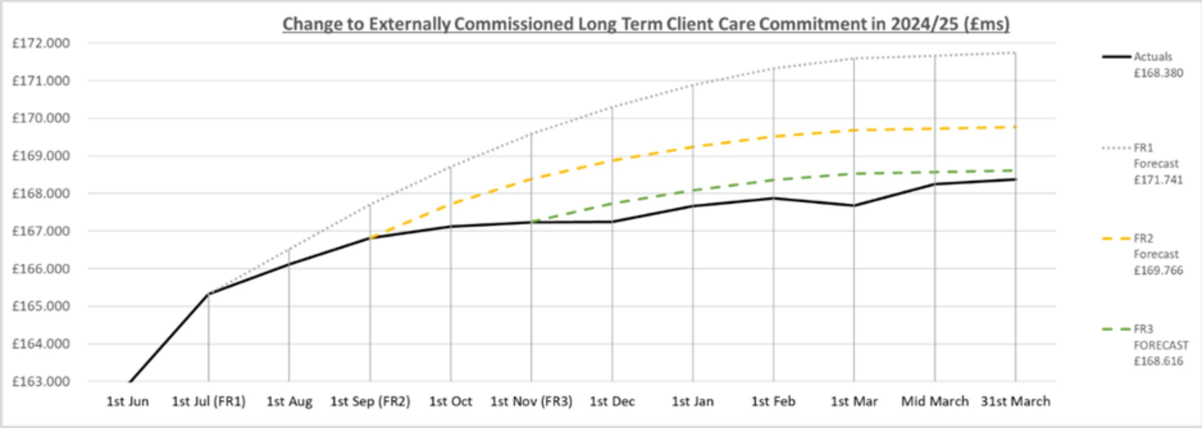
- Regular line by line reviews of budgets have been undertaken throughout the year to identify any additional funding or potential areas of underspend.
- The cessation of any non-essential spend
- Management of vacancies, particularly agency usage
- Review of Section 106 legacy budgets
- Identification of any other areas of discretionary spend including grants awarded, where spend can be reduced or stopped.
- Review Debt management / overall level of bad debt provision

Specific commentary on the forecast outturn position by Committee

Adults and Health adverse variance of £17.6m

32 Throughout 2024/25 the Adults, Health and Integration Directorate has been forecasting an overspend of up to £20m driven by increases in costs of individual placements for people who draw on care and support. This forecast position included mitigations which have been delivered through the year. The final outturn position is an overspend of £17.6m.

33 This position represents an improvement on the position that was reported at the Third Financial Review (TFR) of £2.4m. This further improvement results from a number of factors. First, the final outturn for external care costs was slightly lower than the TFR projection as demonstrated in the chart below. As shown in the graph the level of activity between December and March grew at a slower rate than in previous months and was anticipated at the end of quarter 3. At that time there was concern that activity would increase as a result of winter pressures and so a cautious approach was adopted in forecasting the outturn.



34 Secondly, smaller favourable variances in other areas have allowed more external care costs than previously anticipated to be funded using eligible external grants. The terms and conditions of these grants allow these costs to be funded if they have been defrayed before the end of the financial year. Finally, income levels continue to exceed earlier expectations for two reasons, income is driven activity and directly related to care costs and the new adoption of a new charging policy adopted in 2024/25.

35 This final position provides a secure foundation to build on in 2025/26 and beyond through the Medium-Term Financial Strategy (MTFS) as new transformation projects (e.g. Prevent Reduce, Enable) are brought forward to improve outcomes for service users alongside containing the financial outlay for the Council in responding to ongoing high levels of demand. Although a small amount of the improvement between TFR and the Year End position is of a temporary nature, the outturn position provides greater confidence that the growth for care costs and income which are in the MTFS reflect the adjustment levels needed to re-size the service budget in 2025/26.

Public Health

36 There are various factors which have impacted the final position for the Public Health (PH) ringfenced grant reserve movement. Some of this links to additional grant received for PH outcomes, as well as work by the service to manage vacancies and reduce contract costs where possible. The service will continue to work with the wider council services when planning future years' expenditure. This will ensure the best possible VFM is achieved for CEC residents, whilst also ensuring that services funded from the grant continue to meet the statutory ringfenced criteria for PH outcomes. It is important to note that the reserve needs to be sufficient to ensure that when current contracts are re-commissioned they remain affordable, as there is no guarantee that the PH grant allocation will increase to cover cost increases.

