

OPEN

Children and Families Committee

10 November 2025

Second Financial Review 25/26

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

Report Reference No: CF/03/25-26

Ward(s) Affected: Not applicable

For Decision or Scrutiny: Both

Purpose of Report

- 1 This report provides the Children and Families 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 the income, expenditure and known commitments as at the end of August 2025. It also identifies actions that are being taken to address adverse variances within the Children and Families services.
- 2 The report is structured into four parts:
 - (a) An Executive Summary of the Council's Financial Position
 - (b) A Summary of Recommendations
 - (c) A Children and Families 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 Children and Families 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 Directorate 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 effectively. 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 full 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 summary provides the current forecast outturn position of the Council for the revenue budget, capital budget, Dedicated Schools Grant (DSG) and Transformation Programme for the financial year 2025/26.
- 11 The FR2 forecast revenue outturn for the Council 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:

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 have 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 – refer to paragraph 37 for further details.

- 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 movement of £0.500m in the forecast variance is due to delays in the Children and Families Services Birth to Thrive Transformation project, which means that savings will now not be delivered in 2025/26.
- 19 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.
- 20 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.
- 21 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

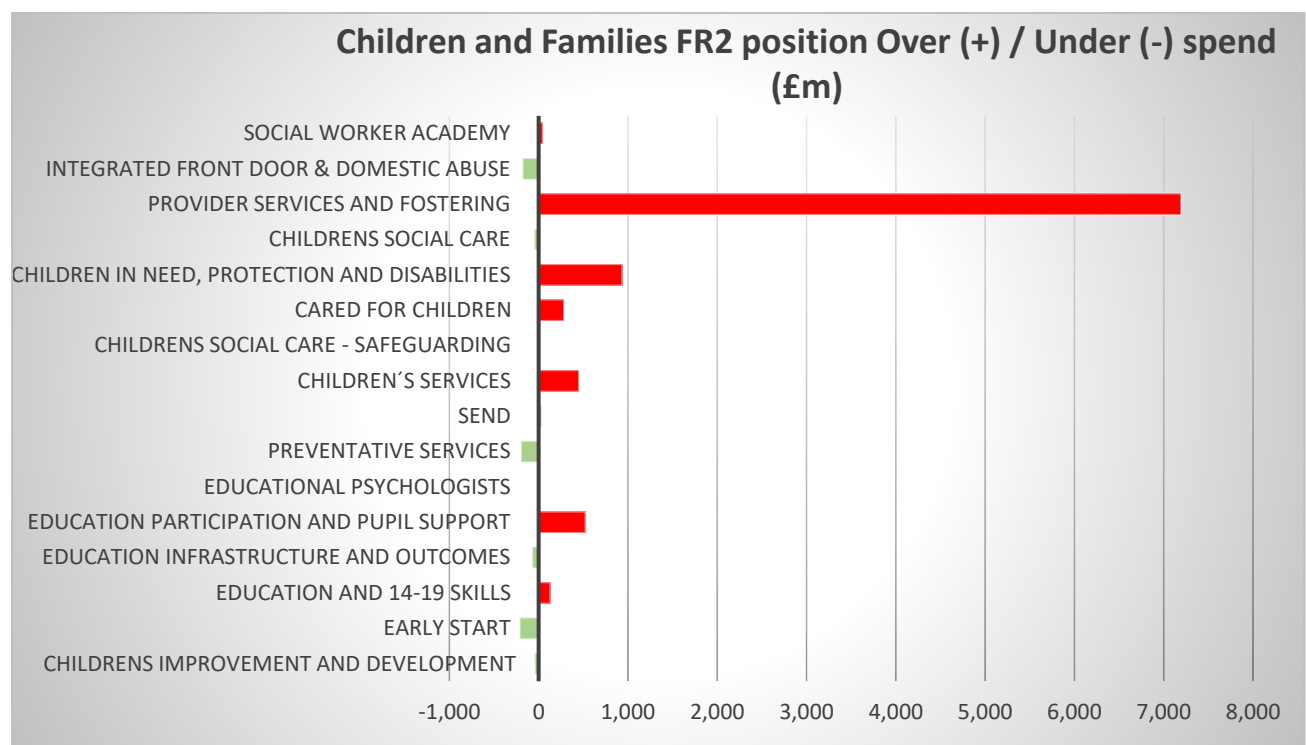
The Children and Families Committee to:

