The Chartered Institute of
Public Finance & Accountancy

CIPFA

Cheshire East Council

External Assurance Review

May 2026

A Report by:

The Chartered Institute of Public Finance and Accountancy

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1 Executive Summary

1.1 Summary of Findings, Issues, Evidence and Analysis

Overview

Cheshire East is finally facing up to the consequences of decisions deferred, problems ignored and opportunities missed over more than a decade. It is in a genuine turnaround situation, has made real progress over the past six months, but still has a long way to go.

Since its formation in 2009 the council has been dogged by external investigations, reputational damage and eroded staff morale. Years of austerity that forced difficult decisions elsewhere passed Cheshire East by. The pandemic compounded this, and the council arrived at its current crisis without the institutional resilience or appetite for transformation that the situation now demands.

Financial Position

The position is stark. Historic decisions not to raise council tax have cost the council £22.6 million in cumulative income. Demand-led pressures, particularly in social care, have consistently outpaced funding. The council has relied on Exceptional Financial Support of £17.6 million across 2023-24 and 2024-25, with a further £25.3 million agreed in principle for 2025-26. Without it, a Section 114 notice would have been unavoidable.

Reserves stand at just £26.63 million, 6.2% of the net revenue budget, and the DSG deficit of £156.6 million is among the highest in the country. Budget requirements are projected to rise from £478 million in 2026-27 to £544 million by 2029-30, with residual funding gaps of £15.3 million, £18.8 million and £24.5 million across the following three years.

The approach to EFS is, however, markedly more strategic this time. The S151's clear ambition is to use it as a bridge to sustainability rather than a recurring sticking plaster, with transformation savings from 2027-28 providing an off-ramp from further support. Asset disposals, new housing development, a potential revision to the Council Tax Reduction Scheme, and a star chamber approach to in-year underspends all form part of the recovery toolkit.

Leadership and Culture

Leadership fragility remains a significant risk. Two of the three statutory officers are in interim or temporary roles, and the Executive Director post covering Adults has not been backfilled whilst the postholder acts as CEO. New appointments carry real risk of disrupting momentum and getting them right will be critical.

That said, the impact of the Executive Director of Resources and S151 since his arrival in June 2025 has been widely recognised. Financial management is more rigorous, transparent and timely. The Acting CEO and her corporate leadership team are providing clearer direction, and the organisation has demonstrably shifted in terms of strategic focus over the past six months.

The 2025 staff survey tells a mixed story. Staff commitment is not in doubt, but only 40% felt the council had an open and honest culture and just 37% felt senior leaders led by example. These are not numbers that support the pace of change required.

Transformation and Improvement

The Transformation and Improvement Delivery Plan is the vehicle for achieving a sustainable cost base. Until recently the approach was too centrally conceived, with cross-cutting initiatives lacking clear ownership at service level. The revised model, placing accountability firmly with individual service areas, supported by PMO orchestration, is more likely to deliver sustained results.

The embedding of dedicated transformation leads in Children's and Adults' is working well and producing tangible outcomes. Adults Social Care in particular is progressing well-grounded business cases. The model is now being considered for Place, which accounts for 33% of the workforce and 23% of spend but has so far made limited contribution to financial recovery.

One structural gap stands out: there is currently no single critical path through the transformation plan. The council's position is that the plan is modular and service-based, but this review considers that absence of a programme-level critical path a risk that warrants attention as further plans mature.

Workforce and Change Readiness

The first service redesign, which carries £2.5 million of savings, will commence this year. Alongside this a Mutually Agreed Resignation Scheme (MARS) launches. These are a significant signal of intent to the workforce. Staff will be asked to operate through structured uncertainty whilst maintaining business as usual, a significant ask in an organisation still recovering from years of poor leadership.

Change readiness is a live risk. Entrenched behaviours and cultures in parts of the organisation are proving resistant, and trust, once lost, takes time and effort to rebuild. Current performance appraisal completion rates of 25-26% with a declining trend are a concern and must improve if the golden thread between strategy, service delivery and individual accountability is to mean anything in practice.

Governance

Financial reporting has improved materially. The Spend Control Board and Workforce Scrutiny Board are providing necessary discipline. However, tighter grip must be accompanied by a credible plan to release that grip as behaviours change, and that thinking is not yet evident. Empowering heads of service within a clear mandate will be essential to unlocking the capacity and expertise the organisation needs to deliver change at scale.

Good governance on paper is a necessary first step. Culture change of this nature takes years. The council should be under no illusion about that.

Conclusion

The organisation is polarised. Some parts understand what is required and are moving with purpose. Others have barely been touched by change. The council has the right intent, is building the right foundations, and has the right people in key senior positions. But intent must now translate into sustained delivery at pace, across all parts of the organisation, not just those already in motion.

The council will be smaller, more digital and more strategically focused. Getting there requires strong nerve, genuine workforce engagement at every level, and the continued confidence of MHCLG and its residents. Without that, even the best-intentioned transformation will fall short of what is needed.

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1.2 Key Risks and Recommendations

This table provides the key risks and recommendations the council needs to follow with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations. Annex A2 sets out the RAG Risk Assessment method.

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
On the quality of financial management and processes		
1. There is still confusion amongst staff and managers with regard to core elements of the governance portfolio (e.g., the application of finance procedure rules). The governance structure is overly complex and is stifling transparency and decision making	**Medium - 4**	1a: There is a need for clearer and more accessible guidance so that staff and managers understand their responsibilities and the boundaries of their authority. 1b: Review the governance structures and simplify as appropriate. 1c: Ensure that individuals remain accountable for their own decisions **Six months**
2. Confusion in the transition reverting from the Committee back to a Cabinet system around what is within the purview of scrutiny and audit functions; and that the scrutiny function is not sufficiently described such as it provides the constitutional function required of it	**Medium - 4**	2a: Ensure that the council focuses on the training and development needed for all relevant elected members and officers as it transitions to a new Cabinet Model from May 2026. Review the new governance model in three months' time and provide a period of reflection. **Within 3 months**. 2b: That Democratic Services create a more practical operating model to ensure that roles and responsibilities between audit and scrutiny are more clearly defined and understood. 2c: That the council reviews the functions and staffing arrangements in Democratic Services to ensure that it is able to support the council as it undergoes a fundamental change to its governance arrangements.
3. The work to re-structure finance and attract new skills (e.g., finance business partners, capital accountants etc) will not be at the pace that the organisation requires resulting in ongoing inequity of quality and capacity of business partnering roles across the council.	**Medium - 4**	3a: Orchestrate a finance restructure at pace to ensure the finance service has the right level of staff with the experience and challenge required to be effective business partners. **Within 6 months.** 3b: Make recruitment of key finance posts a matter of priority. 3c: Remove references to outdated job descriptions ensuring that service facing staff

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
		understand the core capabilities of an effective finance business partner.
4. The Financial Leadership Improvement Plan (FLIP) becomes too over-complicated and staff on the ground do not understand the scale and impact of the work that needs to take place to ensure medium term financial stability.	**High - 6**	4: Ensure that the work undertaken on wider staff communications focuses on the key outputs of the Financial Leadership Improvement Plan
On financial sustainability and risk		
5. Usable revenue reserves are at a critically low level, having reduced at a rate significantly greater than that experienced by comparable authorities.	**High - 9**	5: That the work signaled in the last Section 25 report by the S151 to re-build reserves is given the continued focus required and that this is a key agenda item at Corporate Leadership Team (CLT) meetings. **Ongoing**
6. That unearmarked reserves fall below critical thresholds.	**High - 9**	6: That the S151 maintains monthly oversight of the reserves position and its impact on the MTFS. **Ongoing**
7. That the asset register is not 100% accurate before being uploaded onto a new asset management database; and that the council has a poor awareness of asset holdings leading to ill-informed corporate decision-making regarding capital asset disposals due to not having a current Asset Management Plan in place until the end of 2027.	**High - 9**	7a: Accelerate work to cleanse and migrate the asset register to the new asset management system so this is treated as a matter of priority over the coming months. This will then facilitate accelerating work on identifying a more cohesive Asset Disposal Strategy. 7b: The Asset Management Plan 2026/27 should be developed urgently. The need for this to be in place as a matter of urgency cannot be over-emphasised. **Immediate**
8. Levels of financial literacy across the council have been weak.	**Medium - 4**	8: For the S151 along with all members of CLT initiate a range of activities that demonstrably increase levels of financial literacy and that the council implements measures to regularly review levels to address pockets of weakness in the future (this activity should also be extended to elected members as appropriate). This acknowledges the budget managers and members training delivered March 2026. **Immediate and to be reviewed at six monthly intervals.**
9. Lack of strategic capacity and oversight within the Place directorate to produce a cohesive income generation strategy, and full contribution to the improvement and transformation plan to reduce the cost base of the directorate	**High - 6**	9: When the Executive Director of Place and two senior roles are appointed (process commenced May 2026) this will provide the strategic capacity currently lacking. Produce a whole service improvement and transformation plan, including an income generation strategy that demonstrates their commitment to reducing their cost base.

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
		Autumn 2026
10. Weak quality of business case writing with a lack of objectivity and financial and non-financial analysis leading to ill-informed decision-making. That costs including inflation uplifts are not factored into business cases; that the full spectrum of options are not being considered; and benefits identification and benefits tracking are not being adequately identified/monitored	**High - 6**	10a: Effective training and ongoing support in business case production and producing costed options appraisals including benefit analysis. Fast track Finance staff on 5 Case Model (HMT) training. **Within 6 months** 10b: That the approach to producing better business cases is front and centre of the council's transformation approach. 10c: That finance staff (with some urgency) are trained on more formal approaches to the production of business cases and are coached to ensure that they identify examples of optimism bias. 10d: That staff involved in the development of project briefs and/or business cases receive the appropriate training. 10e: That senior managers and members of CLT are part of the business case review process and are suitably well-informed to spot issues with business cases (especially where the identification and delivery of benefits are critical to the medium term financial sustainability of the council)
11. Council's Acting CEO is interim and also has responsibility for a large service area, Adults Health and Integration, that currently has no backfill. Any change in interim chief executive carries the risk of disrupting the momentum that has been built around the financial recovery programme. A period of transition, during which a new appointee establishes relationships, assesses the position and forms their own view, could slow the pace of delivery at a point when the council can least afford to lose ground.	**High - 9**	11a: Stabilise the CEO role by appointing a full time dedicated Head of Paid Service as soon as possible to focus entirely on driving the strategic objectives of the council to maintain and continue to drive forward the current positive whole council momentum. **Within 6 months.** 11b: Backfill to provide additional capacity for the Executive Director of Adults, Health and Integration role whilst the current role holder fulfils the Acting CEO role. **Immediate.**
12. That cost-overruns, delayed or missed benefits (through planned realisation of savings) or delays with projects and programmes will destabilise the S151's plans to re-build reserves over the medium term.	**High - 9**	12a: Close monitoring, accountability and ownership of improvement and transformation delivery plan initiatives, on a fortnightly basis, with a clear critical path that enables deviations and slippage to be identified at the earliest opportunity with mitigating actions put in place, to thus enable the S151 Officer to keep the plans to rebuild reserves over the medium-term on track.

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
		12b: Appointment of an experienced permanent Head of Improvement and Transformation is an imperative behind this risk (part of senior recruitment started May 2026) 12c: That the senior leadership team actively recognises and celebrates aspects of success and good practice across the organisation, reinforcing new cultural expectations and encouraging others to follow suit. Success breeds success, and the organisation needs to build momentum by demonstrating that positive change is both visible and valued **6 months**
13. That the council does not yet have an integrated and clear plan for paying back EFS through the provision of borrowing, capital receipts and other measures.	High - 9	13: The council is recommended to develop a comprehensive EFS repayment plan that identifies, with clarity and precision, the full range of income streams, savings and transformation outcomes that will collectively fund the repayment of borrowed sums, with progress reported regularly to both members and government **3 months**
14. Sufficiency, cost and responsiveness of specialist legal support to support the disposal of capital assets, and mitigate any delays in the ability to realise critical capital receipts in year.	High - 6	14. Put in place sufficient resources with the legal team to support the critical step change volume of asset disposals that are key to delivering required levels of savings and mitigating potential delays in receiving the capital receipts from asset sales. **6 months**
15. That there is insufficient linkage between the Capital Strategy, Investment Strategy, the asset register, the MTFS and the wider financial recovery plan (in that the asset portfolio is under developed and out of date). This includes the risk of over exposure to retail commercial property investments, particularly with one high value property lease due to expire in 2029	High - 9	15a: That the council demonstrates how the Capital Strategy is actively used to inform capital investment decisions, with evidence of how it has shaped specific decisions during the current and previous financial years. 15b: That the council clearly articulates the linkages between the Capital Strategy, Investment Strategy, the asset register, the MTFS and the wider financial recovery plan, ensuring that capital commitments are demonstrably affordable and aligned to strategic priorities. **3 months**
16. That this year's end of year accounts process and the ability of the external auditors to undertake their professional role are de-railed through the council's lack of preparedness and due diligence.	High - 9	16a: That the S151 ensures that the working papers to support the end of year accounts are complete and reliable. 16b: That the S151 ensures that this year's closure of accounts including sufficient support to the external auditor's recommendations is given higher priority and that weaknesses identified in the Audit Planning Report are given the attention they deserve.