Children and Families adverse variance of £3.5m

37 At the end of the last financial year the outturn for Children and Families was an overspend of £8.2m. The Medium-Term Financial Strategy included growth to address the pressures that were emerging throughout 2023/24. The costs of children's social care are a concern for many local authorities and not unique to Cheshire East.

38 The provisional outturn position for 2024/25 reflects a £3.5m in-year pressure. This is an improvement of £1.9m since the third financial review mainly due to: £0.7m drawdown from reserves to offset the costs relating to flexible capital receipts; £0.2m improved position on catering; £0.2m increase on transport; there was an increase £1.2m in Social Care Cost relating to support accommodation costs but other costs reduced by a similar amount across other placements; use of grants to reduce commissioning cost of children's contracts £0.2m; and reduced staffing cost due to vacancy management and use of grants in Education, Strong Start and Integration (£1.0m).

39 The key pressure areas for the directorate include:

- Children's social care placements (£3.4m adverse variance) where the complexity of children in care has continued to increase and the number of children in care has increased from 528 at April 2024 to 550 at March 2025 (compared to a decrease from 586 at April 2023 to 541 at March 2024). Placement costs are increasing by significantly more than inflation and in-year growth is more than projected in the budget, particularly relating to supported accommodation costs.

- The use and cost of agency staff in children's social care to cover vacancies, sick absence, and maternity leave. The number of staff is greater than the planned establishment to ensure we are able to meet our statutory needs. A review of the staffing structure and establishment gap has been factored into the MTFS for 2025/26.

- Home to school transport costs (£0.5m adverse variance) – where a mix of increasing numbers of pupils with an education, health and care plan (EHCP), and increasing contract costs / direct payment costs.

- Schools Catering (£0.2m adverse variance) – where the costs of the service are above the current charged income level and base budget.

40 These in-year pressures were considered as part of the MTFS for 2025/26. These include:

- Reviewing costs of placements as more detailed reviews are underway focusing on the expected length that some placements may need to be in place for;

- Staffing establishment reviews now scheduled on a 6 weekly basis including a review of agency staff and alternative working;

- Reunification children to be identified with targeted work in place for individual cases;

- Tracking of similar spend across teams to be held in the same place as residential and supported accommodation spend to increase overall grip and understanding;

- Work on Edge of Care Service proposals to identify early intervention that may reduce admissions and costs.

41 Dedicated School Grant (DSG)

For details on DSG please see paragraph 74 below

Corporate Policy favourable variance of £2.2m

42 The Corporate Services Directorate has a net budget of £42.0m for 2024/25 and the final level of spending is £41.9m. Expenditure includes £3.8m on transformation that was not part of the original budget.

43 A number of adjustments have been processed to make an overall reduction to the level of expenditure. They are:

- Contributing to an Insurance Reserve (£0.3m).
- Contributing to an Elections Reserve (£0.3m).
- Creation of an ICT Reserve to assist with change in 2025/26 (£0.3m).
- Funding transformation spend from existing earmarked reserves (£3.1m).

44 As a result, the final outturn is an underspend of £2.2m. The main reasons for the underspend are as follows:

- Vacancy management ~ most services have contributed to a total underspend of £2.3m on staffing budgets from vacant posts, some of which are now filled. This has enabled the service to manage a £0.54m pressure from an MTFS savings target that could not be delivered.
- ICT underspend ~ ICT has delivered a £1.7m underspend. This is mainly due to the expenditure on contracts being lower than expected and a full review of pre-payments.
- Members allowances ~ the budget has underspent by £0.3m.
- Expenditure control ~ tighter control on non-pay spending across the Directorate has achieved savings in most services totalling £0.3m.
- Additional income ~ Registrations Service (£0.5m), Procurement (£0.1m), and Finance (£0.1m) along with additional grant, and court costs income in the Benefits Service (£0.2m).

