

OPEN

Highways and Transport Committee

20 November 2025

Second Financial Review 25/26

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

Report Reference No: HTC/05/25-26

Ward(s) Affected: Not applicable

For Decision or Scrutiny: Both

Purpose of Report

- 1 This report provides the Highways and Transport 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) A Highways and Transport 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 Highways and Transport 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:

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. The Committee should note that one off in year mitigations totalling £1.789m have been identified to temporarily offset the forecast overspend.

Table 2 - Transformation Budget Saving	Original Budget £m	Forecast Outturn £m	Forecast Variance £m	Forecast Variance FR1 £m	Movement from FR1 to FR2 £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 Highways and Transport Committee is recommended 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 the Highways and Transport 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 Highways and Transport Directorate of £70.016m against a revised MTFS budget of £66.626m in Tables 4 and 5.
4. Note the Delegated Decisions made for Supplementary Capital estimates and Capital Budget Virements up to £500,000 in Table 6.
5. Approve the Supplementary Capital Estimate above £500,000 up to and including £1,000,000 in Table 7.
6. Note the Capital Budget Reductions in Table 8.
7. Note the available reserves position as per Table 9.

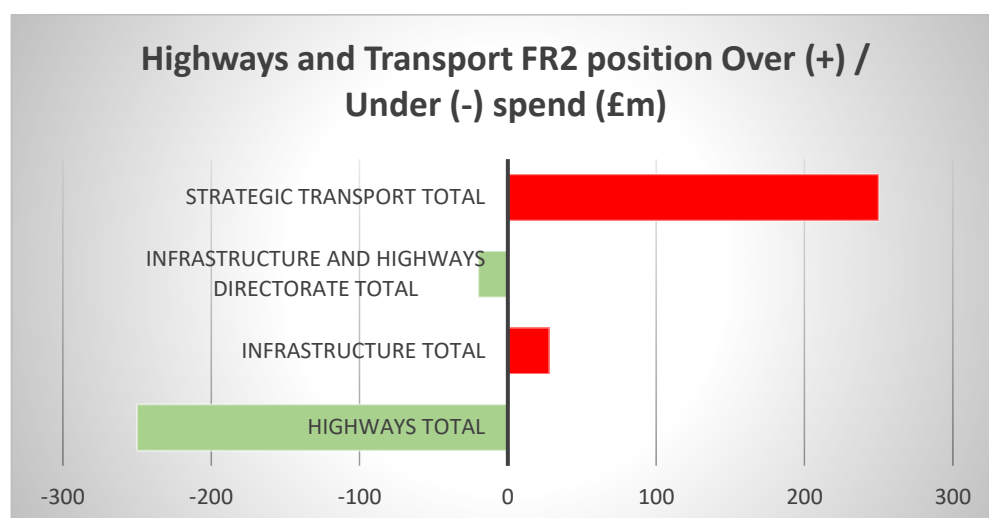
Highways and Transport Committee Focused Narrative

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

- 22 The Highways and Transport Committee second financial review for 2025/26 presents a forecast overspend of £0.008m reflecting an improvement since FR1 of £0.106m.

The graph below presents the service level position of the Directorate with the summary data available within Section 1 of Annex 1.

Highways and Transport adverse variance of £0.008m



- 23 Highways & Infrastructure are forecasting a balanced position against a budget of £17.151m at FR2. The car parking service has seen a £0.443m overspend which is due to reduced income offset by back dated rent reviews.

Mitigations

- 24 Transport Policy is £0.193m underspent due to vacancies and Highways income is forecast to be £0.250m better than budget, both of which are addressing the pressures in parking.

Update on 2025/26 Approved Budget Change Items

- 25 The following section provides an explanation of the key drivers behind variances to the budget for the Highways and Transport 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)
Highways and Transport 2025/26 Revised Budget as per Cover report Table 1		17.151	17.159	0.008	
Change from 2024/25 budget		1.061	1.069	0.008	
87	Increase parking charges	(0.450)	(0.450)	-	Green - Annual inflation adjustment to existing Pay & Display tariffs was implemented on 5th July 2024, in advance of bringing charges into effect in the "free towns" on the 2 December 2024. A further inflation adjustment took effect in May 2025.
88	Safe Haven outside schools (Parking)	0.010	0.010	-	Green – Introduction of CCTV camera enforcement of waiting/loading restrictions at school gates on a trial basis using bespoke equipment that is type approved and proven for these purposes in order to improve road safety and increase enforcement capacity at these high risk locations.
89	Parking PDA / Back Office System contract - fall out of one off set up cost	(0.030)	(0.030)	-	Green - Introduction of a new system to administer the Council's parking services and process Penalty Charge Notices which will reduce administration costs and improve service response times.
90	Parking - Part-year effect of strategy changes	(0.720)	(0.195)	0.525	Red - Following decisions in January 2024, tariffs were uplifted from 1st July 2024 to extend pay and display to car parks in "free towns" from 2nd December 2024.
91	Parking - Staff and member parking	(0.250)	-	0.250	Red - Proposals for a new scheme of staff and members parking permits, integrated with the corporate travel plan, are being developed for consultation in 2025.