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
		Within 3 months
17. Lack of forecast finance information (balance sheet) may be restricting the financial assurance and control	**High - 6**	17: Begin forecasting the balance sheet as part of financial monitoring processes. This should be undertaken on a quarterly basis alongside monthly budget monitoring reporting and progress in the delivery of savings **3 months**
18. That Finance are not sufficiently staffed with the personnel that have the appropriate level of skills and competencies to manage the end of year accounts and accounts closure processes	**High - 6**	18: That the council sets out how internal officer capacity is being developed to ensure that the reliance on external advisory support is balanced by sufficient in-house expertise to own, challenge and apply the advice received. **3 months**
On service reform, delivery and transformation		
19. Moving away from the whole council wrap around support now in place for Children's services significant change journey. They are subject to regular external scrutiny and advice to respond to the Ofsted Inadequate judgement from 2024, and whole council support is essential for continued progress for the service.	**High - 9**	19: Protect the focus on council wrap around support for Children's Services to enable the improvement and transformation journey to continue and sustain beyond the initial focus on moving beyond 'inadequate' on the journey to a 'Good' rating. **Ongoing**
20. Compromised Project Management Office (PMO) function to hold the organisation to account due to insufficient capacity, and clarity of roles and responsibilities, within the Corporate Improvement and Transformation team to drive and manage progress sufficiently across the council.	**High - 6**	20: Regular item on Corporate Improvement and Transformation Delivery (CI&TD) Board, redesign forthcoming to build more capacity and fill vacancies. The work to complete the Transformation and Improvement Team structure, capacity and roles and responsibilities is critical to underpin the work the team does within the council to effectively manage and monitor the corporate improvement and transformation plan. **Within 3 months.**
21. Lack of awareness of the overall critical path and strategic portfolio management of the whole council Improvement and Transformation activity represents a significant risk that could derail the overall programme and key deliverables.	**High - 9**	21: Plans in place to develop critical path, impact of deviations or slippage and strategic portfolio overview and management. Monitoring and accountability through CI&TD Board. **Within 3 months.**
22. The volume of moving parts becomes unmanageable with either non-delivery of some aspects, or bottlenecks due to a lack of capacity resulting in an inability to	**High - 6**	22: That the council ensures that it has one coherent strategic plan for delivery and that those vested with the responsibility for change projects have sufficient experience. **Within 3 months**

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
deliver the required savings to time, cost and quality requirements.		
23. Embedding effective project and change management capability effectively throughout the organisation, when it is not used to working with change initiatives, the pace of change, nor with this order of volume of change.	**Medium- 4**	23a: Develop training and support for project and programme management, as necessary, across the organisation to build change capability and understanding, and help mitigate resistance to change amongst pockets of staff across the council. 23b: Ensure that mechanisms are put in place to manage the readiness of change, the conditions for change and to monitor change fatigue. **Within 6 months.**
24. There is a risk that service plans across the organisation vary significantly in quality and financial rigour, to the point where they become meaningless as tools for driving the financial sustainability and transformation outcomes the council needs to achieve	**High - 6**	24: The council should establish and mandate a clear standard format for service plans, ensuring consistency of approach across all directorates. Any service plans not yet completed for the current financial year should be finalised to the required standard of accuracy, quality and financial rigour **as soon as possible** (The council is moving to calling these business plans in the future).
On governance, culture and leadership		
25. Retaining 'gold standard' levels of service delivery, rather than addressing the need to cut back or stop some services provided that are no longer affordable for the council	**High - 6**	25: The council needs to develop a more sophisticated and informed approach to value for money through measures including benchmarking etc as set out in this report. Within 6 months and part of the ongoing work related to service redesign. Senior officers will need to be prepared to have difficult conversations with Members. This forms part of the budget setting process for 2027-28 which will be **commencing imminently**
26. Unaddressed 'fault lines' that could impede progress to moving away from reliance on Exceptional Financial Support if not addressed	**High - 9**	26: Record, monitor and manage the fault lines stated above as part of CLT and the Improvement and Transformation Plan **Immediate**
27. Leadership fragility of pivotal roles within the CEO Office driving the governance and accountability of the council. At the time of the review the CEO was on long term sick leave, with the Executive Director of Adults, Health and Integration as Acting CEO; an Interim Assistant CEO; Interim Director of Law and Governance (Monitoring Officer); Interim Head of Transformation and Improvement; and Acting Head of Legal Services	**High - 9**	27: Recruiting substantive people into these pivotal roles. The nature of new people commencing the roles could derail the progress made to date so it is imperative care is taken to bring in the right candidates with the experience, resilience and credibility to continue the change journey now underway and steer the council forward with strong governance, accountability and financial assurance. **Within 6 months**

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
28. Ineffective ‘golden triangle’ compromising good administration, finance and ethical governance and accountability within the council. The weight of responsibility is currently falling to the only substantive appointment in the Executive Director of Resources and S151	**High - 9**	28: That the council recruits the key golden triangle roles of Chief Executive Officer and Monitoring Officer (Linked to risks above) **within 6 months.**
29. Lack of strategic oversight and dashboard to enable CLT to identify early warning signs and then take appropriate action to address potential failures at the earliest opportunity	**High - 9**	29: Development of overall CLT council wide performance dashboard to highlight early warning signs at the earliest opportunity **Within the next 6 months**
30. Service redesign and loss of knowledge and expertise due to the age profile of the workforce and with a smaller future council	**Medium - 4**	30: Senior leadership development (complete) and management development (commences May 2026) programmes to upskill staff. The impact and learning is taken forward to further develop skills, effect knowledge transfer and talent and succession planning pathways.
31. Lack of controls over agency and interim spend levels	**High - 6**	31: Produce evidence of managing and monitoring tighter controls over agency and interim expenditure, as commenced by the current Interim Director of People

2. Introduction

2.1 Background

Cheshire East is a unitary authority in the North West of England, established in April 2009 following the structural reorganisation of local government in Cheshire. The authority was formed through the merger of the former borough councils of Macclesfield, Congleton, and Crewe and Nantwich, together with the functions of the former Cheshire County Council, and borders Greater Manchester to the north, Derbyshire to the east, and Staffordshire and Shropshire to the south.

The council is the third largest local authority in the North West with a population of approximately 398,800, growing by 7.7% since 2011. The council has a markedly older age profile than national comparators, with 22.5% of residents aged 65 and above against an England average of 18.8%. These demographic characteristics place significant and growing pressure on adult social care demand and cost. The population is predominantly White British at 89.6%. It also presents a strongly dual character with considerable affluence across much of the borough alongside concentrated deprivation, particularly in Crewe.

Since its formation in 2009, the council has been subject to a number of external investigations into the conduct and actions of senior officers and elected members, relating to matters including procurement practices and the treatment of whistleblowers. These investigations have left a lasting mark, damaging the council's reputation, eroding staff morale and, in many respects, creating an organisational environment in which moving forward and focusing on improvement has been made significantly harder.

Cheshire East's journey to this point differs from that of many comparable councils. During the years of austerity, the council was not compelled to undertake the painful but necessary work of transformation, cost reduction and service redesign that so many other local authorities were forced to confront. The pandemic further masked this reality where the council responded reasonably well to the immediate challenges it presented, but in doing so the organisation was again shielded from the harder, structural questions that others in the sector had no choice but to wade through. The cumulative effect was an organisation that arrived at its current financial crisis without having built the resilience, the appetite or the institutional resilience for the kind of transformation now required.

Compounding this was the profound impact of the public interest report (January 2023), which left deep marks on the workforce. Staff felt wounded by what had occurred and by the scrutiny that followed, and the organisation responded by turning inward, becoming defensive and introspective at precisely the time it needed to be outward-facing and focused on those it exists to serve. That combination of circumstances, a lack of experience in managing change at scale, and a culture shaped by hurt and self-protection, helps to explain, though not excuse, how the council arrived at the position it now finds itself in.

2.2 Requirement

As a result of receiving Exceptional Financial Support (EFS), MHCLG will be seeking some deeper assurance around the plans included in the business case for the 2026-7 financial year. In line with that expectation, CIPFA adopted the approach of looking to provide an assessment of the council's financial resilience, financial management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for improvement.

The details of the requirement, the four key themes of the investigation and the approach that was followed are described in Annex 1.

3 Areas Reviewed

3.1 Review Area 1: QUALITY OF FINANCIAL MANAGEMENT AND FINANCIAL PROCESSES

Financial management at the council has been weak for several years. The council drew on £11 million of reserves to balance the budget in 2024-25, to avoid a capital direction. This followed on from the position in 2023/24. As part of the outturn closure review of a deficit of £8.5m, and concluding the closedown for 2023/24, the Section 151 officer would have used their judgement as to fund the deficit from general reserves of a value of £8.5m. Historic departmental overspending was a persistent feature, and there was a marked lack of organisational confidence in the delivery of existing savings plans. The weaknesses have arisen due to instability in the finance function, over-reliance on interim roles, poor financial systems, limited transparency and a governance culture that failed to challenge persistent overspending and unrealistic plans, despite clear warning signs highlighted by peer reviews and audit. Early reliance on Exceptional Financial Support (EFS) was treated as short term relief rather than a trigger for fundamental reform, while long, complex reports obscured key risks and delayed decisive action.

Since the appointment (June 2025) of a new Section 151 Officer and senior leadership team, there has been a marked shift towards greater realism, transparency and rigour, supported by a Financial Leadership Improvement Plan, stronger audit planning, improved implementation of audit recommendations and clearer articulation of financial risks. Internal audit is now well regarded by elected members, and increasingly focused on enabling recovery and transformation, but capacity constraints, unresolved scrutiny weaknesses, cultural barriers to challenge, gaps in governance literacy and uneven translation of senior level intent into operational behaviour mean that the organisation remains at an early stage of recovery, with sustained culture change, stronger delivery discipline and embedded accountability still required to secure financial sustainability.

The following sections outline the basis of this assessment in more depth.

> ***a) The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.***

Key findings and analysis

Financial management over recent years has been unstructured, problematic, and lacking transparency stemming from a combination of factors as set out above. Until the arrival of the new S151, financial reporting and control were not being carried out to the standard required.

The LGA peer review of 2024 highlighted significant weaknesses and serious jeopardy around the council's financial position. The council as a whole did not act quickly enough to address the scale of what was needed. The initial tranche of Exceptional Financial Support (£17.4 million) was viewed by some as a means of relieving immediate pressure rather than as the catalyst for fundamental change. This application, of £17.6 million, represents £8.6 million linked to abortive costs associated with High-Speed Rail in 2023-24 and £9 million to support interest payments on the council's High Needs Deficit.

The warning signs were considerable and well evidenced. The council drew on £11 million of reserves to balance the budget in 2024-25, following a similar picture in 2023/24 drawing on reserves of a value of £8.5m, historic departmental overspending was a persistent feature, and there was a marked lack of organisational confidence in the delivery of existing savings plans.

To its credit, the council did look outward to the wider sector for support and challenge, including through the peer review process, but the cumulative picture points to an organisation that was slow to respond to a worsening situation.

Internal Audit

The internal audit function is well run and is held in good regard by elected members, which is an important indicator of its standing and perceived value within the organisation. The planning process is rigorous and compliant with the requirements of the Global Internal Audit Standards (GIAS). The Annual Internal Audit Plan for 2026-27 has been developed using a risk-based methodology that prioritises the audit universe in a manner consistent with the organisation's goals and objectives.

The follow-up of internal audit recommendations in recent years has not been at the standard required, although this is now improving. More broadly, internal audit is seeking to reposition its focus, spending less time looking backwards at what has gone wrong and directing more of its energy towards what needs to happen to support the organisation's recovery and transformation.

The key objective of the 2026-27 plan is, therefore, to provide meaningful assurance on how the organisation is responding to the transformation required to achieve financial sustainability and service improvement. The plan has been carefully constructed to reflect the full range of factors relevant to the council's current position and is being strengthened through an additional programme of 12 Core Control reviews to provide a more systemic picture of the overall control environment. The planning process has also drawn on consultation with a broad range of internal and external stakeholders which reflects a mature and well-considered approach to audit planning. This contrasts with previous attempts to deliver transformation which were widely considered as well-intentioned but insufficiently planned, poorly coordinated, and unable to secure the organisational buy-in required for lasting impact.

Beyond its core assurance work, there is considerable scope for internal audit to add significant value through the provision of consultancy services during the development and implementation of the council's transformation programme. This would provide a meaningful contribution to the successful delivery of change without undermining the delivery of the annual audit opinion.

The internal audit opinions over the last two years provide important context. Many of the factors that contributed to the 2023-24 limited assurance opinion continued into 2024-25 and informed that year's position. However, there was recognition of improvement in the implementation of audit recommendations, which rose from 48% in the previous year to 94% in 2024-25. The opinion was again informed by a significant number of actions relating to failures to apply existing controls, areas where controls could be strengthened, and instances of absent controls.

The position on organisational decision-making and governance literacy remains a mixed picture. The financial procedure rules have been updated, and other procedural guidance is widely available to staff. In practice there remains significant confusion over the decision-making and governance parameters within which staff are expected to operate. This is an area of concern.

Internal Audit's involvement in the council's transformation agenda has been limited to date, and there is insufficient awareness within the function of the full scope of what is being undertaken. This is also an area of concern, aligned to resourcing of the function below.

The current team comprises 6.3 full-time equivalent posts, including the Internal Audit Manager. Critically, the substantive Principal Auditor and Senior Auditor posts remain vacant. Whilst the team is clearly performing well in difficult circumstances, the council should address these vacancies as a priority. An internal audit function operating with acting-up arrangements and unfilled substantive posts carries inherent risk, particularly at a time when the demands on the function are considerable and the consequences of a weakened control environment are potentially significant.

Scrutiny

Against a backdrop of a more positive assessment of internal audit, the effectiveness of scrutiny presents a mixed picture based on the interviews undertaken. Elected members themselves acknowledged that the committee system served to hinder rather than support financial transparency, and financial systems have long been considered weak. Some of the issues stem from the committee system itself, where certain members used committees as a forum for scrutinising decisions rather than making them. The council has since introduced a cabinet model from May 2026.

Members clearly felt that scrutiny was not effective during the committee period of decision making, resulting in calls for more frequent meetings. However, whether the authority has sufficiently skilled and experienced officers to support these committees, particularly within Democratic Services, is a concern.

Further work is needed to ensure that there are clear roles and responsibilities between audit and scrutiny, and this work should be led by Democratic Services. It has been suggested that discussions take place around the forward work programmes for both committee areas, with the aim of identifying potential duplication early and agreeing distinct areas of focus for audit, and for scrutiny.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
1. That there is still confusion amongst staff and managers with regard to core elements of the governance portfolio (eg, the application of finance procedure rules). The governance structure is	**Medium - 4**	1a: There is a need for clearer and more accessible guidance so that staff and managers understand their responsibilities and the boundaries of their authority. 1b: Review the governance structures and simplify as appropriate.