45 However, these underspends have been offset by the following:

- Rent Allowances ~ under-recovery of £1.5m.
- Transactional Service Centre ~ overspend of £0.3m mainly due to the additional costs of the stabilisation programme which has been put in place to improve the performance of the service and recognises the need to change the way in which Unit4 is used.
- Unavoidable costs ~ External Audit costs, and Bank Charges in Finance of £0.4m.
- Income shortfalls ~ in Project Management Office, Internal Audit, and Legal Services totalling £0.5m.

46 At Third Finance Review (FR3), Corporate Services was forecast to overspend by £2.5m meaning the outturn has improved by £4.7m. The main reasons for such a major change are as follows:

- Transformation ~ forecast costs of £3.7m were included in the FR3 figures. At outturn £3.1m of these costs have been shown as funded from reserve reducing the outturn figure by a corresponding amount.
- ICT shift of £1.1m from contract spend review.
- Establishment Reset ~ after the production of FR3 figures, staffing budgets were re-aligned following an establishment review, and the impact of backdated pay award became much clearer meaning more accurate staffing forecasts were possible increasing the underspend at outturn by £0.5m.

Place Directorate total favourable variance of £8.6m.

47 Overall, the Place Directorate is reporting an underspend of 8.6m at outturn against a £92.2m budget. This represents a £3.7m improvement from FR3.

48 The key issues relate to holding vacancies with staffing - expenditure running 16% below budget totalling £5.9m, reduced utility costs of £2.3m and other net changes such as increased income of £0.6m. Previously reported pressures from planning income and waste etc have been managed.

Environment and Communities favourable variance of £1.5m

49 Environment and Neighbourhood Services is reporting an underspend of £1.5m against a net budget of £47.8m. This is a £1.9m improvement from FR3. The key reasons for the underspend are £1.6m underspend in the Planning Service comprising underspends in Development Management of £0.5m and Building Control of £0.4m, both mainly due to vacancies. Strategic Planning is £0.7m underspent due to £0.3m vacancies plus £0.3m delayed Local Plan costs. The overall improvement is £0.9m since FR3 due to Improved Planning application income £0.3m, vacancy management £0.4m and additional income/funding £0.1m.

50 Environmental Commissioning for ANSA has seen a £0.3m underspend from an increase on the surplus of the core contract, this is an improvement on FR3 of £0.3m. Environmental Commissioning Orbitas is also £0.3m underspent, this is from additional income, which is a £0.1m improvement on income since FR3. Carbon neutral is £0.1m underspent due to recharging staff time to capital schemes, Regulatory Services is a £0.4m underspend, this is £0.3m due to vacancies and £0.1m income, a £0.2m improvement from FR3. Libraries is £0.1m underspent mainly from vacancies and there has been a £0.9m overspend on Leisure Commissioning. This is due to non-delivery of MTFS savings and represents a £0.5m worsening since FR3, due to delayed closure of sites and historic MTFS items. Other services: £0.4m overspend mainly in relation to the HSE fine.

Economy and Growth favourable variance of £5.3m

51 The Growth and Enterprise Directorate and Place Directorate are reporting an underspend of £5.3m against a budget of £28.2m. This is £1.5m improvement from FR3.

52 The key reasons for the underspend are as follows:

53 Facilities Management is underspent by £1.8m, a £0.1m improvement from FR3 due to vacancies. There have been savings against gas and electricity compared to higher budgeted costs of £2.3m and an underspend on Business rates of £0.3m due to revaluations and appeals. Vacancy management, savings in supplies and additional income have contributed to the underspend by £0.7m. This has been offset by pressures against maintenance budgets of £0.6m; partial achievement of the office estate rationalisation savings target £0.3m, Disrepair claims which is a £0.3m pressure and Water and cleaning costs, a pressure of £0.2m.

54 Economic Development is £0.8m underspent, this is as a result of reduced cost of supplies £0.3m, increased income £0.3m and vacancy management £0.2m, this is a £0.2m improvement from FR3. The Housing outturn is £0.7m underspent, due to vacancies and some grant funding, this is a £0.1m improvement from FR3.

55 Tatton, Green infrastructure, Cultural Economy and Visitor Economy is £1m underspent, this is a £0.8m improvement from FR3 due to holding vacancies and increasing income.

56 The Assets service is underspent by £0.7m, £0.3m is due to vacancies, £0.3m from better income and £0.1m due to a reduction in maintenance spend. The £0.5m improvement from FR3 is mainly from additional income. Farms is underspent by £0.2 due to lower maintenance spend.