1. Note the overall Council's Financial Position as described within the Executive Summary – Council Financial Position.
2. To scrutinise the latest revenue forecast for Children and Families 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 Children and Families Directorate of £24.556m against a revised MTFS budget of £56.131m in Tables 4 and 5.
4. Note the Capital Virement above £500,000 up to and including £5,000,000 as per Table 6 to be approved in accordance with the Council's Constitution.
5. Note the latest DSG in year forecast and forecast cumulative year end position as described within paragraph 40.
6. Recommend to Council to approve the Supplementary Revenue Estimate Request for Allocation of Additional Grant Funding over £1,000,000 as per Table 7.
7. Note the reserves position as per Table 8.

Children and Families Committee Focused Narrative

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

- 22 The Children and Families Directorate second financial review for 2025/26 presents a forecast overspend of £8.862m reflecting a reduction of £0.136m on the FR1 overspend position of £8.998m. The key pressures continue to be increased costs in placements and staffing, which are the focus of this commentary.
- 23 The graph below presents the service level position of the Directorate with the summary data available within Section 1 of Annex 1.

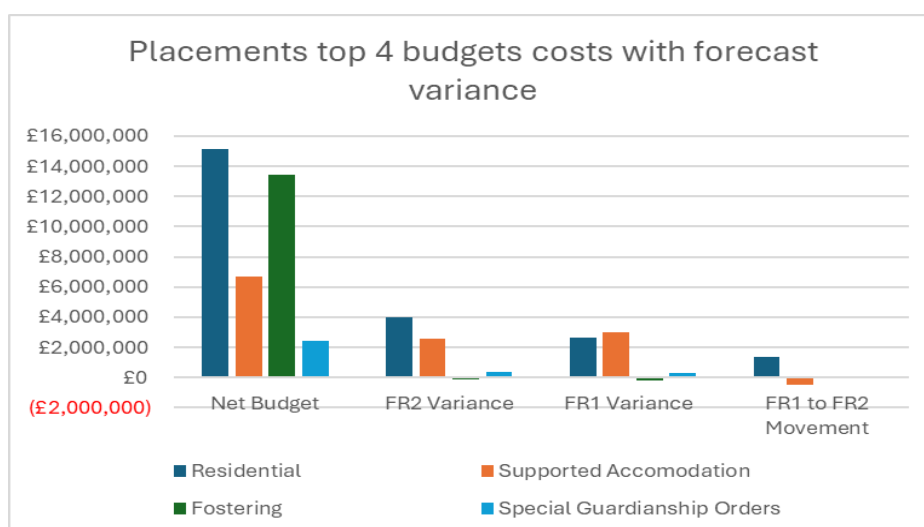


Change from FR1 (improvement of £0.136m)

- 24 The forecast placements cost for 2025/26 is updated to £7.979m adverse to budget. This is compared to £6.414m at FR1, an increase cost of £1.565m. Budgeted growth for care demand of £3.295m was built into the 2025/26 MTFS to address the pressure on placements that was based on 2024/25 evidence. The growth for fees increases in 2025/26 was included in the central contingency which FR2 includes a £0.400m virement to Children's Services.
- 25 Although the numbers of children in care are reducing, FR2 reporting of 539 (29 August 2025) compared to FR1 reporting of 549 (13 June 2025) and reporting of 550 at March 2025, the cost of placements in 2025/26 has

continued to increase, creating an un-budgeted cost pressure. These statistics excludes Care leavers (Post 18), with FR2 reporting 88 placements in August and FR1 95 in June for young people in high-cost accommodation. Block commissioning plans are in place to secure better value long term support for care leavers.

- 26 The following diagram represents the categories of placements which represent 93% of the annual budget and the main elements of the £7.979m forecast variance. The residential placements FR2 variance is £4.022m, compared to a variance at FR1 of £2.669m, and Supported Accommodation of £2.538m showing an improvement compared to FR1 £3.005m.