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
overly complex and is stifling transparency and decision making		1c: Ensure that individuals remain accountable for their own decisions **Six months**
2. Confusion in the transition reverting from the Committee back to a Cabinet system around what is within the purview of scrutiny and audit functions; and that the scrutiny function is not sufficiently described such as it provides the constitutional function required of it	**Medium - 4**	2a: Ensure that the council focuses on the training and development needed for all relevant elected members and officers as it transitions to a new Cabinet Model from May 2026. **Review in three months**. 2b: That Democratic Services create a more practical operating model to ensure that roles and responsibilities between audit and scrutiny are more clearly defined and understood . 2c: That the council reviews the functions and staffing arrangements in Democratic Services to ensure that it is able to support the council as it undergoes a fundamental change to its governance arrangements.

b) The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

Key findings and analysis

Senior level capacity and capability

The messaging from the new senior management team and the elected members we spoke to, including the Leader and Deputy Leader, gives us confidence that the council has drawn a line under past difficulties and is actively creating both the conditions and the foundations for a more dynamic future.

It is clear from interviews that the previous leadership neither confronted nor fully appreciated the scale and complexity of the financial, cultural and organisational challenges facing the council, nor treated them with the seriousness they warranted. The new team are demonstrably committed to working with members to turn the council around, and this is reflected in a narrative that combines a genuine desire to work at pace with an honest acknowledgement of the systemic issues that must be tackled. The Leader captured the position with admirable clarity: "we're off the bottom but not yet flying high" a phrase that speaks to a healthy and grounded realism about the scale of the task ahead.

Whilst we credit the council for the work it is doing to build more robust foundations for fiscal control, and whilst we welcome the commitment to pace, we have a concern that this narrative risks becoming detached from reality. There is a danger that those in senior positions and at the centre, who are orchestrating many of the key changes, will not be in step with the "engine room" of change within service areas, where the real work of transformation must ultimately take root.

There is a marked difference in the staff surveys conducted in 2023 and 2025, which we reviewed as part of this work. 2023 painted a sobering picture.

- In 2023 only 23% of staff felt positive about the future of the organisation, a fall of 27 percentage points in just twelve months.
- Only 52% felt well-informed about issues affecting the council.

The positive change from 2023 to 2025 was:

- 83% understand how their work contributes towards the success of Cheshire East, an increase of 23% points
- 71% understand the vision and commitments as set out in the Cheshire East Plan, an increase of 14% points.

The key negative changes in the 2025 survey, compared with 2023, is that 52% felt confident to speak up and challenge the way things are done – a 14% drop on the previous survey.

This negative change is a key area of concern. It speaks directly to the cultural and motivational challenges that the council must address if its transformation ambitions are to be realised.

The finance function

Historically, the organisation has relied heavily on the finance function to balance the books and take responsibility for all financial matters, with limited regard for service level accountability in parts of the authority. This has been compounded by poor financial systems and weak financial controls.

Finance roles have traditionally been framed with outdated job titles, and there is a longer-term aspiration to reposition finance as a professional community that moves beyond a purely transactional focus. The S151 has set out an intention to establish and launch a Finance Academy later this year, enabling the council to grow its own talent, subject to approval. This is not a particularly innovative development, but it is a positive one. It signals a renewed organisational commitment to financial management and a recognition by the S151 of the need to invest in finance capability and skills. It is also anticipated that this will help attract new professionals into the team. Coupled with investment in skills and capabilities around business case development and improved project management, this should strengthen the council's prospects by shaping a finance function that is more confident and enabling, rather than one that operates solely in a supporting capacity.

A vision and team charter have been introduced by the new S151 as a means of engendering a collective sense of purpose and team identity across the function as a whole. Alongside this, the S151 intends to introduce a Finance Service Offer, an approach now commonplace in other local authorities, which will document the function's key service offerings against specific service standards. This will provide clarity on what services can expect from finance and, importantly, will help to reinforce the message that financial accountability lies with service areas themselves, not with the finance function. Together, these represent positive and necessary steps in resetting the role and culture of finance within the organisation.

Finance Leadership Improvement Plan

The focused Financial Leadership Improvement Plan (FLIP) for 2025/26 has been established in response to a number of external reviews commissioned by both the council and MHCLG, and provides a formal record of progress. It is intended to guide holistic improvements across the financial service, provide assurance on the standard of financial management, and to enhance corporate financial leadership and governance within the council. It has been considered by both the Finance Sub-Committee and the Audit and Governance Committee.

Each FLIP action is recorded against the appropriate review and risk rated. Monitoring and reviewing progress against existing recommendations is recorded and remains a priority. The recommendations and responses have been grouped thematically under five headings:

- Financial Management and Sustainability;
- Capital Programme, Debt, Assets and Investments;
- Governance;
- Service Delivery; and
- Leadership and Culture.

It is important that this continues to receive meaningful scrutiny from the senior leadership and through the new Cabinet process to ensure there is whole ownership to the financial improvements within the council.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
3. The work to re-structure finance and attract new skills (eg, finance business partners, capital accountants etc) will not be at the pace that the organisation requires resulting in ongoing inequity of quality and capacity of business partnering roles across the council.	**Medium - 4**	3a: Orchestrate a finance restructure at pace to ensure the finance service has the right level of staff with the experience and challenge required to be effective business partners. Within 6 months. 3b: Make recruitment of key finance posts a matter of priority. 3c: Remove references to outdated job descriptions ensuring that service facing staff understand the core capabilities of an effective finance business partner.
4. The Financial Leadership Improvement Plan (FLIP) becomes too over-complicated and staff on the ground do not understand the scale and impact of the work that needs to take place to ensure medium term financial stability.	**High - 6**	4: Ensure that the work undertaken on wider staff communications focuses on the key outputs of the Financial Leadership Improvement Plan (FLIP)

c) The local authority's approach to financial risk management including identification, management and treatment of risk.

Key findings and analysis

Since the arrival of the new S151, the council has taken a markedly more rigorous and realistic approach to its financial position. Well-considered options and properly developed proposals, including robust business cases, are becoming central to decision-making, representing a clear departure from past practice.

The Section 25 report (for 2026-27)sets out the financial position clearly and candidly, articulating the key risks, with a level of transparency not always evident in the past. The council is now considerably more honest in its assessment of where it stands. Interviews reflected this same shift, with greater willingness at senior level to acknowledge the challenges rather than minimise them.

The organisation triangulates risk reasonably well. Strategic risks are elevated and owned at the right level, the Audit and Governance Committee provides effective scrutiny and challenge, and service areas manage their own risk registers. Risk is also being used constructively to build the narrative and case for change and to encourage a more disciplined view of financial sustainability.

Risk management is not solely an officer responsibility. Elected members also need to be properly sighted on the risks facing the council and actively engage with them. Committee and cabinet papers should continue to make the risk implications of significant proposals explicit, including the risks of delay or inaction. Members are expected to challenge the risks, while officers should ensure that risk implications of significant proposal are made explicit.

Whether the wider organisation will fully respond to these risks remains uncertain. Awareness at the top does not automatically translate into changed behaviour at operational level and closing that gap will be one of the key tests of the council's transformation in the period ahead.

Risks and Recommendations

None.

3.2 Review Area 2: FINANCIAL SUSTAINABILITY AND RISK

The council's financial fragility is the result of longstanding structural weaknesses, prolonged deferral of difficult decisions since reorganisation, erosion of financial discipline during COVID-19, and critically depleted reserves, leaving minimal resilience and growing reliance on external borrowing. Financial literacy, systems and processes remain underdeveloped, with heavy reliance on manual workarounds, immature business case discipline, weak benefits realisation and limited organisational ownership of financial accountability, although new forecasting tools and asset systems are being introduced. Historic Council Tax decisions have permanently constrained income, while demand-led pressures - particularly in social care -

continue to outpace funding. Repeated use of EFS reflects the consequences of these accumulated decisions rather than an externally imposed constraint; EFS has provided a temporary buffer, but the underlying problems are of the council's own making and remain unresolved without fundamental behavioural and structural change from within.

Furthermore, there is a longer-term risk from a very large DSG deficit of £156.596 million at 31 March 2026. Even though the introduction of the High Needs Stability Grant should cover 90% of the sums, the remaining 10% would need to be met by the council if the temporary override ends by March 2028. The Section 151 officer has stated that the council has adequate general and earmarked reserves to cover this deficit at 31 March 2026. He also stated that the MTFS does start to build back reserves over the length of the MTFS (to 2030) and the current budgeting process for 2027/28 will continue to build reserves to mitigate unforeseen financial pressures. However, the council is in receipt of advice from Kings Counsel as to how to interpret the national override with regards the statutory obligations of the Section 151 officer with regards to the issuing of a Section 114 report.

New leadership, clearer governance, stronger financial rigour and an emerging transformation framework mark a positive change in direction, but delivery capacity, cultural readiness and integrated financial planning remain at an early stage. Overall, while the building blocks for recovery are being assembled and leadership intent is credible, financial sustainability will depend on embedding discipline, accountability and genuine service transformation across the organisation at a pace and scale not yet consistently evident.

The following sections outline the basis of this assessment in more depth.

a) The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

Key findings and analysis

The council's financial fragility has deep roots. Since local government reorganisation, Cheshire East has deferred difficult decisions and not addressed fundamental structural weaknesses. COVID-19 further weakened financial discipline, leaving usable reserves at a critically low level, limiting capacity to absorb shocks or fund transformation.

Financial literacy remains underdeveloped across revenue and capital. Manual processes and an unfit finance system limit the accuracy and timeliness of information. The council is introducing a new forecasting and reporting module for revenue budgets, with capital to follow, and procuring a replacement for the manual fixed asset register. These are positive steps, but they remain works in progress, and the asset register is only around 80% accurate.

Under the new S151, the direction of travel is improving, but the organisation still relies too heavily on finance to manage budgets rather than owning them at service level. Finance is shifting from doing to enabling, helping service leaders become more financially sustainable and informed. Budget manager and finance systems training was delivered in March 2026, but the organisation remains immature in business case development and benefits realisation.

The LG Improve Resilience Health Check and CIPFA Resilience Index confirm the severity of the council's position. Based on 2024-25 published statements, the council shows significant balance sheet weakness and low financial resilience relative to the sector.

Usable revenue reserves fell by 22% (£8.5 million), from £37.9 million to £29.4 million, compared with a 2% average reduction across unitary peers. At 8% of core spending power (CSP), reserves are well below the peer average of 32%, making the council the third lowest of 143 authorities with published data. The use of £17.6 million of Exceptional Financial Support has masked an even steeper decline and creates future borrowing implications.

Usable capital reserves rose by 21% (£18.4 million), from £88.5 million to £106.9 million, compared with a 1% peer average increase. As a proportion of CSP, the council sits at 27%, against a peer average of 14%.

Taken together, revenue and capital reserves are strengthened by above-average capital reserves, but this should not provide false comfort. Over the past five years, combined usable reserves have followed the same downward trend as peers while consistently remaining below the peer average, indicating a persistently weaker underlying position.

The largest single factor depressing the balance sheet is the Dedicated Schools Grant (DSG) deficit within unusable reserves. The DSG deficit rose in 2025/26 by £44.447m (39.6%) from an opening balance of £112.149m to £156.596m - the second highest DSG deficit proportion in the country. The council is also one of only seven authorities whose DSG deficit exceeds usable revenue reserves, materially undermining the balance sheet and reducing internal cash generation.

These pressures are increasingly visible in the council's debt position. Debt as a share of CSP has been broadly stable, but its composition has shifted towards external borrowing as internal cash generation has weakened. This is increasing interest costs and risk, particularly if the DSG deficit and low revenue reserves continue to suppress cash generation. The council plans to offset some borrowing through capital receipts, including around £15 million in 2027-28, but this step change in disposals is itself a material delivery risk.

Without the support of capital reserves, the position is starker: reduced internal cash is increasing reliance on external borrowing and exposing the council more to market availability and interest rate volatility.

The council shows clear financial vulnerability. Revenue reserves are critically low at 8% of CSP, depleting faster than in comparable authorities, and the interaction of the DSG deficit, falling reserves and rising external borrowing creates a compounding risk requiring urgent action.

Over the life of HS2, the council incurred total costs of £11.2m. Of this, £8.6m related to capital expenditure as this investment would have had future economic benefits flow to the council.
Upon cancellation of the project, the capital expenditure of £8.6m had to follow the correct accounting treatment of abortive expenditure and was reported as such within the Statement of Accounts of 2023/24.

The Section 151 officer would have used their judgement as to the final treatment of the abortive expenditure and funded this from general reserves.

However, the leadership team is new, and the wider organisation is still adjusting to the scale of change required. In some areas, legacy issues continue to cast a long shadow, leaving staff cautious, fatigued and sometimes resistant to change. We have not yet seen enough evidence that the organisation as a whole is ready to confront the challenge at the pace required. The recent staff survey offers some encouragement, but it was not statistically representative and should be treated only as an indicator.

Historically, the council has not been strong at challenging its own ways of working, looking outward for best practice or maintaining firm grip on transformation albeit with some exceptions, most notably its engagement with the Local Government Association for external challenge and support. These are essential, not optional. Leaner services, rigorous programme management and a culture of continuous improvement are all prerequisites for managing, rather than simply describing, financial fragility.

We were encouraged by the plans and structures now being put in place and by the quality of leadership intent. But intent and infrastructure will not be enough. The council will need to manage itself closely and realistically, ensuring senior ambition does not outrun the organisation's capacity to absorb and deliver change.

In our assessment, the building blocks for recovery are being assembled but are not yet firmly in place. The council's ability to manage financial fragility will depend not just on the quality of its plans, but on how far financial discipline, accountability and willingness to change penetrate beyond senior leadership into day-to-day culture and practice. That deeper shift is still at an early stage.

Medium term financial strategy

Historic decisions over many years led to a significant period (of six years in 2009/10, and then 2011/12 to 2015/16) during which council tax was not increased which contributed to a cumulative shortfall in income of £22.6million. Annex A3 shows a summary table from 2009/10 to 2019/20 setting out the position of the referendum level and the Cheshire East level of Council Tax rises. As a result, the current tax base is not comparable to neighbouring authorities. This has been compounded by continuing increases in demand-led service pressures above the rate of funding increases, particularly in social care.

Since 2023-24, the council has required EFS meaning that available reserves and balances have not been sufficient to meet expenditure needs after all other funding is accounted for. Without Government intervention, the S151 Officer would have had to issue a Section 114 notice.

EFS has been approved for three consecutive years: £17.6 million across 2023-24 and 2024-25, and £25.3 million in principle for 2025-26. While this has enabled the council to manage acute budget pressures, it is not sustainable. The S151 Officer's aim is to exit EFS from 2027-28 through transformation savings.