Highways and Transport favourable variance of £1.8m

57 Transport & Infrastructure is reporting an underspend of £1.8m against a net budget of £16.2m. This is an improvement of £1.3m since FR3.

58 The key reasons for the underspend are:

- Car Parking: £0.3m overspend, £0.4m vacancies are offset by reduced car park income £0.7m. This represents a £0.6m worsening since FR3 from reduced income.
- Strategic Transport is a £1.2m underspend, largely due to vacancies, which represent a £1.1m improvement from FR3, there has also been a delay in new bus contracts taking effect.
- An underspend of £0.8m across Ansa Transport commissioning, Infrastructure, Highways and Rail Transport Integration due to vacancies.

Finance Sub – Central items

59 Finance Sub Committee are reporting a variance of £7.4m, key variances relate to:

- Financing and Investment £1.1m net pressure reflecting £3.0m increased cost of interest payments on borrowing offset by £1.8m increased interest receipts from investments.
- (£0.2m) additional Flexible Capital Receipts above £1m budgeted.
- Reserves – transfers to / from of £10.6m (net) reflects the following:
  - +£1m reduction in available Capital Financing Reserve at outturn compared to forecast balance reflected in the February 2024 MTFS.
  - (£3.8)m use of the General Fund reserve forecast to fund transformation activities in services in year.

    - +£3.5m Transfer to Reserve as reflected in the 2025/26 MTFS (Forecast Reserves) to fund Transformation delivery in 2025/26.
    - +£5.3m Transfer to Reserve – as noted in paragraph 69 below
    - +£2.1m Transfer to General Fund – as noted in paragraph 69 below
    - +£2.5m new Earmarked Reserves

- As reported in the MTFS 2025/26 approved in February 2025, following a balance sheet review by our Treasury Advisors, Arlingclose Ltd, the Minimum Revenue Provision (MRP) policy has been revised and amended with effect from 1 April 2024, bringing it in closer alignment with CIPFA Guidance. The effect of this change has reduced the MRP charge to Revenue in 2024/25 by £3.4m, the ongoing improvement has been reflected in the MTFS/Budget for 2025/26.

- There is a further £1.88m positive variance as a result of in year balance sheet reviews against S106 balances/schemes and bad debt. The S106 Review identifying a one off contribution in year where work has been completed in prior years but has not been reflected in transferring money from S106 into the general fund, a reduction of £0.8m (£0.5m at FR3); £1.08m reduction in the bad debt provision following a review in year of the approach to Adult Social Care debts, further reviews are ongoing for Sundry Debts, the effects of which will be reflected in 2025/26 in year reporting.

Finance Sub – Exceptional Financial Support

60 Use of (£17.6m) Exceptional Financial Support – as reported at FR3, the Council proposed to utilise the full £17.6m conditional EFS in 2024/25 to cover the in year adverse overspend in order to protect and minimise the use of reserves. The costs of accepting the EFS support will impact over the medium term. The financing of the use of EFS has been reflected in the MTFS/Budget for 2025/26 (see also para 27).

Companies

61 The Council's wholly owned companies' core contract expenditure was £43.7m in 2024/25, relating to services provided at cost for the Council. This position includes £1.1m of additional costs in year, relating to pay award pressures, Household waste recycling closure costs; offset by £1.2m in savings(including a £0.7m rebate on the Core contract), due to a reduction in inflation compared to budget and reduced tonnages against waste contracts, improvement in the recycling income, improvements against fuel spend, income, staffing vacancies, and other mitigations and efficiencies.

62 The net decrease in core contract costs is reflected in the Council's outturn position, mainly against Environment & Communities Committee services, with a net reduction against Highways & Transport Committee functions. The companies rebated £0.7m management fee back to the Council, related to core contract underspend, reflected in the Council's outturn position. In addition, in line with 2024/25 agreed policy proposals £1m of company reserves were returned to the Council as planned plus a further £0.5m agreed in year to assist with the Council's in year position. Both amounts have been reflected in the out-turn position.

