

Committee:	Cabinet
Date:	28 January 2025
Title of Report:	Reconciling Policy, Performance and Resources (RPPR): Draft Council Plan 2025/26, Revenue Budget and Capital Programme
By:	Chief Executive
Purpose of Report:	To ask Cabinet to approve the draft Council Plan, Council Tax levels, Revenue Budget and Capital Programme for recommendation to the County Council.

RECOMMENDATIONS:

Cabinet is recommended to:

- 1. recommend the County Council to:**
 - i) approve in principle the draft Council Plan 2025/26 at Appendix 1 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;**
 - ii) agree to incorporate Climate Emergency Action Plan activities and key performance measures within the Council Plan;**
 - iii) increase Council Tax by 2.99% in 2025/26;**
 - iv) increase the Adult Social Care Precept by 2% in 2025/26;**
 - v) issue precepts to be paid by borough and district councils in accordance with the agreed schedule of instalments at Appendix 5 (Draft);**
 - vi) approve the net Revenue Budget estimate of £579.6m for 2025/26 set out in Appendix 2 (Medium Term Financial Plan) and Appendix 3 (Draft) (Budget Summary) and authorise the Chief Executive, in consultation with the Chief Finance Officer, Leader and Deputy Leader, to make adjustments to the presentation of the Budget Summary to reflect the final settlement and final budget decisions;**
 - vii) agree the Reserves Policy set out in Appendix 6;**
 - viii) approve the Capital Strategy and Programme at Appendix 8;**
 - ix) note progress with the Council Plan and Budget 2024/25 since quarter 2 set out in section 4;**
 - x) note the Medium Term Financial Plan forecast for 2025/26 to 2027/28, set out in Appendix 2;**
 - xi) note the comments of the Chief Finance Officer on budget risks and robustness, as set out in Appendix 6;**
 - xii) note the comments from engagement exercises set out in Appendix 7; and**
 - xiii) note the schedule of fees and charges that have increased above 4% at Appendix 9.**

 - 2. agree to continue lobbying as strongly as possible for sustainable funding to meet the needs of East Sussex residents, using all available avenues.**
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1 Introduction

1.1 The County Council continues to provide vital services that underpin the quality of life for our residents, communities and businesses. Over the last year the Council has continued to deliver a significant positive impact for people across the county despite unprecedented financial challenges. We have been able to invest in extra support for families facing challenges to help them stay together wherever possible, further develop the integration of

community health and social care services, and work with partners to publish the Economic Prosperity Strategy for the county and to create new jobs through business support programmes, all of which benefit our residents and communities. Independent reviews have shone a light on specific areas of work, the positive outcomes achieved by our services, and how they can continue to develop for the future. External assessment has confirmed that the Council continues to provide good value for money, is efficient and well-run. These successes, achieved despite many years of financial and service pressures, reflect the commitment of our staff, the strength of our valued partnerships and our clear focus on priorities based on the evidenced needs of East Sussex communities.

1.2 The past year has also required a robust and challenging response to the most difficult set of financial circumstances the Council has ever experienced. Growth in need and demand for the statutory, demand-led services for vulnerable children and adults which account for around three quarters of our budget, combined with ongoing escalation in costs right across the Council, have significantly increased the expenditure required to maintain core services. This picture reflects national trends following Covid and cost of living shocks to the economy and society, but has been pronounced here in East Sussex.

1.3 The demographic make-up and needs of our population, the nature of the local economy and the steps we have already had to take over many years to respond within limited and reduced resources, combined with funding mechanisms which do not properly reflect the level of need, means the issues are particularly acute locally. East Sussex is ahead of the national ageing population trend, with over a quarter (26.5%) of the county's population aged 65 or over, compared to 18.7% in England and 19.8% regionally. There are pockets of significant deprivation which also impact on demand, with 78,000 of our residents living in areas amongst the top 20% most deprived nationally. The county differs substantially from the wider south east in this respect. East Sussex offers an exceptional natural environment in which to live and work but this also places limitations on the development and infrastructure which support economic growth, prosperity and the related generation of business rates to help fund services. Earnings are below both the national and regional average and the percentage of people who are unemployed is higher in East Sussex than the South East.