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)
92	Transport and Infrastructure Strategy Team – Restructure	-	-	-	Green - The proposed changes will develop a more resilient in-house team and reduce reliance on agency / consultancy staff. The changes meet the needs of the Council, as it moves towards a new statutory Local Transport Plan and the development of transport functions in a new Cheshire and Warrington Combined Authority.
93	Local Bus	1.545	1.545	-	Green - A network of new bus service contracts has been procured and services started on 30 March 2025. Extra evening and weekend services are planned to complement our Bus Service Improvement Plan.
94	FlexiLink Service Improvement Plan - invest to save	0.592	0.592	-	Green - Bus service review is complete and specification for a revised flexible transport service (DRT) have been prepared. Flexible transport will be designed to fill gaps in local bus service provision, especially in rural areas, and over extended hours of operation, to open up the service to more users.
95T	Advertising Income. Initial project scoping work being undertaken to understand scale/complexity and resourcing needs	(0.025)	(0.025)	-	Amber - Proposal for the transformation of the Council's approach to on-street sponsorship and advertising have been prepared as part of the Transformation Programme.
96	Pension Costs Adjustment	(0.055)	(0.055)	-	Completed
97	Pay Inflation	0.228	0.263	0.035	Red - LGS pay offer for 2025.Full and final offers of 3.20% increase resulting in overspend of c.£1.7m across the Council.
98	Flood and Water Management Act	-	-	-	Amber - The requirement is to be ready to implement changes when regulations are

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)
	2010 SuDS and SABs Schedule 3 Implementation				implemented nationally. A training plan for existing staff has been identified. Recruitment is to be progressed.
99	Highways: Revenue Service	0.216	0.216	-	Completed - This provides investment in highway infrastructure that will arrest the deterioration of the asset. This will reduce costs of reactive maintenance, improve safety and reduce risks of significant incidents. It will also control revenue budget pressures and work towards addressing customer dissatisfaction
100	Highways: Depots	-	-	-	Green - The highways depots need investment to reduce the risk that facilities could be unusable for reactive and winter maintenance. Investment will enable some operational efficiencies, provides winter service resilience and a reduction in highways depots from 3 to 2, potentially delivering a capital receipt.
In year	Highways and Transport Mitigations to balance back to Finance Review positions	-	(1.018)	(1.018)	Highways and Transport Mitigations to balance back to Finance Review positions.
In year	Fees and Charges	-	0.216	0.216	Adjustment for fees and charges - presenting Lyon Review items centrally

Capital Programme

26 **Table 4** below sets out the Highways and Transport capital programme position for 2025/26 as at FR2, showing forecast of £70.016m against revised MTFS budget at outturn of £66.626m.

Table 4 Capital 2025/26	MTFS	Out - turn	Actuals FR1	Actuals FR2	Forecast Spend	Gov Grants	Ext Contri bution s	Rev Contr ibutio ns	Cap Receipt	Prud Borrow	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Highways and Transport	66.782	66.626	4.730	15.883	70.016	57.318	4.247	0.100	0.100	8.251	70.016

27 Forecast expenditure in 2025/26 has increased by £3.234m, additions to the Capital Programme include Local Transport Grant £7.754m; Bus Service Improvement Plan (BSIP) grant £2.123 and Section 106 commuted funds of £1.364m.

28 Carry forwards from 2024/25 amounted to £6.784m including North-West Crewe Package £1.112m, Poynton Relief Road £1.623 and Active Travel Fund £1.155m.

29 FR1 and FR2 reviews have resulted in £14.060m being reprofiled into future years, made up mainly of Middlewich Eastern Bypass £5.418m, A500 Corridor OBC Update £2.656m, Poynton Relief Road £2.609m, Various Section 106 funded schemes of £1.434m, Old Mill Road / The Hill Junction £1.036m.