63 Ansa and Orbitas realised £0.334m in profits (after tax) from commercial activities.

Delivery of the 2024/25 approved budget change items

64 Table 6 presents a summary of the final progress on the delivery of the 2024/25 approved budget change items. For items rated as Amber these are for items where there are risks and/or mitigating actions in place. For items rated as red these are for items where services are reporting an adverse variance and there has been an in year non delivery/achievement. New mitigation items have also been included that have come forward since the approval of the MTFS to help the in-year position where identified.

65 The green and blue columns show that these budget change items are either delivered or even exceed in some cases. The table below summarises the final progress for the year by Committee.

Table 6: Summary of the final progress on the delivery of the 2024/25 approved budget change items

Committee	Approved Change Budget £m	Outturn £m	Completed £m	Green £m	Amber £m	Red £m	Mitigations £m
Adults & Health	+1.136	+18.707	-2.723	-10.955	-	+33.521	-1.136
Children & Families	+9.909	+13.375	+0.533	-1.001	+0.205	+15.431	-1.793
Corporate Policy	+0.489	-1.759	+0.193	-0.482	-	+1.581	-3.051
Economy & Growth	+3.316	-1.943	-0.061	+1.988	-0.836	+0.940	-3.974
Environment & Communities	-0.052	-1.587	+0.875	-2.012	-0.051	+2.397	-2.796
Finance Sub	-19.667	-12.277	-6.592	-22.583	+10.517	-	+6.381
Highways & Transport	+4.869	+3.084	+2.638	+0.707	+0.820	+0.351	-1.432
TOTAL	**0**	**+17.600**	**-5.137**	**-34.338**	**-10.655**	**+54.221**	**-7.801**

66 A complete list of all approved budget change items, with final progress noted against each item, can be found in **Annex 1, Section 2**.

Revenue Grants for Approval

67 Approvals for Supplementary Revenue Estimates for allocation of additional grant funding are detailed in **Annex 1, Section 3**.

Reserves Position

68 On 1 April 2024, Earmarked Reserves totalled £32.278m and the General Fund Reserve Balance totalled £5.580m. Of the total earmarked reserves, £13.7m has been transferred to the General Fund and £7m has been utilised to support the revenue budget for 2024/25. The General Fund reserves have been partially used to fund Transformation Costs of £3.8m and a contribution has been made to the revenue budget spend in year of £11.7m.

69 Table 7 shows the forecast level of Earmarked and General reserves at the end of 2024/25. This includes the creation of two new reserves :

- an earmarked reserve to cover the one off costs of Transformation in 2025/26 and 2026/27 of **£5.3m** to help mitigate anticipated one off cost impacts of change.

- a Transfer to General Fund Reserves **- £2.5m** to increase financial resilience into 2025/26 and future years.

70 At outturn, some £2m of Earmarked reserves planned to be spent in 2024/25 have not been fully spent in year and therefore an additional slipped number of Earmarked reserves are being taken forward into 2024/25. There is planned spend in place for these earmarked reserves 2025/26.

71 New Earmarked reserve requests of £2.520m have been approved to fund some specific one-off items in 2025/26.

72 The Council outturn position is reporting £23.322m of earmarked reserves at the end of the financial year (MTFS Feb 2025 forecast £11.5m), of this £3.2m is considered ring-fenced, with special conditions limiting its use. The £11.8m change from the February 2025 forecast mainly reflects additional service requests of £2.6m, cost of transformation (£5.3m) and £3.9m lower than forecast planned use of reserves in year.

Table 7: General and Earmarked Reserves

Committee Reserves	Opening Balance 01 April 2024 £000	Transfers to General Fund £000	Drawdowns in year £000	Carry Forwards £000	New Requests Approved £000	Closing Balance Forecast 31 March 2025 £000
Adults and Health	**5,226**	**(2,857)**	**9**	**(9)**	**835**	**3,204**
Children and Families	**1,724**	**0**	**(1,724)**	**0**	**456**	**456**
Corporate Policy & Central	**20,772**	**(9,276)**	**(3,878)**	**(50)**	**9,714**	**17,282**
Economy and Growth	**2,777**	**(1,008)**	**(866)**	**173**	**320**	**1,396**
Environment and Communities	**870**	**(390)**	**(328)**	**330**	**0**	**482**
Highways and Transport	**908**	**(205)**	**(215)**	**14**	**0**	**502**
Earmarked Reserves Total	**32,277**	**(13,736)**	**(7,002)**	**458**	**11,325**	**23,322**
General Fund Reserve	**5,580**	**2,082**	**(3,966)**	**139**	**2,473**	**6,308**
Total Reserves	**37,857**	**(11,654)**	**(10,968)**	**597**	**13,798**	**29,630**