- 27 The MTFS sets out savings in relation to placements for Right Child Right Home of £1.320m and New Accommodation with Support Offer for 16-25 Young People of £1.100m. Due to these increased placement costs the forecast has assumed these saving will not be met in 2025/26.
- 28 The updated forecast for the establishment staffing costs for 2025/26 is £1.190m (FR1 £2.145m) adverse to budget. The reduction from FR1, £0.955m, is due partly to the inclusion of the FR1 best case mitigation Family Help Grant funding of £0.514m. The key adverse variance at FR2 relates to Children in Need, Protection and Disabilities and Cared for Children which is then offset by forecasted underspend in Early Years and Preventative Services.
- 29 The Transport costs for 2025/26 has increased to £0.651m adverse to budget, an increase on FR1 of £0.197m. This continues to be a pressure for Home to School contracts and changes in fleet after the additional budget was included in the MTFS. In addition, the MTFS savings connected to Safe Walking Routes to School are not fully deliverable due to linking to capital projects.

Risks

- 30 The number of children in placements and the costs of placements is difficult to estimate. The worst-case forecast would add a further increase in costs of c£1.800m.
- 31 More generally, there are risks associated with the budget that relate to the nature of delivering services for children and young people. A single package of support for a young person with very complex requirements and dysregulation can cost up to £50,000 a week, or an annualised cost of £2.600m. Whilst rare, these costs and packages exist.
- 32 The Council's Dedicated Schools Grant Management Plan describes how the in-year deficits will be brought back into balance with available funding by 2030/31. There are General Fund costs associated with Education, notably Passenger Transport between home and school (HST) where a young person is eligible. The factors that impact costs associated with HST are:
- (a) Distance from school (parameters set by age in law)
 - (b) Unsafe routes to school, irrespective of distance
 - (c) A requirement in a young person's Education, Health and Care Plan
- 33 As the Council's EHCP numbers continue to increase, and more homes are built in the place, more young people may become eligible for HST beyond the planning assumptions made by the Council.

Mitigations

- 34 The Directorate are undertaking work to review and manage the placement governance with the aim to reduce the cost of this overspend in year. The Directorate are working to reduce the reliance on agency staff and are developing a long-term workforce plan.

Update on 2025/26 Approved Budget Change Items

- 35 The following section provides an explanation of the key drivers behind variances to the budget for the Children and Families 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)
Children and Families Committee 2025/26 Revised Budget as per Table 1		98.420	107.283	8.863	
Change from 2024/25 budget		8.659	17.522	8.863	
14	Pension costs adjustment	(0.050)	0.082	0.132	Red - Teacher's pension legacy costs are not reducing as anticipated.
14	Pension costs adjustment	(0.487)	(0.487)	-	Completed - CEC pension reduction.
15	Growth to deliver statutory Youth Justice service, and meet Safeguarding Partnership duties	0.203	0.195	(0.008)	Amber - It is incumbent upon the three statutory safeguarding partners, the police, health and the Local Authority, to ensure that adequate funding is allocated to the Children's Safeguarding Partnership so it can fulfil its statutory functions in delivering the multi-agency safeguarding arrangements. An internal audit identified the Local Authority had not reviewed its contributions to the partnership and was insufficiently contributing to the delivery of the partnership arrangements. As a result, growth was approved by committee. This has been supported by an increase in contributions from all partner agencies. A vacancy has also been held in the business unit.
16	Growth in School, SEND and Social Care Transport budget	1.501	1.884	0.383	Red - Being reviewed as part of ongoing SEND improvement
17	Pay Inflation	2.624	2.874	0.250	Red - LGS pay offer for 2025.Full and final offers of 3.20% increase resulting in overspend of c.£1.7m across the Council.
18	Fully Funding current care demand levels 2024/25	3.295	8.854	5.559	Red - Will need to be closely monitored throughout the year to ensure that funding is sufficient to meet demand and complexity. This is also part of transformation work to ensure Edge of care/Right Child Right home.
19	Court Progression Improvement	0.023	0.023	-	Red - Some of this will be covered in the new structure build and re-design, there is increased oversight on applications court delays at Director level, to minimise delays to court work.