The council remains in significant financial distress on both its General Fund and Dedicated Schools Grant (DSG). At the end of 2025-26, forecast general and earmarked reserves, excluding schools' balances, are £26.632 million, or 6.2% of the net revenue budget. The outturn DSG deficit at 31 March 2026 was £156.596 million, equivalent to 36.1% of Core Spending Power.

The 2026-27 budget and MTFS to 2029-30 are based on estimates of inflation, demand and growth pressures, offset by improvement and transformation savings. These assumptions have been tested through significant review, including confirm-and-challenge sessions by CLT, with service-led business cases required for growth and savings proposals.

At FR3, the forecast revenue outturn is balanced, an improvement of £2.345 million on FR2, but only because approved EFS is applied in full. Without it, the council would face a £25.26 million shortfall, almost exhausting available reserves leaving the council in an even more perilous position. Pressures remain acute, including an £8.195 million overspend in children's services and a £12.037 million overspend against planned transformation savings, partly offset by an £11.79 million underspend on central budgets.

The medium-term position shows budget requirements rising from £478.27 million in 2026-27 to £544.03 million by 2029-30, against funding rising from £453.27 million to £519.55 million. After applying £24.99 million of EFS in 2026-27, residual gaps remain at £15.27 million in 2027-28, £18.78 million in 2028-29 and £24.48 million in 2029-30, though these are expected to reduce as transformation savings are rephased and incorporated.

The 2026-27 gap has widened since the previous MTFS, driven by social care demand, investment needs linked to transformation, and improvement in children's services. It rose initially to £33.32 million before being reduced to £24.99 million through finance settlements, challenge to growth and savings proposals, capital programme review, and S151 refinement of central budgets.

The Cheshire East Plan and Improvement and Transformation Delivery Plan set the framework for the MTFS, Investment Strategy, Capital Strategy and Treasury Management Strategy. The council's medium-term path must align resources to those priorities, end reliance on EFS as soon as possible, and secure the improvements needed to lift the non-statutory Best Value Notice. The financial position remains fragile, and significant concern remains by the review team.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
5. Usable revenue reserves are at a critically low level, having reduced at a rate significantly greater than that experienced by comparable authorities.	High - 9	5: That the work signaled in the last Section 25 report by the S151 officer to re-build reserves is given the continued focus required and that this is a key agenda item at CLT meetings.
6. That unearmarked reserves fall below critical thresholds.	High - 9	6: That the S151 maintains monthly oversight of the reserves position and its impact on the MTFS. Ongoing
7. That the asset register is not 100% accurate before being uploaded onto a new asset management database; and that the council has a poor awareness of asset holdings leading to ill-informed decision-making regarding capital asset disposals due	High - 9	7a: Accelerate work to cleanse and migrate the asset register to the new asset management system so this is treated as a matter of priority over the coming months. This will then facilitate accelerating work on identifying a more cohesive Asset Disposal Strategy.

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
to not having a current Asset Management Plan in place until the end of 2027.		7b: The Asset Management Plan for 2026/27 should be developed urgently. The need for this to be in place as a matter of urgency cannot be over-emphasised. Immediate
8. Levels of financial literacy across the council have been weak.	**Medium - 4**	8: For the S151 along with all members of CLT initiate a range of activities that demonstrably increase levels of financial literacy and that the council implements measures to regularly review levels to address pockets of weakness in the future (this activity should also be extended to elected members as appropriate). Immediate and to be reviewed at six monthly intervals.

b) An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back

Key findings and analysis

The council is beginning to apply the discipline needed to live within its spending envelope across revenue, capital and borrowing. In previous years, hard savings delivery was weak, with cross-cutting themes lacking service ownership and resulting in non-delivery. The current year marks a more credible approach, with modest but clearer service-owned savings.

Savings planning for 2026-27 has been driven through the MTFS and budget-setting process, supported by the wider leadership community including Head of Service level. Savings proposals were reviewed and either developed into business cases for inclusion in the MTFS or set aside.

Proposals taken forward were subject to public consultation at a thematic level. The finance team used benchmarking data to help services identify opportunities, but its use remains underdeveloped and supporting business cases need to improve. The review team feel the council would benefit from a rolling programme of savings proposals, ensuring a continuous pipeline, rather than reliance on the annual budget cycle.

Service planning for 2026-27 has been relaunched alongside a new strategic performance framework. However, there are no visible outputs from previous years' service plans, so it is too early to judge quality or impact of delivery against these. Services are likely to need significant support to embed the process effectively and produce meaningful plans.

The Place directorate has experienced leadership churn, held vacancies and thus experienced weak strategic capacity. Its contribution to the improvement and transformation plan remains limited, with no clear plan to reduce costs, build income generation or redesign services beyond Environmental Services. Activity to date appears piecemeal rather than strategic. Recruitment to three senior Place roles should strengthen capacity, alongside the interim Executive Director's current diagnostic work (April/May 2026).

Despite the developing transformation plan, genuinely transformative proposals to reduce the cost base remain at an early stage. Savings still rely too heavily on quick wins and short-term fixes, such as asset sales and vacancy management, rather than whole-service redesign, with Children's Services the main exception.

There are some exceptions within the MTFS. A resource transformation across three corporate areas is expected to deliver savings of £1.3 million in 2026-27 and 2027-28, rising to £5 million in both 2028-29 and 2029-30. In addition, Assistant Chief Executive Services is expected to deliver £0.55 million in 2026-27 through service reshaping. Even so, the council will need to appraise all services more critically and deliver wider transformation if it is to remain within its funding envelope and move away from EFS in a sustainable way.

On capital, the council has sought to reduce spending and increase capital receipts, but receipts still account for only around 7% of the MTFS capital position. The programme currently runs only to 2029-30; a ten-year capital programme remains an aspiration rather than a deliverable plan.

Debt levels, including Adult Social Care service debt and sundry debt, are low relative to the overall revenue budget, which is positive. Debt collection is managed through Revenues and Benefits, and broader initiatives are underway to sharpen focus on debt collection, but a more strategic approach is still needed-- one that goes beyond operational recovery and sets out a clearer long-term forward plan for managing and reducing debt over time.

The council has made good progress on fees and charges, but broader income generation remains underdeveloped. The Place directorate, given its scale and asset base, is the clearest untapped opportunity. A more systematic cross-council approach, with Place as the immediate priority, would strengthen the financial position and reduce reliance on savings alone to close the funding gap. The Combined Authority may offer future opportunities, particularly as strategic transport transfers into the new body.

A current Asset Management Plan (AMP) is still absent (the council's previous plan ran to 2025) with a full AMP not due until later in 2027, despite the step change in planned capital receipts from asset disposals.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
9. Lack of strategic capacity and oversight within the Place directorate to produce a cohesive income generation strategy, and full contribution to the improvement and	**High - 9**	9: When the Executive Director of Place and two senior roles are appointed (process commenced May 2026) this will provide the strategic capacity currently lacking. Produce a whole service improvement and transformation plan, including an income generation strategy

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
transformation plan to reduce the cost base of the directorate.		that demonstrates their commitment to reducing their cost base. Autumn 2026
10. Weak quality of business case writing with a lack of objectivity and financial and non-financial analysis leading to ill-informed decision-making. That costs including inflation uplifts are not factored into business cases; that the full spectrum of options are not being considered; and benefits identification and benefits tracking are not being adequately identified/monitored	**High - 9**	10a: Effective training and ongoing support in business case production and producing costed options appraisals including benefit analysis. Fast track Finance staff on 5 Case Model (HMT) training. Within 6 months 10b: That the approach to producing better business cases is front and centre of the council's transformation approach. 10c: That finance staff (with some urgency) are training on more formal approaches to the production of business cases and coached to ensure that they identify examples of optimism bias. 10d: That staff involved in the development of project briefs and/or business cases receive the appropriate training. 10e: That senior managers and members of CLT are part of the business case review process and are suitably well-informed to spot issues with business cases (especially where the identification and delivery of benefits are critical to the medium term financial sustainability of the council)

c) An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

Key findings and analysis

The council has a credible chance of addressing its budget pressures, but only if it strengthens financial management across the organisation with sustained discipline. As a collective, the new leadership team will need to signal to the organisation that a more open and transparent culture must be matched by a clear expectation of compliance.

Staff at all levels must understand that financial processes and procedures are mandatory, not optional. Where standards are not met, consequences need to be clear and applied consistently and visibly. The foundations for this work are being laid, and it will be important for senior managers to be regularly and consistently reminding and reinforcing with staff the obligations the council now expects.

The reserves position remains acutely weak, as set out earlier in this report. Since 2023-24 the council has required EFS; without it, a Section 114 notice would likely have been unavoidable. EFS helps the council to set a balanced budget, but it does not resolve the underlying problem and cannot be a long-term solution.

The MTFS includes plans to rebuild the General Fund reserve by £29.9 million, though most of this is weighted to later years because short-term affordability remains constrained while transformation progresses. The council has committed that any improved financial performance or additional income is intended to be directed first to reserves as a means of building resilience.

Whether the council can yet reduce its reliance on further capitalisation directions remains uncertain. Much is underway, but there are still too many moving parts. Several new initiatives around financial grip and control, while promising in intent, in our view are still in their infancy without proven impact.

The interim chief executive is absolutely determined, alongside the S151 officer, other senior officers and senior elected members, to turn the tide. The senior leadership team is aligned around the recovery agenda. However, determination and clarity of intent alone will not be enough: major work is still required across the organisation on systems, processes, practice and culture. Many of the foundations that financially resilient councils depend upon are not yet in place, including backfill to the current Executive Director of Adults, Health and Integration role whilst she is the Acting CEO role for the council.

We are confident that the S151 is bringing greater stability, rigour and challenge to all aspects of the council's financial and commercial operations, and that the overall direction of travel, while still early, is the right one.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
11. Council's CEO is Acting and also has responsibility for a large service area, Adults Health and Integration, that currently has no backfill. Any change in interim chief executive carries the risk of disrupting the momentum that has been built around the financial recovery programme. A period of transition, during which a new appointee establishes relationships, assess the position and forms their own view, could slow the pace of delivery at a point when the council can least afford to lose ground.	**High - 9**	11a: Stabilise the CEO role by appointing a full time dedicated Head of Paid Service asap to focus entirely on driving the strategic objectives of the council to maintain and continue to drive forward the current positive whole council momentum. Within six months. 11b: Backfill to provide additional capacity for the Executive Director of Adults, Health and Integration role whilst the current role holder fulfils the Acting CEO role. Immediate.

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
12. That cost-overruns, delayed or missed benefits (through planned realisation of savings) or delays with projects and programmes will destabilise the S151's plans to re-build reserves over the medium term.	High - 9	12a: Close monitoring, accountability and ownership of improvement and transformation delivery plan initiatives, on a fortnightly basis, with a clear critical path that enables deviations and slippage to be identified at the earliest opportunity with mitigating actions put in place, to thus enable the S151 officer to keep the plans to rebuild reserves over the medium-term on track. 12b: Appointment of an experienced permanent Head of Improvement and Transformation is an imperative behind this risk (part of senior recruitment started May 2026) 12c: That the senior leadership team actively recognises and celebrates aspects of success and good practice across the organisation, reinforcing new cultural expectations and encouraging others to follow suit. Success breeds success, and the organisation needs to build momentum by demonstrating that positive change is both visible and valued

d) *An assessment of how the council expects to finance capitalisation (i.e through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach.*

Key findings and analysis

The council's approach to financing capitalisation through borrowing or capital receipts lacks the coherence and the seriousness its position demands. While the mechanics of current EFS arrangements are understood at senior level, there is no clear narrative showing how borrowing will be repaid over time.

The council needs a much sharper plan for repaying EFS in future years, including a clear account of how headcount reductions, transformation savings and stronger income generation will contribute to debt repayment in practice.

Capital receipts currently make up only around 7% of the MTFS capital position, underlining continued reliance on borrowing. There are also significant specialist legal capacity constraints affecting delivery of receipts within the required timeframe. The capital programme runs only to 2029-30, and the ambition for a ten-year programme remains some way from delivery.

Capital receipts show a sharp step change, rising from £0.47 million in 2025-26 to £1.35 million in 2026-27, £15 million in 2027-28 and £20 million in 2028-29. Delivering this profile will require strong planning, control and in-year financial management as there is no track record of delivering this level of asset disposals to date.

What is missing is a more integrated financial engineering approach, led by finance, that brings the council's financial recovery measures into a single coherent and credible plan. Without this, individual workstreams will remain too disconnected, the financial benefits of transformation will stay unclear, and the council's overall approach to capitalisation and debt will continue to lack credibility. This gap needs urgent attention if the council is to satisfy government and its own stakeholders that it can demonstrate a sustainable, well-governed route to financial recovery.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
13. That the council does not yet have an integrated and clear plan for paying back EFS through the provision of borrowing, capital receipts and other measures.	High - 9	13: The council is recommended to develop a comprehensive EFS repayment plan that identifies, with clarity and precision, the full range of income streams, savings and transformation outcomes that will collectively fund the repayment of borrowed sums, with progress reported regularly to both members and government Autumn 2026

e) An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

Key findings and analysis

The 2022-2025 Asset Management Plan

There is significant concern about the lag of the Asset Management Plan not being in place until the end of 2027, and the ability of the organisation to have a clear and current picture of their assets, location, value and operational costs within the scope of delivering the overall Capital Programme and Transformation Plan for the council.

An interim Asset Management Strategy is being finalised, that will be presented to the Corporate Leadership Team, before Cabinet in July 2026. They will then develop a subsequent new Asset Management Plan due to be complete in 18 months-time. In CIPFA's view, this is too long a timeframe to complete. The Place team have engaged with Children's and Adult Services regarding the buildings they occupy regarding utilisation and demand. The Asset Management Strategy was recently revalued (to be evidenced).

Aligned with other core plans, the Asset Management Plan is central for setting the strategic framework for significant land and property disposals, as set out within the Medium-Term Financial Strategy. There are £37.39 million capital receipts set out within the Capital Strategy up to 2029-30. The Asset Management Plan is central to achieving these deliverables.

The lack of a coherent Asset Management Plan (AMP) compromises one of the core principles within the Capital Strategy: Principle 2: The financial implications of capital projects are aligned with the Medium-Term Financial Strategy and the Asset Management Plan, and the longer-term implications are taken account.