73 A full list of all earmarked reserves can be found in **Annex 1, Section 5**.

Dedicated Schools Grant Reserve

74 The key pressure on DSG relates to the high needs block where the SEND service continues to see a significant increase in the number of pupils with an EHCPs, and the associated school placement costs.

75 This has placed pressure on the grant used to provide funding for children with SEND in various settings and led to a £31.7m deficit in 2023/24. This adds on to the brought forward deficit of £46.9m to take the DSG Reserve to a £78.6m deficit position at the end of 2023/24. This was an improvement on the budget gap as determined by the Council's DSG Management Plan that was reported to Children and Families Committee in April 2024 and set out the planned expenditure and income on high needs over the medium term. The gap has improved further during 2024/25 with an in-year deficit of £33.5m compared with £41.4m in the management plan. The overall deficit is £112.1m at the end of the year. Please note this includes an underspend on early years of £1.6m that is expected to be recouped in 2025/26.

Table 8 Dedicated Schools Grant

Dedicated Schools Grant Deficit	£m
Deficit Balance Brought forward	78.6
Additional In-year Pressures	33.5
Deficit Balance at 31 March 2025	112.1

Debt

76 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 at 31 March 2025 was £18.5m. This has increased by £1.6m since FR3 (end of November 2024).

77 Annually, the Council raises invoices with a total value of over £95m. 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.

78 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).

79 The total amount of service debt over six months old is £11.9m; split as £10.5m of Adult Social Care debt and £1.4m 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. There has been an in year review of the Bad Debt provision which has to date focused on Adult Social Care debt. This has lead to a reduction in the provision of £0.7m in the current year. Further work is planned for a review of debt across other service areas in 2025/26.

80 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 £3.5m 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 £9.4m of debt which is deemed to be lower risk as its linked to areas such as probate, property sales or deputyship.

81 The Highways position for outstanding debt is consistent throughout the year. The debt is generally 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 (these are settled quickly); third party claims for damage to the highway; and permit fees. The third party claims are often paid in instalments.

82 The previous outturn positions are:

- 31 March 2025 Outstanding debt £2.2m, over 6 months old £0.6m.
- 31 March 2024 Outstanding debt £1.6m, over 6 months old £0.7m

83 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.

Table 9 – Debt Summary as at 31 March 2025

2024/25

DEBT SUMMARY as at 31st March 2025

	Outstanding Debt £000			Over 6 months old £000		
	FR3	Outturn	Increase / (Decrease)	FR3	Outturn	Increase / (Decrease)
Adults and Health Committee						
Adults, Public Health and Communities	14,170	15,219	1,049	9,325	10,556	1,230
Children and Families Committee						
Children's Social Care (Incl. Directorate)	189	247	58	1	1	(0)
Prevention and Early Help	51	70	20	(8)	(8)	1
Schools	17	4	(14)	3	1	(2)
Highways and Transport Committee			-			
Highways and Infrastructure	1,305	1,499	194	755	626	(129)
Economy and Growth Committee			-			
Growth and Enterprise	621	666	45	420	375	(45)
Environment and Communities Committee			-			
Environment and Neighbourhood Services	377	293	(84)	214	243	29
Corporate Policy Committee			-			
Finance and Customer Services	126	175	49	67	86	19
Governance and Compliance	0	2	2	-	0	0
Human Resources	-	89	89	-	-	-
ICT	3	228	224	2	0	(2)
Total	**16,859**	**18,491**	**1,632**	**10,780**	**11,881**	**1,101**

Council Tax and Business Rates

Council Tax

84 **Table 10** details each precepting authorities share of the budgeted collectable rates income.