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)
20	Growth for annual contribution to the Regional Adoption Agency	0.213	0.213	-	Green
21	Growth for Unaccompanied Asylum Seeking Children due to emerging pressures	0.500	(0.013)	(0.513)	Green - Growth in Unaccompanied Asylum Seeking Children.
22	Reversal of a one year policy change for traded services	0.120	0.120	-	Green - Reversal of non-permanent 2023/24 policy change CF23-27 42.
23	Schools Improvement	0.175	0.175	-	Green - Due to staffing previously been paid out of the school improvement grant and this grant is now ceasing there is insufficient budget to cover the existing staffing in the service to cover our statutory duties.
24	Funding the staffing establishment	2.739	3.657	0.918	Red - A families First transformation area of work has commenced and the re-structure will be delivered as part of this.
25	Safe Walking Routes to School	(0.250)	(0.018)	0.232	Red
26T	New accommodation with support offer for 16-25 young people	(1.100)	-	1.100	Red - This reduction in expenditure relates to commissioning work that has identified lower cost accommodation for this group of young people. Savings will be achieved through accessing lower unit cost places. A paper has been approved at C&F committee on the 9th June & 15th September. There is a delay in this saving, for 2025/26.
27T	Birth to Thrive	(0.500)	-	(0.500)	Red - This is delayed by SRO capacity and needs a review by Transformation Board.
28T	Right Child, Right Home	(1.320)	-	1.320	Red - The oversight of placements now in place should now support the future savings. This is unlikely to be delivered in 2025/26.
29	Extended Rights to Free Transport	0.388	0.388	-	The Extended Rights to Free Travel grant is being rolled in to the Local Government Financial Settlement. This growth item is offset by additional grants within the central budgets. Amount confirmed and updated as at provisional settlement 18/12/2024.
30	Children's Social Care Prevention	0.905	1.033	0.128	Green - Expenditure relating to the Children's Social Care Prevention Grant.

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)
	Grant – Expenditure				
31	Children's Social Care Prevention Grant – Grant Income	(0.905)	(1.033)	(0.128)	Green - Grant announced in 2025/26 financial settlement. Additional Funding now confirmed from Families First Partnership Programme Transformation Grant.
32	Foster4	0.114	0.057	(0.057)	Green - Grant Confirmation for 50% of costs.
33	Foster Carers uplift of National Minimum Allowance (NMA)	0.471	0.471	-	Green - 3.55% NMA foster carer uplift.
In-year	In year variances not included in MTFS Proposals.	-	0.058	0.058	FR2 In year variances mainly relating unallocated budget savings and ILAC Other staff related expenses.
In-year	In year variances not included in MTFS Proposals.	-	(0.194)	(0.194)	Quality Assurance, Commissioning and Partnership - Mitigations to balance back to Finance Review Position.
In-year	In year variances not included in MTFS Proposals.	-	(0.948)	(0.948)	Family Help & Children's Social Care - mitigations to balance back to finance review position.
In-year	In year variances not included in MTFS Proposals.	-	0.130	0.130	In year variances mainly relating to Early Start & Transport.

Capital Programme

36 **Table 4** overleaf sets out the Children and Families capital programme position for 2025/26 as at FR2, showing a forecast of £24.556m against a revised MTFS budget of £56.131m. There is reprofiling of some spend to 2026/27 mainly against schemes which are grant funded re Basic Need, High Needs Capital and School condition schemes where allocations have yet to be made:

37 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.

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
Children & Families	37.723	56.131	0.030	1.161	24.556	18.997	4.196	-	0.050	1.313	24.556

38 **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
Children & Families	37.723	4.624	5.584	0.308	(0.493)	-	(3.460)	-	(19.730)	24.556

Supplementary Capital Virements for Approval in line with the Constitution

39 **Table 6** shows Requests for Supplementary Capital Virements

Table 6 - Committee / Capital Scheme	Amount Requested £m	Reason and Funding Source
Service Committee are asked to approve the Supplementary Capital Virements above £500,000 up to and including £5,000,000 for approval by relevant member(s) of CLT and Chief Finance Officer in consultation with Chair of the relevant committee and the Chair of Finance Sub Committee.		
Children and Families		
Education and 14-19 Skills Shavington Planning Area- New Basford Primary School	3.460	To increase Capital budget required to progress with the new school proposal with the virement of funds from Basic Need Grant to support the scheme.
Total Capital Virements Requested	3.460	

Dedicated School Grant

40 The updated DSG Management Plan in July 2025, approved at Children and Families Committee in September 2025, reduces the growth rate of EHCP based on the lower in year deficit at the yearend outturn. The mitigated cumulative deficit forecast for 2025/26 is £145.978m after including mitigations of £14.792m. This seven-year plan reports a mitigated cumulative deficit by 2031/32 of £197.608m after including £792.689m mitigation.