The Monitoring Officer identified that there is a specialist legal service capacity constraint to support delivery of the capital disposal strategy within the MTFS. As such a procurement exercise is planned, which will be compliant with the Procurement Act 2023, to bring in the multi-disciplinary capacity to support this financial imperative within the capital programme and additionally develop a pipeline of disposals. The route to market will be through a compliant procurement framework for the relevant service(s) or will be compliant through utilising the frameworks that exist under Bloom as the council's neural vendor.

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
14. Sufficiency, cost and responsiveness of specialist legal support to support the disposal of capital assets, and mitigate any delays in the ability to realise critical capital receipts in year	High - 6	14: Put in place sufficient resources within the legal team to support the critical step change volume of asset disposals that are key to delivering required levels of savings and mitigating potential delays in receiving capital receipts from asset sales.

f) A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regards to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

Key findings and analysis

Capital programme

The 2025–26 to 2028–29 capital programme approved in February 2025 included £130 million of borrowing deemed unaffordable. Following review, the Capital Programme Board reduced borrowing to £98.6 million (reduced by over £31 million) through reprofiling, deferrals, alternative funding and limited capital receipts. Further work is needed to confirm sustainability given wider financial pressures. Contingency is now held corporately to better manage borrowing costs and release funds on a controlled basis only where evidenced need arises.

Commercial Investments

Cheshire East's MTFS outlines its investment strategy, with commercial assets forming 24.5% of exposure by March 2026. Of this, 87% is property, largely concentrated in retail (£18.9 million). Two local retail sites dominate, each effectively controlled by a single tenant. Rental values are set using market comparables and negotiated periodically.

One asset has a 99-year lease, while another high-value asset expires in just over three years with no clear strategy. Shortening lease terms are reducing asset values, now below purchase price. Given concentration in a volatile retail sector and reliance on few assets, the robustness of scrutiny and decision-making is questionable. The MTFS acknowledges risks: declining values, the difficulty to liquidate retail assets into cash at short notice, and overexposure to a single asset class.

Treasury and debt management

The council complies with the CIPFA Code, approving a Treasury Management Strategy annually within the MTFS. The Treasury Management Strategy for 2026-2030 was reported to the Finance Sub-Committee in advance of the MTFS approval, with pre-briefings provided to members. Arlingclose Limited advises on treasury matters (investment, debt and capital financing, but not commercial investments), with long-standing involvement. Officers are considered capable, prudent and well-engaged, with regular strategy sessions and training. However, senior leadership turnover has delayed decisions, limiting responsiveness to time-sensitive interest rate opportunities.

Major projects

A Capital Programme Board established in 2025 has strengthened governance, reviewing and reprioritising schemes - particularly those reliant on borrowing. However, key risks remain. These include incomplete quantification of grant obligations, potential compliance issues, and under-resourcing in the capital finance team with reliance on one individual.

Processes are largely manual, with fragmented systems (Unit4 and treasury), limiting forecasting accuracy and increasing error risk. Reporting is slow and labour-intensive, and automation is minimal. Forecasting quality is weak, with service areas lacking ownership and understanding.

Finance business partnering activity is currently focused exclusively on revenue monitoring, which places additional pressure and reliance on the capital finance team and reinforces the gap in service-level capital capability.

While the Capital Board is a clear improvement on the arrangements that preceded it, the quality and style of reporting into the Board remains poor and requires significant manual intervention to produce. Governance is fragmented, with no unified programme view or central capital programme risk register. Inflation (10–30% increases) and supply chain pressures threaten deliverability of multi-year projects, placing serious strain on scheme contingencies within a fixed financial envelope.

Slippage across digital and wider programmes is deferring the realisation of benefits and complicating cash flow and borrowing profiles. There is no systematic approach to benefits tracking or post-project evaluation, which limits accountability and the ability to capture lessons learned from significant capital investments.

While new business cases are now reviewed, capability in applying HM Treasury's Five Case Model is limited in terms of skills and experience. As a result, they lack the required consistency and rigour. This is recognised by the S151 Officer as a priority area to address.

Companies

The council previously operated services via arm's-length companies (Ansa, Orbitas) under a "best fit" commissioning philosophy adopted by the council. Following review, Ansa and Orbitas were brought in-house by April 2025. The financial case for insourcing was clear for delivering services directly and generating savings (£1m one-off, £200k recurring). No current risks are identified.

Use of External Expertise

External advisers (e.g. Arlingclose, Sanderson Weatherall) support decision-making. While appropriate, the council must retain sufficient internal expertise to act as an informed and challenging client, ensure that the advice received is subject to proper scrutiny, and avoid over-reliance rather than building in-house capability.

Adequacy of Internal Processes and best practice

Treasury, reserves, and capital strategies align with CIPFA and statutory requirements, with regular updates through quarterly financial reporting.

The Improvement and Transformation Board has adopted a comprehensive set of investment principles, including a minimum 2:1 ROI, affordability, Five Case Model alignment, staged funding, and accountability for benefits. Business cases must be proportionate but rigorous, aligned to HM Treasury's Five Case Model, with savings adjusted for optimism bias and tested through sensitivity analysis. Funding is released through stage gates against agreed milestones rather than committed in full at approval, and every approved benefit must have a named business owner, a measurable target and a route for reflection in service budgets. The Board retains the authority to stop, pause or redirect funding where schemes are not delivering. These investment principles provide a strong framework if applied with consistency and discipline.

Financial sustainability is central to the council's ambitions but challenged. Benchmarking (CIPFA, LG Improve) shows weak resilience and balance sheet strength. The DSG deficit is significant, with reliance on a temporary statutory override to 2027–28 posing future risk.

The last Section 25 statement from the S151 officer has been prepared in compliance with CIPFA's Practice Oversight Panel Advisory Note 6: The Section 25 Notice – Additional Support, published on 10 December 2025.

The council has updated its Financial Procedure Rules and Contract Procedure Rules. These require ongoing training and adherence for finance staff and budget-holders to ensure that the rules are understood, embedded in day-to-day practice and consistently applied across the organisation.

Compliance with the CIPFA Financial Management Code is maintained through self-assessment and monitoring, though improvements depend on effective delivery. Enhancements include a disclosure checklist and a consolidated Financial Leadership Improvement Plan (FLIP) as a single thematic framework to respond to findings from external reviews. We would observe that this type of self-assessment is by its nature evolutionary, and its value will be determined by the extent to which the identified actions are delivered with pace and rigour rather than allowed to sit as aspirations on a plan. The improvement actions flowing from the Financial Management Code assessment are incorporated within this plan. This is a sensible approach that avoids the fragmentation of improvement activity across multiple workstreams. The test, as with so much of the council's recovery agenda, will be in the consistency and discipline of its execution.

Minimum Revenue Provision (MRP)

The council's Minimum Revenue Provision (MRP) guidance is updated annually through the MTFS, with any changes approved as part of the recommendations accompanying the MTFS. During 2024-25, Arlingclose Limited completed a balance sheet review and the accounting policy for the calculation of MRP was updated with effect from 1 April 2024. This brought the council into line with the latest CIPFA guidance and ensured that the actual cost of borrowing is more accurately recognised over the useful life of an asset.

End-of-Year Accounts and Controls

The 2024–25 audit revealed significant weaknesses in controls, capacity, and financial reporting. Accounts were published late, with missing working papers and material errors requiring correction. Key issues included weak reconciliations, incomplete records, and poor lease and asset accounting.

Capacity constraints limited audit support. They were so acute that this led the auditors to classify this as a management-imposed limitation of scope. Nine control deficiencies were identified, alongside six significant weaknesses in value-for-money arrangements.

Overall, the finance function is engaged but lacks capacity, systems and embedded controls to deliver reliable, timely reporting. Improvement efforts have begun, but closing the gap will require sustained investment and demonstrable progress.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
. 15. That there is insufficient linkage between the Capital Strategy, Investment Strategy, the asset register, the MTFS and the wider financial recovery plan (in that the asset portfolio is under-developed and out of date). This includes the risk of over exposure to retail commercial property investments,	**High - 9**	15a: That the council demonstrates how the Capital Strategy is actively used to inform capital investment decisions, with evidence of how it has shaped specific decisions during the current and previous financial years. 15b: That the council clearly articulates the linkages between the Capital Strategy,

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
particularly with one high value property lease due to expire in 2029		Investment Strategy, the asset register, the MTFS and the wider financial recovery plan, ensuring that capital commitments are demonstrably affordable and aligned to strategic priorities.
16. That this year's end of year accounts process and the ability of the external auditors to undertake their professional role are de-railed through the council's lack of preparedness and due diligence.	**High - 9**	16a: That the S151 ensures that the working papers to support the end of year accounts are complete and reliable. 16b: That the S151 ensures that this year's closure of accounts including sufficient support to the external auditor's recommendations is given higher priority and that weaknesses identified in the Audit Planning Report are given the attention they deserve. Within 3 months
17. Lack of forecast finance information (balance sheet) may be restricting the financial assurance and control	**High - 6**	17: Begin forecasting and balance sheet as part of financial monitoring processes. This should be undertaken on a quarterly basis alongside monthly budget monitoring reporting and progress in the delivery of savings. Immediate
18. That the Finance group are not sufficiently staffed with the personnel that have the appropriate level of skills and competencies to manage the end of year accounts and accounts closure processes	**High - 6**	18: That the council sets out how internal officer capacity is being developed to ensure that the reliance on external advisory support is balanced by sufficient in-house expertise to own, challenge and apply the advice received.

3.3 Review Area 3: SERVICE REFORM, DELIVERY AND TRANSFORMATION

Several services remain high cost compared with statistical neighbours, including Highways and Transport, Cultural and Planning services, Adult Learning, Learning Disability services, Sure Start and Early Years, and Housing Benefit administration.

Adults and Children’s Services, together accounting for around two-thirds of the revenue budget --- show strong leadership and credible improvement and transformation programmes aligned to best practice, with a ‘Good’ CQC rating in Adults’ Services and a refreshed, outcome-focused improvement plan in children’s services, although SEND pressures and the large DSG deficit remain critical risks. By contrast, the Place directorate, despite its scale, lacks a coherent strategic vision, sufficient transformation activity, and robust business case discipline, limiting its contribution to financial sustainability and income generation.

Overall, there is clear progress in Adults and Children’s Services supported by stronger leadership, data capability and transformation governance. However, there is uneven delivery maturity, particularly in Place, and weaknesses in cost control, benchmarking use and benefits realisation mean that significant further work is required to reduce costs and support the council’s move away from EFS.

The following sections outline the basis of this assessment in more depth.

a) *The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.*

Key findings and analysis

Benchmarking

Cost benchmarking was undertaken using multiple sources, including a local comparison of support service costs among Society of County Treasurers members, the 2024-25 Revenue Outturn data provided by Grant Thornton, and 2025-26 cost projections based on revenue expenditure plans submitted through RA Forms and analysed by Local Government Futures. The resulting analysis has been benchmarked against Statistical Nearest Neighbours. Some unit costs are higher that statistical neighbours (see below). The council is improving its awareness in this area from a poor start point.

Areas such as Highways & Transport, Cultural and Related and Planning & Development services rank as high-cost areas when compared to statistical neighbours (source: LG Futures Financial Intelligence Toolkit) at a high-level service comparison. With regard to specific services Adult Learning, Younger Adults with Learning Disabilities are high cost. Commissioning and Service Delivery are also high cost. In Children's Services, Sure Start & Early Years are very high compared to comparator councils (£159 versus £96) - a 65% difference from statistical neighbour average. Housing Benefit Administration is another outlier with the council delivering a unit cost of £435 compared to £186 (nearest statistical average) making it the second highest amongst 16 with a 134% difference.

In 2024-25 the weekly unit cost for nursing care for 65+ age group was higher than the nearest neighbour average. Weekly unit cost of residential care (18-64) was higher than the nearest neighbour average, but 65+ residential care weekly unit costs was significantly lower.

The council is currently developing a Data Strategy, including a data maturity assessment, between the Strategy, Policy and Performance and IT teams. There is more work to do, but this is a step in the right direction to provide service departments with further data analysis tools and metrics to monitor and compare performance.

Coupled with a long history of not having to address sizeable change or service redesign projects in the council, there are staff skills to be developed. These include a 'professional curiosity' and adaptability around the ability to be curious, to ask open questions, constructively challenge, and make suggestions to drive change and continuous improvement.

Adults and Children's Services represent 67% of the 2026-27 revenue budget. These will be covered individually below, followed by the Place directorate.

Adult Health and Integration

Cheshire East Adult Social Care received a CQC inspection rating of "Good" in May 2025 with evidence demonstrating that people are happy with the care and support they received from Cheshire East Council.

The Executive Director Adults, Health and Integration is highly experienced and the longest serving member of CLT at over four years. She has a very clear vision to further develop the services, providing strong leadership to Adults, Health and Integration directorate. There is a well-shaped plan within the council's Transformation and Improvement Plan.

The Executive Director is currently Acting Chief Executive Officer (CEO), with no backfill to her Executive Director responsibilities. People have consistently commented on her calm, clear vision, presence and gravitas in the Acting CEO role. However, the dual responsibility, with no backfill represents a sizeable risk for the organisation and is a significant concern.

The service has completed a foundational piece of work to identify where they can bring back costs for commissioned care and complete a service redesign focused on the Prevent, Reduce and Enable (PRE) principles. The whole programme will be 18 to 24 months duration.

External scrutiny is effectively being deployed to test assumptions and progress. The Executive Director brought in an experienced former director of Adult Services, who had previously worked with CIPFA, to do a peer review about the 2026-27 proposals and MTFS.

The Executive Director of Adults, Health and Integration and her management team have a strong clarity of focus around:
- Maintaining business as usual
- Delivering the medium-term financial strategy, and
- Delivering service transformation savings.

Overall, it is clear there is an ongoing programme of improvement and transformation work to deliver more efficient and effective services, with associated strong leadership from the Executive Director Adults, Health and Integration.

Children’s Services

Children’s social care

Children’s Services have a legacy of a 15-year history of being rated ‘Requires Improvement’ or ‘Inadequate’ by Ofsted. The service therefore has not had a clear idea of what ‘Good’ services look and feel like. The service is under ongoing external scrutiny through the Department for Education (DfE) and the Local Government Association advisers with an improvement panel examining and supporting the plan to improve services. This will be in place until the Secretary of State is satisfied that this is no longer required.