Table 10 Share of Council Tax Collectable Rates	Band D Charge	Collectable Rates £m
Cheshire East Council	**1,792.59**	**287.1**
Town and Parish Councils	71.57	11.5
Cheshire Police and Crime Commissioner	262.94	42.1
Cheshire Fire Authority	90.09	14.4
Total	**2,217.19**	**355.1**

85 The collectable rates valuation is based on the assumption that of the total amount billed, at least 99% will be collected. Table 11 demonstrates that, excluding a slight reduction during the Covid-19 pandemic, the target to collect at least 99% of Council Tax within three years continues to be achieved.

Table 11 Council Tax Collection Rates	2020/21 %	2021/22 %	2022/23 %	2023/24 %	2024/25 %
After 1 year	97.4	97.8	98.2	98.0	*97.8
After 2 years	98.6	98.5	98.8	98.6	**
After 3 years	98.9	99.0	99.1	**	**

*** Data is not yet available.*

86 After accounting adjustments, the Council Tax Collection Fund position at outturn was a £0.420m surplus for 2024/25, of which, £0.353m is attributable to Cheshire East Council. This is a £0.347m improvement to the declared surplus of £0.73m from January 2025 and will be held in the Collection Fund Adjustment Account until January 2026, when a revised declaration to take this final position into account can be made.

Non-Domestic Rates (NDR)

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

88 Non-domestic Rates valuations for 2024/25 were set out in the NNDR1 return to Central Government in January 2024. Any variance to this forecast is included in the following years' NNDR1 return and any gain or loss will be recovered in 2025/26. The total Net Rates Payable into the Collection Fund was forecast at £155.7m.

89 **Table 12** demonstrates that the target to collect at least 99% of Non-Domestic Rates within three years continues to be achieved.

Table 12 Non-Domestic Collection Rates	2020/21 %	2021/22 %	2022/23 %	2023/24 %	2024/25 %
After 1 year	92.4	95.6	98.2	97.7	97.9
After 2 years	97.4	98.3	98.8	99.0	**
After 3 years	99.0	99.2	99.4	**	**

*** Data is not yet available.*

90 After accounting adjustments, the Non-Domestic Rates Collection Fund is out-turning a final deficit of £2.288m for 2024/25, of which, £1.121m is attributable to Cheshire East Council. This deficit is £0.238m more than the declared deficit of £2.050m from January 2025 and will be held in the Collection Fund Adjustment Account until January 2026 when a revised declaration to take this final position into account can be made.

Treasury Management Strategy update

91 Treasury Management income for 2024/25 is £3.3m which is higher than the budgeted £1.9m. However, borrowing costs are also higher than budgeted at £18.9.m compared to budget of £16.1m. The net additional financing costs (borrowing less investment interest) is therefore £1.4m in excess of that budgeted.

92 Interest rates have seen substantial rises over the last 3 years which has significantly increased the cost of borrowing. Borrowing costs have begun to fall and the expectation is that they will continue to fall although market uncertainty may impact on the timing of future reductions.

93 The cost of short-term borrowing from other local authorities has generally followed Base Rate over the year. However, liquidity in the market from October onwards caused rates to increase disproportionately compared to underlying Base Rates. The Councils application for Exceptional Financial Support also reduced the credit quality of the Council to some lenders which exacerbated the shortage of liquidity available. As a result some PWLB borrowing was undertaken with a mix of 1-2 year maturity loans and 2-3 year Equal Instalments of Principal (EIP) repayment loans. The average rate payable on these loans is 4.84%. This provides some surety of cost at lower rates than we could otherwise have achieved at the time and reduces over-reliance on short term borrowing. The relatively short period of these PWLB loans should provide opportunities to refinance at lower cost if rates fall in line with expectations.

94 The cost of short term borrowing in 2024/25 is 5.29% which is an increase from 4.82% in 2023/24. The average rate paid on all borrowing was 5.03%.

Investment Strategy

95 There have not been any material changes to the Investment Strategy since that reported at in the MTFS for 2025/26 – 2028/29 in Feb 2025, see link APPENDIX A MTFS 2025-26 to 2028-29 FINAL . Annex 1, Section 7 to this report includes updates to the Investment Strategy indicators for 2024/25 out-turn where available.

Consultation and Engagement

96 The annual business planning process involves engagement with local people and organisations. Local authorities have a statutory duty to consult on their budget with certain stakeholder groups including the Schools Forum and businesses. 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.