1.4 Coupled with the significant needs within the county, we have fewer resources at our disposal than many other county councils. Our overall reserve balances have significantly reduced in recent years, and we have relatively limited assets. Our residents already experience relatively high Council Tax levels as there has been increasing reliance by Government on raising money to fund social care through this route. Business rates income is relatively flat, given the challenges in the local economy. Fundamentally, the national formula used to allocate funding to individual councils is long overdue for reform and does not reflect current local needs, particularly in places like East Sussex, with high demand for social care.

1.5 Increased costs have not been offset by sufficient additional income. Following extensive lobbying by East Sussex County Council (ESCC), with partners and across the local government sector, the Autumn Budget Statement provided some additional funding for local authorities. But it also included measures which further increased our costs, outweighing the support provided. The provisional Local Government Finance Settlement confirmed Government intentions to make significant changes to the way funding is allocated to councils in both the short and longer term, fundamentally shifting the distribution of resources according to a new assessment of needs. The impact of these changes on the Council in the longer term is not yet fully clear, but the outcome will determine the scale of the challenge for the future. Government has also signalled its welcome intention to move towards a more preventative approach to public services, something ESCC has long advocated for, and we await further detail of reforms and funding to support this. We will work hard to influence national decisions in these areas.

1.6 The immediate picture remains stark. Without sufficient national support to meet unavoidable costs in the coming year, and limited ability to raise funds locally, the Council still faces very tough choices in order to continue making the necessary investments to sustain

essential services. The proposed budget for 2025/26 presented in this report is reliant on the delivery of substantial further savings proposals, on top of £140m delivered since 2010, all of which represent hard choices which will impact on local people, our staff and partners. As these savings still do not fully bridge the funding gap further use of our very limited reserves is also required as the only remaining way to balance the books for the coming year. Council Tax would need to increase by over 8% to cover the coming year's gap, and well beyond that in future years, which would require a referendum. The size of the forecast financial gap in the medium term far outstrips remaining reserves. It is essential that national reforms to funding accurately recognise the real need for services in East Sussex, and the true cost of delivering them, if we are to find a sustainable way forward beyond the coming year.

1.7 The latest picture of both current and future pressures must be factored into our planning for the future and our detailed Council Plan which covers what we will do and the specific targets we will use to judge our performance. The Council Plan, revenue budget and capital programme are fully integrated through our robust business planning process, Reconciling Policy, Performance and Resources (RPPR). In the context of significant financial and service delivery challenges it is crucial that we maintain a clear focus on our four priority outcomes and their supporting delivery outcomes in our business planning. In June Cabinet agreed, for planning purposes, some changes to the delivery outcomes to ensure they remain up to date and these have been factored into the plans presented in this report.

1.8 The RPPR process matches available resources with our delivery plans for our priority outcomes so that we direct our spending where it will deliver our priorities most effectively. RPPR also ensures we have the demographic trends and performance information to monitor our progress. The process of planning, through RPPR, for 2025/26 and beyond has translated our full analysis of key trends and pressures into the updated service and financial plans set out in this report.

1.9 Despite taking every step we can, including instituting strict spending and recruitment controls, reprioritising spend, maintaining preventative approaches where they reduce higher level demand where possible, and reviewing and reducing our capital programme to minimise the need for borrowing, a large deficit remains, even after proposing further service reductions. Further use of reserves, on top of the forecast draw for the current year, greatly weakens our ability to protect services against unforeseen risks and to enable service changes. As reserves can only be used once and do not reduce longer term pressure, the deficit is simply deferred to another year. It is an untenable position which carries considerable risk. Further detail on the revenue budget position is provided at section 5.

1.10 The intense strain on resources also means we are not able to invest to the level we would want to in other important areas, such as the roads which support the county's economy and communities and our response to the climate emergency. Without the capacity in the budget to support borrowing to invest for the future, we have been forced to scale back our plans in these and other areas to match only the grant funding we receive. Detail of the revised capital programme is provided at section 8.