The service received a DfE Secretary of State Improvement Notice on 25 July 2024, following significant concerns highlighted by the publication of Ofsted’s inspection report of the council’s Children’s Social Care Services, published 16 May 2024 rating the service as ‘Inadequate’. Following this judgement, there were further leadership changes. The current Executive Director of Children’s Services commenced their role end May 2025.

The leadership churn had created an environment of instability. Coupled with this the service historically experienced a lack of corporate and political support, a lack of investment and understanding of the service, and drivers of demand. It is anticipated that this is a two-year journey with an anticipated full reinspection in Autumn 2027 being the target.

Children’s Services forms a specialist focused strand of the Cheshire East Improvement and Transformation Plan with a second, refreshed, version approved for April 2026 to March 2028. The work is complex and incorporates the areas identified within the Ofsted report of May 2024, as well as recommendations made by the Improvement Adviser from the DfE. It states that ‘The new plan is structured under their three priorities for Children’s services:

- Quality of practice
- Delivering great outcomes for children and families
- Stable and happy workforce.

These are underpinned by practice standards and a restorative practice model. The outcomes in the plan have been mapped against the outcomes and enablers in the Children’s Social Care National Framework’.

The new plan includes how Cheshire East Children’s services are implementing the national Families First Partnership reforms, which must be implemented by 31 March 2027, with a summary plan appended dated February 2026.

From our conversations with the Executive Director of Children’s Services, it is clear that she has a strong vision for the future of the service, working collaboratively with her whole service. Some aspects of the work are focused on improvement work to get them right, others are about transformation to enable the service to flourish, including an end-to-end service redesign from the bottom upwards, and the Edge of Care Strategy.

The Executive Director of Resources, working with the Executive Director of Children’s Services and the DfE Improvement Panel, has reprofiled savings to create a more realistic plan aligned to the Corporate Improvement and Transformation Delivery Plan and the Capital Programme, while recognising the need for targeted investment to achieve a ‘good’ standard.

The savings loaded were overly ambitious for the year in which they were loaded given the challenges within the service, hence the reprofiling. The previous plan was transactional; it is now aligned to the National Social Care Framework, focusing on outcomes, quality of practice, and a clear “golden thread” across improvement activity rather than disconnected initiatives.

It was recognised that to develop the service to move beyond ‘Inadequate’ budget growth was required. The service budget grew from £88.6 million in 2024-25 to £97.3m in 2025-26, and to £108.7 million in 2026-27.

A workforce plan, previously absent, has now been developed with the People Directorate. Strong emphasis has been placed on culture and trust, with leadership investing time in visibility, engagement and rebuilding relationships across staff and Members, addressing wider organisational challenges linked to past leadership instability.

Progress is monitored internally and through an independently chaired Impact and Improvement Board. The refreshed plan is outcome-focused, with clear actions, responsibilities, timelines and evaluation measures, though most actions remain in progress. The next 12–18 months are critical as services prepare for re-inspection, with transformation aligned to the Families First Partnership programme to promote early intervention and reduce demand.

SEND remains a major pressure. Following significant weaknesses identified in 2018, sufficient progress was noted in 2021, but demand for Education, Health and Care Plans (EHCPs) continues to rise sharply (31% increase from 2023 to 2026). Capacity constraints, particularly in Educational Psychology, persist. Parent confidence is low, and the council is working to improve inclusion and mainstream provision through an Inclusion Strategy and locality-based support models.

Historically, insufficient local SEND provision has driven reliance on costly external placements. A refreshed SEND sufficiency approach is in development, though timelines remain unclear. This will inform the forthcoming SEND Local Area Plan required by June 2026, aligned with national reforms.

Financial pressures are significant. The DSG deficit stands at £156.596m, the second highest nationally. While grant funding will cover 90% in 2026–27, the S151 , as mentioned elsewhere in this report, has given assurance that the council has adequate general and earmarked reserves to cover this deficit at 31 March 2026. Additionally, the MTFS does start to build back reserves over the length of the MTFS (to 2030) and the current budgeting process for 2027-28 will continue to build reserves to mitigate unforeseen financial pressures.

Overall, Children’s Services are progressing through a complex improvement journey. Leadership appears stronger, supported by corporate functions - now with the essential wrap-around support from the rest of the council support service areas, particularly the Executive Director of Resources. In summary, there is an improved focus on demand-led cost drivers across social care, education and SEND.

Place

Place accounts for around a third of council staff (c.1,167, excluding schools), 22.7% of revenue spend and over 80% of the capital budget, yet shows a clear shortfall in improvement and transformation activity compared to other directorates.

The service has experienced significant leadership churn. At the time of review, the interim Executive Director of Place had been in post for three weeks and was undertaking a six-week diagnostic. Engagement was positive and information was shared, but the directorate currently lacks strategic vision, cohesion and a clear contribution to the wider improvement and transformation plan.

The Cheshire and Warrington Combined Authority, established in February 2026, will assume responsibility for strategic transport, presenting potential opportunities. Some improvements have been delivered, including insourcing ANSA and Orbitas following a 2023–24 review, driven by financial pressures. Tatton Park Enterprises remains the only wholly owned company.

Vacancy management has been used to control costs but has gone too far, impacting capacity and service delivery, particularly at senior levels. Business cases reviewed lacked detail and robust analysis, highlighting a need for stronger capability and training.

Some service changes have delivered efficiencies, including library restructures, reduced hours supported by partnerships, and a green spaces review generating savings. The leisure contract ending in 2029 also presents future opportunities.

However, improvement activity remains piecemeal, with limited representation in the Corporate Improvement and Transformation Plan. Current priorities include the Corporate Landlord Strategy, Tatton Park's future model, and a re-scoped contract management project.

Overall, the Place directorate is behind in strategic clarity, cost management and transformation delivery. Planned recruitment to senior roles should improve capacity and stability to drive progress. The review team feel this is an urgent area to address to support the journey to financial sustainability for the council.

Risks and Recommendations

None

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
19. Moving away from the whole council wrap-around support now in place for Children's services significant change journey. They are subject to regular external scrutiny and advice to respond to the Ofsted Inadequate judgement from 2024, and whole council support is essential for continued progress for the service.	**High - 9**	19: Protect the focus on council wrap around support for Children's Services to enable the improvement and transformation journey to continue and sustain beyond the initial focus on moving beyond 'inadequate' on the journey to a 'Good' rating. **Ongoing**

b) Assessment of the extent to which the council's service delivery model particularly in Adults, Health and Integration and Children's Services areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.

Key findings and analysis

Children's Services

As set out above within section 3.3a there is a full programme of work, with many moving parts, within the refreshed Children's Services Improvement Plan April 2026-March 2028. This is aligned to the requirements from Ofsted and the respective judgements and oversight, and to the requisite national Families First reform agenda. A full end-to-end service review is in the process of being completed. The positive corporate wrap-around support now in place has been beneficial and is key to underpinning continued progress.

Further work is required around EHCP volumes and area support, particularly focused around the backlog with Education Psychology capacity, which is recognised by the Executive Director. A separate review to explore options for the future is planned.

Adults Health and Integration

Regardless of being judged to have 'good' services there is a clear focus on continued improvement and transformation of services to improve outcomes for Adults across Cheshire East align to best practice and service efficiency and effectiveness. There is a planned end-to-end service review for the directorate which is likely to drive further service efficiency and effectiveness.

Place

The Place directorate lacks a coherent strategic plan to deliver its role within the council's improvement and transformation agenda. Despite hosting many statutory services, there is no clear focus on reducing its overall cost base or contributing to financial sustainability, and no defined income generation targets. Service reviews appear to prioritise equity without sufficient consideration of need or deprivation across the area. Benchmarking also shows several services, such as Highways & Transport, Cultural and Related, and Planning & Development, as high cost compared to peers, indicating further scope to improve efficiency and value.

Overall summary

The review found strong alignment with best practice in Children's and Adults, Health and Integration, supported by clear transformation programmes, strong leadership and direction, and backing from the S151. In contrast, the Place directorate needs to further develop a clear strategic vision for its improvement and transformation.

There are also concerns about sustainability, as the Executive Director of Adults, Health and Integration is covering additional senior roles alongside the substantive post, limiting capacity.

Within Place, leadership churn, vacancies and interim arrangements have constrained progress. Recruitment to three senior roles is expected to improve capacity and stability, enabling the directorate to better support the council's overall transformation and financial recovery.

Risks and Recommendations

No new risks or recommendations
Cross reference to risks stated above: 9, 10, 11, 19, and 28.

c) Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

Key findings and analysis

The council's Corporate Improvement and Transformation Plan is a key mechanism for delivering financial savings and cultural change. First developed in 2024 and refreshed for the 2026–27 budget, early work supported by external consultants attracted some scepticism from officers and members regarding its value for money, which the council should reflect on.

The Corporate Policy Committee agenda item 7 'Corporate Improvement and Transformation Delivery Plan 2025-27 - Progress Update' presented 19 March 2026 (and responding to the Transformation Notice of Motion referred of the Committee from Full Council in February 2026) was excessively lengthy and lacked a clear, practical delivery framework. While summaries of priorities existed, there was no coherent programme or project-level view, limited visibility of value, risk, prioritisation or delivery timelines, and weak performance tracking. Quarterly reporting was insufficient given the pace required, and risk ratings were overly optimistic, understating the council's position.

This had been recognised by the council and from April 2026, there was a fully updated Improvement and Transformation Plan developed, which was reported to the Corporate Improvement and Transformation Delivery (CI&TD) Board, with clear governance and monthly oversight. This was subject to scrutiny through the Local Government Association (LGA) Assurance Panel process before being formally launched. It was recognised that the previous lengthy document presented to formal committees in February and March 2026 was trying to be "all things to all people" and not therefore providing targeted strategic information on progress. The meeting on 29 April 2026 received a new and improved suite of performance reporting for the Improvement and Transformation Delivery Plan tracker and associated six Highlight Report.

The updated Improvement and Transformation plan focuses on four priorities—financial sustainability, governance, leadership and culture, and Children's Services—supported by six programme areas, each reporting monthly progress and savings.

There is no overall project and programme management system in place, the above are all spreadsheets which can be more prone to human error.

Additional tools include a transformation handbook, a raft of tools and templates, a new (February 2026) Cheshire East 7 step benchmarking tool that is evolving, performance data, and structured reporting and updating end-to-end processes. Stronger investment principles now require 2:1 return on investment (ROI), alignment to the MTFS, full affordability, and staged funding, with clear accountability for delivery and benefits.

The Transformation and Improvement team (16 staff plus leadership) is led by an experienced, capable interim Head of Transformation and Improvement. They described their team as having “a good solid understanding of the project management process.” The Head of Service identified the development here consists of moving the team to be able to operate more strategically at portfolio level, and the biggest barrier being capacity. There is an urgent need to strengthen capacity as this is a key constraint to organisation success. Plans to embed staff within directorates and restructure the team aim to address this. Recruitment to a permanent Head of Transformation and Improvement leadership role is critical and underway, along with boosting capacity within the team. The wrong appointment could jeopardise progress in this core strategy to manage the journey to financial sustainability, linked to ownership and accountability for transformation and improvement across the council.

While programme management is improving, key gaps remain, particularly around defining the critical path and overall programme visibility, posing delivery risks. The Place directorate requires further development, though additional support is now in place.

Gateway reviews are beginning to yield more meaningful insight and learning, which is a positive development, but there is considerably more work to be done on the maturity of portfolio and programme management across the council, whether in relation to the capital programme or transformation activity. Strengthening this discipline will be essential if the council is to deliver change at the pace and scale its financial position demands.

Overall, progress is evident, but the programme remains at a pivotal stage. The review team feel that strengthening programme discipline, risk realism, leadership capacity and organisation-wide change capability will be essential to deliver at the scale and pace required and is urgently required given this is the underpinning mechanism to support the journey to financial sustainability.

Ri*sks and Recommendations*

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
20. Compromised Project Management Office (PMO) function to hold the organisation to account due to insufficient capacity, and clarity of roles and responsibilities, within the Corporate Improvement and Transformation team to drive and manage progress sufficiently across the council.	**High - 6**	20: Regular item on Corporate Improvement and Transformation Delivery (CI&TD) Board, redesign forthcoming to build more capacity and fill vacancies. The work to complete the Transformation and Improvement Team structure, capacity and roles and responsibilities is critical to underpin the work the team does within the council to effectively manage and monitor the corporate improvement and transformation plan. **Within 3 months.**
21. Lack of awareness of the overall critical path and strategic portfolio management of the whole council Improvement and Transformation activity represents a significant risk	**High - 9**	21: Plans in place to develop critical path, impact of deviations or slippage and strategic portfolio overview and management. Monitoring and accountability through CI&TD Board.

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
that could derail the overall programme and key deliverables.		Within 3 months.
22. The volume of moving parts becomes unmanageable with either non-delivery of some aspects or bottlenecks due to a lack of capacity resulting in an inability to deliver the required savings to time, cost and quality requirements.	**High - 9**	22: That the council ensures that it has one coherent plan for delivery and that those vested with the responsibility for change projects have sufficient experience. Within 3 months
23. Embedding effective project and change management capability effectively throughout the organisation, when it is not used to working with change initiatives, the pace of change, nor with this order of volume of change.	**Medium - 4**	23a: Develop a training and support for project and programme management, as necessary, across the organisation to build change capability and understanding, and help mitigate resistance to change amongst pockets of staff across the council. 23b: Ensure that mechanisms are put in place to manage the readiness of change, the conditions for change and to monitor change fatigue. Within 6 months.

d) A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

Key findings and analysis

Through the Financial Leadership and Improvement Plan (FLIP), the council is strengthening financial skills and behaviours across services. Members continue to receive training on financial matters, including how to exercise their decision making and political oversight responsibilities effectively under the incoming cabinet system. There was specific Money Matters finance training delivered by the Local Government Association in March 2026 for elected members. A significant number of staff have undertaken finance training during 2025, along with specific budget manager and finance systems training in March 2026. A standard business case format has also been introduced to improve structure and rigour.

However, as noted elsewhere in this report, embedding genuine financial literacy and discipline across a large and complex organisation is not a quick undertaking. It will take time. While leadership is setting the right direction, it is not yet clear whether this is fully understood or consistently applied across all staff. The required cultural shift extends beyond training and will depend on everyday decision-making by managers and budget holders.