Revenue Grants for Approval

- 41 Cheshire East Council receives two main types of Government grants; specific purpose grants and general use grants:
- (a) Specific purpose grants are held within the relevant service with a corresponding expenditure budget.
 - (b) General use grants, also known as un-ringfenced grants, are funds provided by the Government to local authorities without specific restrictions on how the money is spent.
- 42 **Table 7** overleaf shows additional grant allocations that have been received over £1m that Council will be asked to approve and grant allocations that have

been received which are over £0.5m and up to £1m and are for Committee approval.

Table 7 - Committee	Decision	Reason	Type of Grant	£m	Details
Children & Families - Schools	Council	Core Schools Budget Grant (special schools)	Specific Purpose	2.459	A Department for Education initiative to support special schools, AP settings, and post-16 institutions with rising staffing costs. It consolidates previous grants and introduces new support for employer contributions and anticipated pay increases. Funding is distributed via local authorities with strict conditions on use and full pass-through to eligible settings.

Reserves Position

43 Table 8 below shows the Children and Families position on reserves by the end of 2025/26.

Table 8 Earmarked Reserves	Balance at 1 April 2025	Drawdown to Support Service Exp	Additional Contributions to Reserves	Balance Forecast at 31 March 2026	Notes
	£m	£m	£m	£m	
ILACS Spending Plan	(0.456)	0.456	-	-	To address the findings from the Ofsted inspection of local authority Children's Services.
Total Reserves	(0.456)	0.456	-	-	

Consultation and Engagement

44 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

45 The overall process for managing the Committee's and the Council's resources focuses on value for money, good governance and stewardship. The budget and

policy framework sets out rules for managing the Committee's and 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 the Committee and Council in the MTFS require approval in line with the financial limits within the Finance Procedure Rules.

- 46 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

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

Implications and Comments

Monitoring Officer/Legal/Governance

- 49 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.
- 50 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.
- 51 The Council should therefore have robust processes in place so that it can meet statutory requirements and fulfil its fiduciary duty. It must ensure that all available resources are directed towards the delivery of statutory functions, savings and efficiency plans. Local authorities are creatures of statute and are regulated through the legislative regime and whilst they have in more recent times been given a general power of competence, this must operate within that regime. Within the statutory framework there are specific obligations placed upon a local authority to support communities. These duties encompass general and specific duties and there is often significant local discretion in respect of how those

services or duties are discharged. These will need to be assessed and advised on as each circumstance is considered.

- 52 The financial position of the Committee and 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.
- 53 This report provides an update on progress for 2025/26 for the Council and the Committee.
- 54 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

- 55 The Council's and Committee'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.
- 56 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.
- 57 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.
- 58 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.
- 59 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.
- 60 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.
- 61 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.
- 62 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

- 63 This report is a backward look at the Committee and 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

- 64 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

- 65 All Committees will receive the financial update of the Council and the Committee specific narrative report.

Policy

- 66 This report is a backward look at the Committee and 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
- 67 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.
- 68 The approval of supplementary estimates and virements are governed by the Finance Procedure Rules section of the Constitution.

Equality, Diversity and Inclusion

- 69 Any equality implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

Consultation

Name of Consultee	Post held	Date sent	Date returned
Statutory Officer (or deputy):			
Ashley Hughes	S151 Officer	31/10/2025	31/10/2025
Jennie Summers	Cover for Kevin O'Keefe - Interim Monitoring Officer	27/10/2025	28/10/2025
Legal and Finance			
Chris Benham	Director of Finance	31/10/2025	31/10/2025
Hilary Irving	Interim Head of Legal	27/10/2025	28/10/2025
Other Consultees:			
Executive Directors/Directors:			
CLT			

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