1.11 In addition, the budget reflects the continued national reliance on Council Tax to fund ongoing core pressures from rising demand, particularly for social care. Government has extended for a further year the level of Council Tax flexibility and the approach of expecting local authorities to apply an Adult Social Care Precept on bills to provide essential funding for care services. Council Tax now represents around 70% of our net budget. Given the very significant deficit we face in the coming year and beyond, we do need to apply these increases in order to deliver a balanced budget. We have long highlighted to Government that individual authorities' ability to raise Council Tax is unrelated to need for services and is particularly problematic for areas such as East Sussex with high need for social care services, but where capacity for local people to pay more to support these services is limited. We will strongly make this case as Government looks to reform how councils are funded.

1.12 We will also press Government, individually and through our networks and partnerships, to address the fundamentally unsustainable position we face by delivering both increased funding and service reforms which will enable better use of the resources we have. The consequences of funding shortfalls for people, communities and businesses in the county, and for the delivery of national priorities, will be clearly articulated. We will continue to work with partners and seek the support of local MPs in making these arguments to ministers. There is much uncertainty about the medium term in light of the Spending Review and significant planned service, funding and structural reforms. The need for sustainable reform and fair allocation of funding based on need will be key messages from the Council.

1.13 This report sets out:

- key changes to the national and local context since the report to Cabinet on 13 November 2024;
- the draft Council Plan 2025/26 and updated Medium Term Financial Plan (MTFP);
- key updates on performance since quarter 2;
- proposals for the 2025/26 revenue budget, taking account of changes in the financial picture since November and based on an increase in Council Tax of 2.99% and an Adult Social Care Precept of 2%;
- the savings planned for the next year;
- the position in relation to reserves;
- the reviewed and reprofiled capital programme in light of the revenue position; and
- feedback from engagement exercises and equalities impacts.

2 National and Local Context

2.1 Since the last report to Cabinet in November the national policy environment has continued to evolve, with significant announcements which will impact on us locally. Key developments are set out below along with detail of how we are responding:

2.2 **National economic outlook and Government spending plans:** Since the Autumn Budget Statement on 30 October, which was accompanied by new national economic forecasts from The Office for Budget Responsibility (OBR), there have been further developments in the economic outlook. Latest figures showed that the economy unexpectedly shrank by 0.1% in October, driven by declines in construction and production. Inflation, as measured by the Consumer Prices Index (CPI) stood at 2.6% in the year to November 2024, up from 2.3% in October. Rises since September have been driven by higher energy and fuel prices and further increases are expected in the coming months before rates stabilise. The Bank of England cut interest rates by a quarter of one percent to 4.75% in November but indicated that any further reductions were likely to be gradual in order to contain inflation. In line with this approach, and rises in inflation, rates were held at the same level in December.

2.3 The Chancellor launched Phase 2 of the Spending Review on 12 December. This confirmed line-by-line reviews of all expenditure as part of a 'zero-based review' and that the missions and milestones set out in the Prime Minister's Plan for Change would be prioritised. These include: raising living standards; building homes and major infrastructure; addressing NHS waiting lists; neighbourhood policing; giving children the best start in life; and securing home-grown and cleaner energy. Latest indications are that the outcome of the Spending Review will be announced in June. This will set the overall funding trajectory for public services, including local government, for the remainder of the parliament, and is expected to be accompanied by further significant plans for reform.

2.4 **Local government funding:** The provisional Local Government Finance Settlement, received on 18 December, provided the detailed funding picture for local government and was again for one year only. It indicated that Core Spending Power would increase by an average 6.0% for local authorities in England, based on the presumption that all councils will levy the maximum increase in Council Tax. The Council Tax referendum limit was maintained at 3% and the Adult Social Care precept at 2%. The detailed allocation of additional funding announced at the Budget was confirmed, including distribution of a significant proportion of

new or repurposed grant based on formulas related to deprivation. This resulted in East Sussex receiving very limited allocations, despite the high levels of need for services in significant parts of the county. The settlement also confirmed additional funding for social care, but at a level which does not offset additional costs to the care sector of the taxation and pay measures announced at the Budget. Overall funding to compensate local authorities for the direct impact of increased employer national insurance contributions was announced, albeit at a lower level than the LGA's assessment of the impact on councils. The implications of the provisional finance settlement announcements for the Council's MTFP are set out in section 5.