30 **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	SCE	Carry Forward & Budget Reduction Outturn and FR1	Virement	Re profiled to future	SCE	Virement	Budget Reduction	Re profiled to future	FR2 2025/26
	Budget 2025-29	Outturn and FR1	£m	Outturn and FR1	FR1	FR2	FR2	FR2	FR2	£m
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Highways and Transport	66.782	11.166	4.580	-	(10.136)	1.373	0.459	(0.284)	(3.924)	70.016

31 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.

32 Table 6 shows Delegated Decisions – Supplementary Capital estimates and Capital Budget Virements made up to £500,000

Table 6 - Committee / Capital Scheme	Amount Requested £m	Reason and Funding Source
Supplementary Capital Estimates that have been made up to £500,000		
Highways and Transport:		
Highway Maintenance Minor Works	0.260	To add grant funding received from the Environment Agency (EA) £142,308 and the North West Regional Flood and Coastal Committee (RFCC) £117,692 to provide budget for flood preventative works on Hodson Street/ Ryle Street Macclesfield.
Total Supplementary Capital Estimates Requested	0.260	
Capital Budget Virements that have been made up to £500,000		
Future High Street Funding – Southern Gateway	0.459	To vire Crewe Towns Fund from “Crewe Towns Fund – Mill Street Corridor” project.
Total Capital Budget Virements Approved	0.459	
Total Supplementary Capital Estimates and Virements	0.719	

33 Table 7 shows Requests for Supplementary Capital Estimates (SCEs)

Table 7 Committee / Capital Scheme	Amount Requested £m	Reason and Funding Source
Service Committee are asked to approve the Supplementary Capital Estimates above £500,000 up to and including £1,000,000		
Acton Village	0.548	To add S106 Developer Contribution balance to the Capital Programme to fund this scheme.
Future High Street Funding – Southern Gateway	0.565	To add Consolidated Active Travel Fund (CATF) as agreed with Active Travel England
Total Supplementary Capital Estimates Requested	1.113	

34 Table 8 : To Note – Capital Budget Reductions

Committee / Capital Scheme	Approved Budget £m	Revised Approval £m	Reduction	Reason and Funding Source
Committee are asked to note the reductions in Approved Budgets				
Highways & Transport Mill Street Corridor – Station Link Project	0.847	0.563	(0.284)	This project had been mothballed, this S106 funding has been allocated to another project within the vicinity.
Total Budget Reductions	0.847	0.563	(0.288)	

Reserves Position

- 35 **Table 9** below shows the Highways and Transport position on reserves by the end of 2025/26.

Table 9 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	
Flood Risk and Adverse Weather Events	(0.400)	0.924	(0.924)	(0.400)	To help the service manage risks such as the impact of adverse weather.
Highways Procurement Project	(0.083)	-	-	(0.083)	To finance the development of the next Highway Service Contract. Depot mobilisation costs, split over 7 years from start of contract in 2018.
LEP - Local Transport Body	(0.019)	-	-	(0.019)	Contribution to LEP transport studies/consultancy. Ongoing working around Transport Legacy issues.
Total Reserves	(0.502)	0.924	(0.924)	(0.502)	

Consultation and Engagement

- 36 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

- 37 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.

- 38 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

- 39 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

- 40 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.
- 41 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.
- 42 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.
- 43 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.
- 44 This report provides an update on progress for 2025/26 for all services.
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- 45 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

- 46 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.
- 47 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.
- 48 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.
- 49 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.
- 50 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.
- 51 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.
- 52 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.
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- 53 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

- 54 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

- 55 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

- 56 All Committees will receive this financial update report.

Policy

- 57 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
- 58 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.
- 59 The approval of supplementary estimates and virements are governed by the Finance Procedure Rules section of the Constitution.

Equality, Diversity and Inclusion

- 60 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.
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Consultation

Name of Consultee	Post held	Date sent	Date returned
Statutory Officer (or deputy):			
Chris Benham	Director of Finance. Deputy S151 Officer	01/11/2025	10/11/2025
Kevin O'Keefe	Interim Director of Law and Governance (Monitoring Officer)	01/11/2025	10/11/2025
Legal and Finance			
Chris Benham	Director of Finance	05/11/2025	07/11/2025
Hilary Irving/ Jennie Summers	Acting Head of Legal Services	07/11/2025	09/11/2025
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