Service plans show some alignment with overall financial targets, which is encouraging, but gaps remain where plans are underdeveloped and links between local activity and financial recovery are unclear.

The Digital team is reviewing its service plans through their change programme called 'Project Gemini', which is a positive sign of intent. If this is delivered to the required standard, it should provide a stronger planning and accountability framework for one of the council's most operationally critical functions. This will require close oversight by the senior leadership team as a key organisational enabler.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
24. There is a risk that service plans across the organisation vary significantly in quality and financial rigour, to the point where they become meaningless as tools for driving the financial sustainability and transformation outcomes the council needs to achieve	High - 6	24: The council should establish and mandate a clear standard format for service plans, ensuring consistency of approach across all directorates. Any service plans not yet completed for the current financial year should be finalised to the required standard of accuracy, quality and financial rigour as soon as possible (The council is moving to calling these business plans in the future).

e) A consideration of the effectiveness of the chosen approach in delivering services (i.e in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Key findings and analysis

Procurement

The procurement function, in our view, is well led, with a confident and credible service lead and a small team of category managers acting as business partners to directorates. This dual role works effectively, providing practical support across the procurement cycle with professional line management from the Head of Procurement.

The team operates with a clear service plan, linked to performance appraisals, and effective contract management framework and processes which the review team felt was fit for purpose. They use dashboards, which support commissioning and evaluation, and provide training. Procurement card compliance is strong at 95%, and updated procedures and forward planning have improved governance and member oversight.

Current line of business systems, such as Proactis and Atamis, are being replaced with a more integrated solution to improve spend tracking and analytics. Around 1,800 contracts are currently managed, with stronger focus on monitoring third-party spend and identifying savings as part of the wider transformation agenda, with services being actively supported and challenged to identify further savings in their areas.

Digital and Information Technology

A further significant aspect of the council's service delivery evolution concerns its IT and digital infrastructure. The council has made significant progress in bringing IT and digital services back in-house following legacy shared arrangements from LGR in 2009 using a shared Oracle infrastructure. Full separation is expected by July 2026, improving autonomy and supporting transformation, alongside a £1.2m in saving that the team are working to achieve. This transition must be carefully managed to ensure continuity.

This is a significant achievement and one that should, once fully concluded, give the council the autonomy and agility it needs to align its digital infrastructure more closely with its transformation agenda.

While insourcing is financially justified, it introduces risks if inefficiencies are not addressed. The council needs a detailed financial review of insourced services to understand costs, liabilities and expected efficiencies, and to ensure effective integration with wider operations.

Everybody Health and Leisure remains external and its value and performance should be regularly reviewed ahead of the 2029 contract expiry.

Overall, the council's move towards greater direct control is appropriate, but success will depend on whether services become more efficient, effective and aligned to outcomes. This is not yet fully demonstrated and will need close oversight from the senior leadership team.

Risks and Recommendations

None

f) Additional points for service specific issues in this authority as required

Key findings and analysis

A small sample of business cases reviewed showed wide variation in quality. Some were high-level, while others followed HM Treasury Green Book standards. Although the more detailed cases were structurally sound, common weaknesses were evident.

Options appraisal was limited, with little evidence of rigorous evaluation of alternatives. Costs and benefits were typically presented only at a high level -- sometimes without figures -- and lacked detail on how benefits would be measured and tracked over time. Strengthening benefits realisation will be essential as the transformation programme develops.

There is a clear risk that key elements -- such as inflation, full option analysis, and robust benefits tracking -- are not being adequately addressed. Recommendations focus on improving the quality and rigour of business case development.

3.4 Review Area 4: GOVERNANCE, CULTURE AND LEADERSHIP

The current governance landscape remains overly complex, with a proliferation of boards and overlapping responsibilities that risk diluting accountability, slowing delivery and absorbing scarce organisational capacity at a critical point in the council's recovery. However, the council is preparing positively for its transition from a committee system to a cabinet model in May 2026, with member engagement, training and governance planning underway, and a shared expectation that the change will improve transparency, strengthen scrutiny and speed up decision-making.

While senior leadership has improved financial openness, strategic intent and member involvement, - particularly since the arrival of the new S151, delivery risks remain significant due to leadership instability, weak performance management, underdeveloped transformation planning, patchy financial literacy, and uneven organisational ownership below senior levels. Although staff commitment and leadership intent are encouraging, the council must now simplify governance, strengthen performance and benefits tracking, stabilise leadership capacity and embed financial and cultural discipline across the organisation if its recovery and transformation ambitions are to be delivered credibly and at pace.

The following sections outline the basis of this assessment in more depth.

a) The adequacy of the local authority's decision-making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

Key findings and analysis

The council is transitioning from a committee system to a cabinet model in May 2026 and appears well prepared, supported through a task group and member training. Members are broadly positive, expecting improved oversight, faster decision-making and greater transparency, addressing previous concerns about limited scrutiny and opaque officer-led decisions. Improved tracking of Officer Decision Records is a positive step, alongside expectations that scrutiny will strengthen.

Since the arrival of the S151, budget-setting has improved, with members feeling more engaged and aware of financial challenges. There is recognition that further savings and genuine transformation are required, including reshaping services to reflect affordability rather than maintaining unsustainable 'gold' standards.

However, the council operates a complex network of boards and forums, making roles and relationships unclear. Overlapping functions -- for example across financial management, workforce and spend control -- highlight duplication. Excessive governance diffuses accountability for decision-making, creates a self-sustaining industry of progress tracking and reporting, and perhaps most critically, consumes the organisational capacity that should be directed towards delivery.

A simplified governance structure is needed through a deliberate and honest review to clarify accountability, streamline decision-making, and enable the organisation to free up time and energy of finite staff resources and capacity to focus on transformation and financial recovery.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
25. Retaining 'gold standard' levels of service delivery, rather than addressing the need to cut back or stop some services provided that are no longer affordable for the council	High - 6	25: The council needs to develop a more sophisticated and informed approach to value for money through measures including benchmarking etc as set out in this report. Senior officers will need to be prepared to have difficult conversations with Members. Within 6 months and part of the ongoing work related to service redesign This forms part of the budget setting process for 2027-28 which will be commencing imminently.

b) The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.

Key findings and analysis

There is now a routine monthly cycle of weekly officer meetings driving the strategic direction for the local authority, as explained by the Interim Assistant Chief Executive. These cycle between business corporate leadership team (CLT); corporate management board (budget, performance and risk); strategic CLT (for example combined authority and devolution); and the Corporate Improvement and Transformation Board.

There has been no council-wide performance management framework in place, although the development of measures has been ongoing since March 2025. As such there has been no effective review and monitoring and management of council performance internally or comparison to other near neighbours. Additionally, there has been a lack of strategic horizon scanning to look ahead, plan for, mitigate and manage anticipated pressures, risks, opportunities, and changes in the landscape.

The Head of Strategy, Policy and Performance started their role in June 2025. They are clearly very capable and are in the process of implementing whole council change of approach working collaboratively with key finance, transformation, people and risk colleagues.

A new Strategic Performance Management Framework is being presented to Cabinet in July 2026 with the first quarterly reporting due September 2026. This clearly demonstrates the desire to develop the 'golden thread' through performance reporting from the strategic framework, through departmental business planning and objective setting, down to individual performance appraisals. There is also alignment with budget setting.

There will need to be associated training, support, monitoring and management in place for this to be effectively adopted and embedded throughout the council to drive up performance and motivation aligned to the corporate direction. This is particularly relevant given the very low performance appraisal completion rates evidenced for 2024-25 and 2025-26 at 25%.

The MTFS, together with the S151 Officer's Section 25 statement and the council's corporate plan, collectively provide clear evidence of how the council intends to manage its affairs over the coming years. The Section 25 statement is well written and articulates the key conditions for change with clarity, whilst also being frank about the significant financial risks the council faces, not least its perilously low level of reserves. There is, therefore, a coherent and credible set of plans at the highest level. However, we have concerns that the transformation plan is not as well positioned as it needs to be and does not integrate or align sufficiently closely with the MTFS. This is a gap that needs to be addressed.

The council acknowledges, by its own admission, that it understands what needs to be done to recover and to reduce its reliance on Exceptional Financial Support in future years. There are a number of fault lines across the council that could impede progress if not addressed. These include:

- **Children's Services** was rated inadequate by Ofsted, and whilst recent monitoring visits have shown signs of improvement, and there is a stronger direction of travel, SEND provision remains a significant pressure, with the volume of EHCPs continuing to rise with significant capacity constraints.
- **Council-owned companies** have recently been brought back in-house and require forensic financial review and harmonisation with existing in-house services to ensure a joined-up service delivery and the realisation of further efficiencies.
- **Place** lacks strategic direction and prioritisation. It is a large and complex directorate with an established culture that may find adapting to the pace and nature of change particularly challenging.
- **The Dedicated Schools Grant deficit** remains a serious concern. The council currently carries the second highest deficit in the country, a position that continues to place considerable strain on the overall financial picture, even with the Government announcement write off of 90% from 2027-28.
- **There is little evidence of the impact of the original transformation partner** engaged to support the council's recovery, nor of the skills and capability they transferred to in-house staff, along with questions regarding the lasting value of the investment.
- **The finance system** is cumbersome and does not generate financial information at the level of detail or accessibility required to support effective decision-making.

- **Financial and commercial literacy** across the council remains patchy with the overall level of competency being considered low. Recent training involving approximately 130 budget holders is a positive step to build upon.
- **Building and retaining staff buy-in and support with staff who are unaccustomed to change and redesign work, and never at the level and pace now required**. This could result in increased absence and burnout, impacting on the on the ability to deliver the programme on top of business as usual.
- **Developing collaborative behaviours across the council** – focusing on treating staff well and serving residents within the volume of change learning from past approaches.
- **Understanding and ownership beneath Head of Service level across the council:** whilst it is understood that there is good understanding and engagement within Executive Director, Director and Head of Service level there is more work to do to bring the whole organisation on the journey to financial sustainability, continuous improvement and adaptation to change for the workforce.

Taken together, these fault lines do not diminish the ambition set out in the council's plans, but they do represent a significant delivery risk that requires honest acknowledgement and active management if the council is to achieve the recovery it is working towards.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
26. Unaddressed ‘fault lines’ that could impede progress to moving away from reliance on Exceptional Financial Support if not addressed	**High - 9**	26: Record, monitor and manage the fault lines stated above as part of CLT and the Improvement and Transformation Plan

c) A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

Key findings and analysis

Leadership capacity and stability are significant concerns. Most senior leaders only joined in summer 2025, the Director of Place departed in December 2025 and was only replaced on an interim basis in April 2026, and the Chief Executive has been absent for several months. The Executive Director of Adults, Health and Integration is currently covering the Chief Executive role without backfill, leaving only the S151 Officer as a permanent member of the “golden triangle.” This creates notable leadership fragility across the council.

While new appointments show early promise, it is too soon to judge whether the leadership team is operating effectively or establishing a cohesive culture. Without this, wider organisational culture will remain unsettled. Staff described a legacy of directive, top-down leadership that has not yet been fully addressed, highlighting the need for a credible and inclusive culture change plan.

Members generally trust the new leadership, but some raised concerns about overly ambitious language -- such as "delivering at pace" – not aligning with current delivery evidence. Maintaining credibility will require ensuring that leadership messaging reflects what can realistically be achieved.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
27. Leadership fragility of pivotal roles within the Office driving the governance and accountability of the council. At the time of th review the CEO was on long term sick leave, with the Executive Director of Adults, Health and Integration appointed Acting CEO; an Interim Assistant CEO; Interim Director of Law and Governance (Monitoring Officer); Interim Head of Transformation and Improvement; and Acting Head of Legal Services	**High - 9**	27: Recruiting substantive people into these pivotal roles. The nature of new people commencing the roles could derail the progress made to date so it is imperative care is taken to bring in the right candidates with the experience, resilience and credibility to continue the change journey now underway and steer the council forward with strong governance, accountability and financial assurance. Within 6 months
28. Ineffective 'golden triangle' compromising good administration, finance and ethical governance and accountability within the council. The weight of responsibility is currently falling to the only substantive appointment in the Executive Director of Resources and S151	**High - 9**	28: That the council recruits the key golden triangle roles of Chief Executive Officer and Monitoring Officer (Linked to risks above) within 6 months.

d) A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability to improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Key findings and analysis

Culture and working relationships

The Corporate Leadership Team, political leadership, and all areas of our conversations combined influence this judgement. From conversations to date, it is apparent that there was a historic legacy of mistrust. Persistent leadership churn fostered a culture of disengagement and low morale. That said there is a large cohort of staff, some of whom have worked for the council a long time and believe in its purpose and direction.

This is evidenced through the staff survey 2025 where 86% said they were committed to vision. This is a very positive increase of 24 points from the previous survey in 2023.

There is still work to do to embed an open and honest culture, with only 40% of staff reporting this currently. Recent progress driven by senior leadership is positive, but the challenge is translating this into a sustained and consistent culture of openness, inclusion and trust. Filling six senior roles and stabilising the Chief Executive's Office will be key to maintaining momentum.

The People directorate is supporting this through initiatives such as the council's values framework -- Drive, Integrity, Respect and Collaboration -- and a "values in practice" guide to help managers embed behaviours. Improvements to the appraisal process and efforts to reduce silo working are also underway.

A 2025 service review of the People directorate by Inner Circle Consultancy highlighted inefficiencies in systems and processes, now being addressed through three workstreams: culture and organisational development, service design, and workforce benefits. The interim Director of People, who commenced their role end March 2026 conducted a two-week diagnostic, at the request of the Executive Director of Resources. They are in the process of honing this into distinct 'problem statements' for resolution. They identified key issues and is driving improvements, including simplifying HR processes and introducing more self-service functionality. However, legacy systems, fragmented processes, and past leadership instability have contributed to inefficiencies and a sense of frustration among staff.

Recruitment processes are improving, with early success in reducing pre-employment check delays. However, agency and interim staffing costs remain high, with some roles covered for extended periods (up to 10+ years), particularly in IT. This is not sustainable and requires tighter control and long-term workforce planning, which is in the early stages of development by the interim Director of People.

An ageing workforce (60% over 50) presents further risk, making succession planning and talent development critical. Leadership and management development programmes are in place, but their impact must be tracked. Feedback on HR support is mixed, though improvements are underway and should strengthen service delivery.