2.5 The settlement was accompanied by the launch of a consultation on local government funding reform. From 2026/27, the Government will change the way councils are funded based on a new assessment of need and resources, building on the framework set out in the previous Government's review of Relative Needs and Resources (originally Fair Funding Review). The consultation focuses on the objectives and principles underpinning reforms and will inform the development of detailed proposals which will be consulted on following the Spending Review and ahead of the provisional multi-year settlement for 2026/27. We welcome the consultation, however the Government's intention to target funding based on deprivation creates risks that redistribution will impact negatively on the Council's future financial position. ESCC will be responding, making the case strongly for a fair and sustainable distribution of funding which reflects the real level of need and available resources in East Sussex.

2.6 **Devolution:** In December the Ministry of Housing, Communities and Local Government (MHCLG) published a Devolution White Paper setting out how Government plans to extend devolution to local government in England. The White Paper included an updated devolution framework detailing the range of powers available to local areas through devolution arrangements linked to different governance models. As anticipated, there continues to be a strong emphasis on the mayoral governance model, with the majority of powers reserved for areas taking up this approach. The document outlines Government's intended approach to devolution geographies, stating that it intends to achieve universal coverage in England of 'Strategic Authorities' covering a population of at least 1.5m, which should be a number of councils working together, covering areas that people recognise and work in. The White Paper also highlighted an ambition to align public service boundaries with Strategic Authorities, including across health, police and fire services as well as local authorities, and for the Authorities to drive wider public service reform. The updated devolution framework and associated legislation will be set out in the upcoming English Devolution Bill, enshrining a 'devolution by default' approach.

2.7 To support the Government's devolution plans, the White Paper also set out a broader direction for local government in England, outlining a programme of reorganisation for two tier areas and some existing smaller unitary authorities. All these areas have been invited to submit proposals for reorganisation, with an expectation that new unitary authorities would have a population of 500,000 or more. Government intends to undertake a first wave of reorganisation this parliament, particularly where it will support the delivery of devolution. More broadly, the White Paper confirmed intentions to consolidate and simplify funding streams and reporting arrangements, to prioritise reforms to enable a more preventative approach to public service delivery, and to empower local authorities as place conveners to bring together service providers and stakeholders to improve outcomes. It also set out plans to give councils greater controls over byelaws, to reform the standards regime and to simplify local audit systems. The Office for Local Government (Oflog) will close and a consultation has been launched on establishing a new Local Audit Office.

2.8 In response to the invitation by the Minister of State for Local Government and English Devolution to two tier councils for proposals to create unitary councils, and for expressions of interest from upper tier authorities without a devolution deal to join a Devolution Priority Programme, Cabinet approved in January 2025 for the Leader to respond to Government setting out a clear commitment to devolution and reorganisation. This included a proposal for the devolution of powers to a new combined authority for the Sussex area covering the areas

of the three upper tier authorities; a proposal for a unitary government in East Sussex; and inviting the Government to postpone elections in May 2025, for a year, to enable the proposals for Local Government Reorganisation to be developed and the early implementation of the proposed devolution arrangements. Implications of joining the Devolution Priority Programme, including the financial resources required to develop proposals, will be reviewed if the Council is successful in gaining a place on the programme. The Council will continue to prioritise collaborative working with partners, stakeholders and communities throughout this process to secure the best outcome for residents.

2.9 Children's Services: The Department for Education (DfE) began to outline the Government's approach to reform of children's social care, issuing a policy statement focused on addressing issues with the care market. The measures announced included a focus on supporting families so that, where safely possible, children are prevented from entering the care system; legislation to regulate the care market; and investment in the 'key enablers' of the social care system, including data sharing, the workforce and evidence based programmes. Further detail on the approach to social care reform is expected to be set out alongside the Spending Review. The Children's Wellbeing and Schools Bill, published in December, contained legislation to support the Government's policy intentions on social care and education. Measures in the Bill include strengthening Ofsted's powers in relation to children's social care providers, increasing families' involvement in decision making around care, increasing support for care leavers, and the introduction of a backstop law to cap the profit providers can make. The Bill also introduces core national standards for schools, a commitment to deliver free breakfast clubs in primary schools, and the introduction of Children Not In School registers and new powers for local authorities to prevent children subject to a child protection enquiry or under a child protection plan from being home educated without local authority consent. We are analysing the impacts of recent announcements for our services and will continue to look to influence the national direction of travel.