97 The Medium-Term Financial Strategy has been developed during 2024 and an online budget engagement survey was published on 19 December 2024.

Reasons for Recommendations

98 The recommendations in this report support the ‘Reporting’ element of the financial cycle.

99 The overall process for managing the Council’s resources focuses on value for money, good governance, and stewardship. The approach to these responsibilities is captured in the Medium-Term Financial Strategy. Financial

changes take place during the year and are authorised in line with the Constitution. This report sets out where further approvals are required.

100 This report provides strong links between the Council's statutory reporting requirements and the in-year monitoring processes for financial and non-financial management of resources.

101 Outturn reporting provides an opportunity to check performance and management of risks against the Medium-Term Financial Strategy. The four-year MTFS is approved by Council, but risks were identified as part of this process which will require access to reserves and exceptional financial support. Members had regard to such risks as the deficit in Dedicated School Grant reserves and potential liabilities associated with the Extra Care Housing PFI (Private Finance Initiative) Scheme when approving the budget.

Other Options Considered

102 Outturn reporting could be delayed until post audit, to avoid the risk of provisional figures changing. This is not a recommended option as the audit completion certificate is not expected until February 2026. Delaying the reporting element of the financial cycle minimises the ability to react to issues during in-year monitoring. Provisional reporting has historically been accurate, so it is appropriate to react to the financial information provided in this report.

103 General Reserves are used to manage risk, in accordance with the Reserves Strategy. In the Planning cycle for the 2026/27 MTFS members will have to re-consider the robustness of all estimates and the overall adequacy of reserves based on up-to-date information and forecasts, which will include a review of the level of General Reserves.

Implications and Comments

Monitoring Officer/Legal/Governance

104 The Finance Sub-Committee has responsibility for oversight of the Council's budget and treasury management responsibilities and therefore the recommendations fall within its remit. Its approval of the supplementary estimates and virements follows the Budget and Policy Framework Rules and it is recommended that each committee also approves them.2

105 The legal implications surrounding the process of setting the 2025 to 2029 Medium-Term Financial Strategy were dealt with in the reports relating to that process. The purpose of this paper is to provide a progress report at the final outturn stage in 2024/25.

106 Other implications arising directly from this report relate to the internal processes of approving supplementary revenue estimates, supplementary capital estimates and virements referred to above which are governed by the Finance Procedure Rules.

Section 151 Officer/Finance

107 The Council's financial resources are agreed by Council and aligned to the achievement of stated outcomes for residents and communities. Monitoring and managing performance help to ensure that resources are used effectively, and that business planning and financial decision making are made in the right context.

108 The Council's Audit & Governance Committee is responsible for reviewing and analysing the Council's audited position at year-end. Final Group Accounts are due for approval by February 2026 following public scrutiny, external auditing, and any associated recommendations to the Committee.

109 The forecast outturn for 2024/25, as reported within the MTFS, was used to inform the budget setting process for 2025/26. Analysis of the final outturn helps to inform the Council of potential issues arising for the 2025/26 budget or highlights potential underlying issues that can be managed in future budget setting cycles.

110 At this stage further work is underway to identify whether the variations reported at outturn will form a significant risk to the 2025/26 budget.

Human Resources

111 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

112 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 financial scenario, budget, and reserves strategy.

Impact on other Committees

113 All Committees will receive this Outturn report.

Policy

114 This report is a backward look at Council activities during the final quarter.

115 The final outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2026-30 Medium-Term Financial Strategy.

Equality, Diversity, and Inclusion

116 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):			
Adele Taylor	S151 Officer	12/05/2025	14/05/2025
Janet Witkowski	Acting Monitoring Officer	14/05/2025	22/05/2025
Other Consultees: Executive Directors/Directors:			
CLT		07/05/2025	

Access to Information	
Contact Officer:	Interim Executive Director of Resources (s151 Officer) Sal Khan, Interim Head of Finance & Deputy Chief Finance Officer sal.khan@cheshireeast.gov.uk
Appendices:	**Annex 1** – Final Outturn 2024/25 **Annex 2** – Grants Register **Annex 3** – Capital Programme
Background Papers:	Medium Term Financial Strategy 2024-28 First Financial Review 2024/25 Second Financial Review 2024/25 Third Financial Review 2024/25