Early warning signs

The council's ability to identify early warning signs is still developing. Key gaps include lack of a strategic performance dashboard for CLT, limited visibility of the Improvement and Transformation programme critical path, and inconsistent financial oversight. These are known areas. Planned improvements -- such as a strategic performance framework, stronger financial control, better use of data, and enhanced programme monitoring -- should strengthen this capability if delivered effectively. These represent areas of concern for the review team.

Risks and Recommendations

Key Risk	Risk Rating (see details in Annex 2)	Recommendation (including Timeline)
29. Lack of strategic oversight and dashboard to enable CLT to identify early warning signs and then take appropriate action to address potential failures at the earliest opportunity	**High - 9**	29: Development of overall CLT council wide performance dashboard to highlight early warning signs at the earliest opportunity. Within the next 6 months
30. Service redesign and loss of knowledge and expertise due to the age profile of the workforce and with a smaller future council.	**Medium - 4**	30: Senior leadership development (complete) and management development (commences May 2026) programmes to upskill staff. The impact and learning is taken forward to further develop skills, effect knowledge transfer and talent and succession planning pathways.
31. Lack of controls over agency and interim spend levels	**High - 9**	31: Produce evidence of managing and monitoring tighter controls over agency and interim expenditure, as commenced by the current Interim Director of People

Annex

A1 Required Analysis and Method

Areas for Investigation

- **Quality of financial management and financial processes**

  An assessment of the local authority's financial management and management of risk., covering:

  a. The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

  b. The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

  c. The local authority's approach to financial risk management including identification, management and treatment of risk.

- **Financial sustainability and risk**

  An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (with a view on the sustainability, Value for Money and risk exposure of the local authority in this space). Specific factors have included:

  a. The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

  b. An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back.

  c. An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

  d. An assessment of how the council expects to finance capitalisation (i.e. through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach,

  e. An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

f. A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regard to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

- **Service delivery, reform, and transformation**

  An examination of high-cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice. The specific factors examined have included:

  a. The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

  b. Assessment of the extent to which the council's service delivery model particularly in [NAMED] areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.

  c. Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

  d. A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

  e. A consideration of the effectiveness of the chosen approach in delivering services (i.e in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Additional points for service specific issues in this authority have also been examined, as required.

- **Governance, culture, and leadership**

  An assessment of the local authority's approach to ensuring robust overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the local authority is operating in line with the Nolan Principles and in a way to secure continuous improvement. Factors that have been investigated include:

  a. The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

b. The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.

c. A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

d. A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Methodology

In our approach, we were mindful of the four broad areas for review, and the specific areas of focus, as set out above.

The approach taken comprised the following elements:

Desktop analysis

MHCLG provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed a significant number of documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Annex 3. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness. These are based on analysis undertaken by CIPFA using published data such as the Revenue Account (RA) and Revenue Outturn (RO) forms. Service performance data has been extracted from a wider range of sources including the council's own surveys of residents and staff, and work undertaken by LG Futures.

Interviews

The bulk of the fieldwork comprised of interviews. These provided the invaluable triangulation of our analysis. Council officers, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. Council officers at senior and junior levels, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Annex 4.

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

CIPFA's review team consisted of an experienced finance consultant and relevant technical expertise.

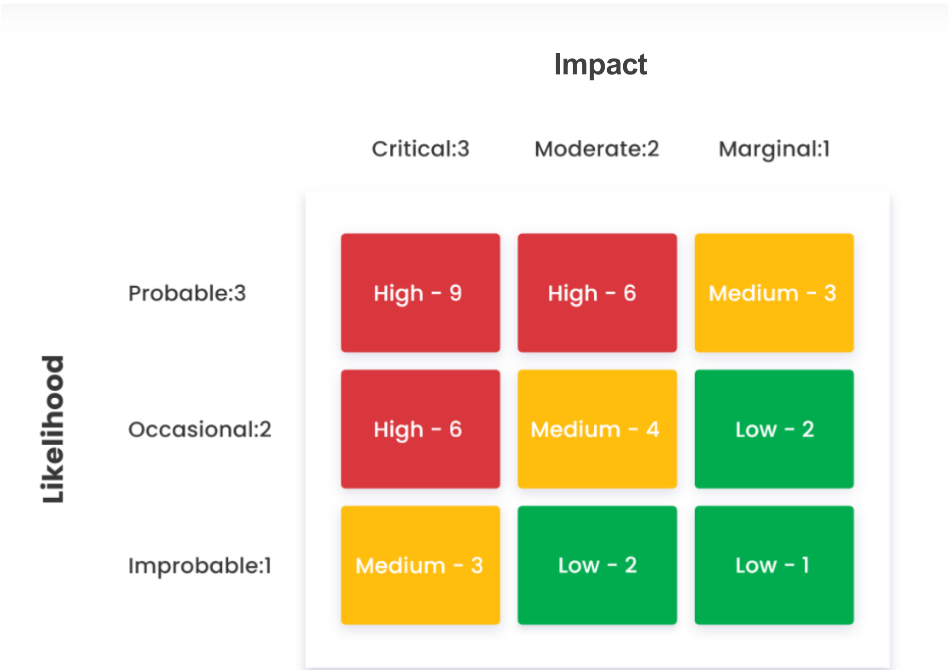
CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for the openness, tact, and honesty in what is a sensitive issue for the council.

Report Structure

The key findings and analysis, together with supporting evidence, are set out under each of the review areas requested (as detailed in the commission). Risks and recommendations are detailed under each of the review areas.

The information and data within this report are accurate as at the time of the initial data gathering and interviews that took place in April 2026, and unless otherwise stated reflect the position at that time.

A2 Risk Assessment – Method



Likelihood:
- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50/50
- Probable – most likely will happen.

Impact:
- Marginal – some minor, possible minor operating difficulties largely contained within the council, some awareness / action may be required by members.
- Moderate – notable financial and operational impact/ losses / costs operating impacts hitting services for some of the community, a significant issue for members to deal with
- Critical – major operating impact/ financial losses / costs requiring subsequent intervention by MHCLG or other 3rd parties, reaches national press interest, major political embarrassment for members.

A3 Summary table of Cheshire East Council Tax rises 2009/10 to 2019/20

The summary table below details the years that the council had options to raise Council Tax and the percentage (or not) that was used or did not increase Council Tax in line with the referendum amount.

Year	Referendum Level	Cheshire East Level
2009/10	None	0.00%
2010/11	None	1.70%
2011/12	None	0.00%
2012/13	None	0.00%
2013/14	1.99%	0.00%
2014/15	1.99%	0.00%
2015/16	1.99%	0.00%
2016/17	3.99%	3.75%
2019/20	3.99%	2.99%

The full table and cumulative financial impacts are held within the EFS application under section 2.5.

A4 Documents Reviewed

External

- Ministry of Housing, Communities and Local Government Cheshire East Council Best Value Notice issued 8 May 2025
- Ofsted Inspection of Cheshire East local authority children's services Inspection dates 26 February 2024 to 8 March 2024
- Local Government Association Cheshire East Council Corporate Peer Challenge Report 25-28 March 2024 Feedback Report
- Improvement Notice issued to Cheshire East Council 24 July 2024 from the Department for Education
- CIPFA Cheshire East Council External Assurance Review August 2024
- Ofsted Care Quality Commission Joint Area SEND Inspection 25 April 2018 (Visit 12-16 March 2018), and revisit inspection report 27 May 2021 (visit 24-27 May 2021)

Resources Directorate: Finance and Procurement

- Medium-Term Financial Strategy 2026-2030, and Budget 2026-27 dated 25 February 2026
- Report of the Chief Financial Officer (S151 Officer) on the robustness of the 2026-27 budget estimates and the adequacy of reserves (Section 25 Statement 2026-27)
- Financial Statement 2025/26 and 2026-27
- Financial Leadership Improvement Plan (FLIP), and update
- Appendix 2 – CIPFA Financial Management Code self-assessment 2023/24-2025/26 (draft)
- CEC Councillor Finance Training March 2026
- CEC Budget Holder Financial Management training March 2026
- CEC Finance Academy Leadership Deck, including training plan and prospectus
- Cheshire East Competency Model Summary
- FPA System Training March 2026
- Officer Decision Records (ODRs) Internal Audit Assurance Report
- Audit and Governance Committee 24 February 2026:
    - Final Annual Governance Statement 2024/25
    - Audit of Accounts 2024/25
    - Final Statement of Accounts 2024/25
- Quarterly financial reporting for each quarter (FR1-FR4) 2025/26
- Resources Team Charter: Service Standard Statement
- Resources Vision April 2026
- Treasury Management and Investment Strategies
- Balance sheet health presentation (September 2025)
- Financial Sustainability Benchmarking – Policy briefing
- Blank business case template
- CEC worked example business case for finance charges
- National House Project investment business case 191125 (final version)
- Capital Board programme slides (8 Jan 2026)
- Capital Board programme notes (8 Jan 2026)
- CEC leaving EFS scenarios
- AR001 aged debt by debt type for FR3 (1 Dec 2025)
- ASC debt working (31 Mar 2026)

- Debt provision for Adult Social Care (final)
- Standard operating policy AR Unit 4 (2025)
- HS2 internal briefing for EFS submission (confidential)
- ODR final report (9 Sept 2025)
- Finance service offer –short term SLT
- Performance management framework and business case planning for DLTs
- Performance management framework and business case planning for WLC
- Contract Management Framework (version 3)
- Contract handover procedure
- Procurement Strategy 2021-2025
- Procurement Service Plan 2025-2026
- Staff structure for procurement (functional view with no names)
- Strategic Risk Register
- Benchmarking Model (version 3)
- CI&TD Board terms of reference (version 1.2, Jan 2026)
- CI&TD forward plan process (April 2026)
- I&T programmes and projects presentation (April 2026)
- LOF Inform metrics (Feb 2026)
- Project lifecycle transformation projects handbook (version 2)

Resources Directorate: People

- Agency Booking and Interim Forecast as at 010526, and corporate spend and Summary, and weekly reports documents
- Business Planning Performance Management Framework April 2026
- CEC People Strategy 2025-2029
- Living our Values Framework (undated)
- Values in Practice Supporting Your Values Conversation (undated)
- Full Staff Survey Findings Final Report 2025-26, and CEC Staff Survey 2025 and infographic
- CLT Report – Individual Performance Review Refresh December 2025
- Manager Performance Objectives 2026-27
- CLT Report – Senior Leadership Programme Development July 2025
- People Service Rapid Review Executive Summary (Inner Circle Consultancy) July 2025
- Recruitment requests 010526
- Refreshed wider leadership community Terms of Reference Final October 2025

Resources Directorate: Digital and Technology

- Digital opportunities longlist
- CE Foster Carer Recruitment business case (first draft)
- CE SARS and FOIs Automation business case (version 4)
- Data FBC CEC version 2
- FTV business case CE SPD (November 2024)
- Internal Audit Plan 2025-26 (updated)
- Internal Audit Plan 2026-27

Chief Executives (Including Improvement and Transformation)

- Cheshire East Plan 2025-2029 including Target Operating Model

- Senior Management structure chart
- Benchmarking model v3
- Corporate Improvement and Transformation Board (CI&TB) Terms of Reference January 2026 v1.2 agreed
- CI&TB Forward Plan Process 30 April 2026
- Corporate Policy Committee 19 March 2026: Corporate Improvement and Transformation Delivery Plan Update
- Improvement and Transformation Activities, Programmes and Projects April 2026
- CI&T Plan Tracker spreadsheet end March 2026
- Local Outcomes Framework Metric Benchmarking statistical neighbour comparisons Feb 2026 England
- Cheshire East Transformation Projects Handbook 2025-2027 (December 2025)
- Performance Management Framework, Business Planning and KPIs: To CMB February 2026

Children's Services
- Children's Services Improvement Plan April 2026-March 2028
- EHCP Mitigations and Forecast
- Proposed Outline of the model for Inclusive Mainstream Practice and Experts At Hand (Inclusion Support Service)
- CEC SEND Sufficiency Position Statement.

Adults, Health and Integration
- Adult Social Care Transformation Programme Highlight Report April 2026
- Debt provision Adult social care

Place
- Place Programme Highlight Report 22042026
- 2022-2025 Asset Management Plan
- 10 August 2022 ANSA Authority Notice of Change: roundabout sponsorship
- November 2023 ANSA Authority Notice of Change Public Conveniences Macclesfield
- June 2024 Wholly Owned Companies Strategic Options Review Outcomes v2
- Acquisitions and Disposal Summary 2025-26 Mid-Year Update
- ASDV Review Closure Report
- Business Case template Tatton 2.0
- CEC Project Closure Report – Delivery of Library Strategy (Final)
- Committee Report - HWRCs Review Next Steps FINAL
- Committee Report - MTFS 93 Libraries Service Review FINAL
- Committee Report - PL6 Libraries Strategy – Implementation
- Leisure Contract Commission Cabinet Report Following CLT
- MTFS 91 Green Spaces Maintenance Review FINAL
- ODR3- Chargeable Garden Waste 26-27 Fees 15 Oct
- Operating Model Review Specification - Tatton Park
- SR15 - Capital Project Management and Delivery Q3 2025-26 v1.0 Draft
- Strategic Leisure Review- Implementation Update V1.1
- Structured Graduate Career Pathway - Highways DC - Business Case
- Tatton Park Business Case Template - new branding version 28 November 2025
- Waste Collection - weekly food waste.

A5 Staff Interviewed

Role
Exec Director of Resources and S151
Director of Finance and Deputy S151
Leader of the Council
Resources Portfolio Holder
Chair of Audit and Governance Committee
Leader of the Conservative Party
Director of Digital
Interim Director of People
Interim Asst Chief Exec
Head of Strategy, Policy and Performance
Interim Director of Law and Governance (Monitoring Officer)
Interim Head of Transformation and Improvement
Head of Audit Risk and Assurance
Head of Procurement
Exec Director Children's Services
Acting CEO and Exec Director Adults, Health and Integration
Interim Exec Director of Place
Director of Growth and Enterprise
Director of Planning and Environment
Head of Major Programme Delivery
Finance Manager – Strategic Finance and Accounting and Treasury Management Lead
Ernst & Young
Arlingclose Limited
Independent DfE Adviser Children’s Services
LGA Improvement Adviser Children’s Services

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