2.10 In November, OFSTED and the Care Quality Commission (CQC) undertook an area Special Educational Needs and Disability (SEND) inspection of East Sussex. The inspection framework considers how local partners, including ESCC and NHS organisations, deliver statutory duties to provide support to children with SEND. We await the report which will inform the future development of these services. Nationally, the DfE has announced £740m of funding aimed at creating more specialist places in mainstream schools, with allocations and guidance on the use of this funding to be published in the spring. The funding forms part of a broader capital settlement for education for the next financial year, announced at the Autumn Budget. Longer-term the Government has signalled an intention to undertake wider reform of the whole SEND system to prioritise early intervention.

2.11 Adult Social Care and Health: The Government has consulted widely to inform a new 10 Year Health Plan for England which will be published in spring 2025. This plan is expected to include a shift towards neighbourhood health services and will have impacts for ESCC social care and Public Health services, directly and in terms of how we work with health partners. The Government has also confirmed social care will have a 10 year national plan which will run alongside the NHS plan. The social care 10-year plan is expected to be informed by a similar consultation process and published in the second half of 2025. In January an independent commission into adult social care was launched, to lay the foundations for a new National Care Service, which the Government committed to creating in its manifesto. Locally the health and care system continues to be under pressure from high demand which is exacerbated by winter pressures and ongoing workforce challenges.

2.12 CQC will undertake a site visit to East Sussex in February as part of its assurance process for assessing how local authorities, including ESCC, deliver their adult social care duties. Detailed information, including our self-assessment, was submitted to CQC in late summer 2024 as the first stage of the assessment.

2.13 Economy and employment: In November, Government set out plans in the Get Britain Working White Paper to tackle economic inactivity by encouraging place-led

programmes that bring together employment, skills and aspects of health provision to support people into work. Councils will be empowered to join up and lead this work based on their understanding of local needs. Plans include: expanding access to mental health support, creating closer working between primary health care, the NHS Integrated Care Board and employment support providers to prevent worklessness; a new Youth Guarantee to give every young person access to education, training or a job; merging the national careers service with job centres; and transforming the Apprenticeship Levy in England into a more flexible Growth and Skills Levy. The health and disability benefits system will be reformed to better support people to enter and remain in work. ESCC will lead the Department for Work and Pensions Connect to Work scheme locally, a new supported employment programme matching economically inactive people including those with disabilities, health conditions, vulnerable adults, carers and care leavers into vacancies and supporting them in work. A further DfE fund, Skills Bootcamps, will be available to upper tier local authorities, including ESCC, in 2025/26. Skills Bootcamps are short vocational courses that improve the skills of the workforce. Subject to Lead Member approval, we will submit a proposal focused on local priority sectors which supports the East Sussex Economic Prosperity Strategy and priorities of Skills East Sussex.

2.14 Environment and planning: MHCLG published in December the revised National Planning Policy Framework (NPPF), alongside its response to the consultation which took place earlier in the year. The new NPPF, which sets out planning policies for England and how these are expected to be applied, took effect immediately, with the changes focused on supporting the Government's housing goals. The new framework includes: immediate mandatory housing targets for councils to increase housebuilding, new requirements and timescales in relation to the development of Local Plans which reflect the updated targets; a new approach to the green belt, whilst maintaining a brownfield first approach; and updated requirements in relation to affordable housing. The updated NPPF also confirmed a new requirement to adopt a vision-led approach to transport planning (rather than 'predict and provide'), an explicit requirement for the planning system to support the transition to net zero 2050, and a requirement for plans to take account of the full range of potential climate impacts. The Government has also published its first working paper for the Planning and Infrastructure Bill, which seeks views before finalising proposals for reforms to planning committees. This will be followed by a formal public consultation on these detailed proposals to coincide with the Bill's introduction later this year. The Devolution White Paper mentioned above set out that all areas, with or without a Strategic Authority, will be expected to produce a Spatial Development Strategy as part of Government's commitment to move towards a universal system of strategic planning within the next five years. The strategies will guide development for the Local Planning Authorities in the area, including apportioning housing need and identifying infrastructure requirements. Detailed policy and site allocations will continue to be through Local Plans.

2.15 The Department for Environment, Food and Rural Affairs (DEFRA) provided a policy update setting out the Government's plans to introduce Simpler Recycling, subject to spending review outcomes. The Simpler Recycling Policy aims to make recycling easier by making collections consistent for all households, businesses and relevant non-domestic premises (such as schools and hospitals). The update confirms implementation timelines and explains the updated position on co-collection of recyclable waste streams. DEFRA has also published guidance on ensuring good waste collection services for households from March 2026, the date by which weekly food waste collections must be provided by all collection authorities.

2.16 Transport: The Department for Transport has set out plans for a new Integrated National Transport Strategy, which aims to join up transport networks, empower local leaders and drive economic growth. To support this, consultation is taking place on how to best deliver integrated transport and the department will be recruiting a new Integrated Transport Commissioner. The Bus Services Bill, introduced to parliament in December, will bring in enhanced powers for councils to work with bus operators to improve services and lift the ban on local authorities establishing their own bus companies. The Bill will also aim to ensure that lifeline bus services cannot be removed or changed without councils reviewing their ability to

serve communities, especially those in rural or deprived areas. Locally, we have received confirmation from Government of allocations of funding for the next phase of our Bus Service Improvement Plan (BSIP). Funding was allocated through a new needs-based formula rather than through a bidding process.

2.17 Allocations of road maintenance funding for 2025/26 were confirmed in December. ESCC was allocated new funding of £5.6m, bringing total funding to £21.0m which is £1.9m higher than our previous planning assumption. This has been added to the grant funding available to support our planned highways capital programme. Allocations beyond 2025/26, together with future funding conditions, are yet to be confirmed. The challenging revenue budget position, referenced throughout this report, has required the capital programme to be reviewed to minimise the borrowing costs of the overall programme within Treasury Management and the revenue budget. The level of investment in highways has been reduced to the updated Department of Transport grant funding levels, and it will not therefore be possible to deliver to the level originally envisaged.

2.18 **Looking ahead**, the coming year is likely to see further significant policy developments and reforms affecting ESCC services. Implications for the Council will continue to be factored into our ongoing planning through RPPR.

3 Council Plan

3.1 The draft Council Plan is attached at Appendix 1. The Council Plan continues to be built on the Council's four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources now and for the future. Making best use of resources now and for the future is the priority test through which any activity must pass. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets. The delivery outcomes have been updated to reflect the changes agreed by Cabinet.

3.2 The Council Plan contains the targets and milestones used to judge our performance. The Cabinet and County Council actively consider performance during the year and may decide to adjust targets to reflect any changed circumstances. We have reviewed and updated our targets where necessary, ensuring these reflect the best performance we can deliver with the resources available. Clearly defining the outcomes we wish to achieve and monitoring our success in delivering these outcomes for the county's residents, communities and businesses is critical. We also keep track of a wide range of key data about East Sussex and related to our priority outcomes. These help us to assess our impact more fully and respond appropriately when we need to do so. Key data will be monitored annually as part of the State of the County report.

3.3 As part of our commitment to embed our work on carbon reduction within our business processes it is recommended that the key activities and performance measures from the Climate Emergency Action Plan are included within the Council Plan. Progress updates on delivering these activities and the outcomes we are seeking to achieve would be reported through the Council Monitoring process, replacing the current Annual Report. Detailed actions within the plan would be incorporated into Portfolio Plans. This would align our approach to the Climate Emergency Action Plan with other key corporate strategies and plans including the Corporate Digital Framework, Equality Diversity and Inclusion Action Plan and the People Strategy.

3.4 The Council Plan is still a work in progress until final budget allocations are made and firm targets can be set. It will be published in March 2025 and refreshed in July when final performance outturn figures for 2024/25 are available. Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members as appropriate.

4 Progress with Council Plan and Budget 2024/25 since quarter 2

4.1 Overall, our services are continuing to perform well despite challenging circumstances. There has been no significant change in performance to the position reported for quarter 2. We are continuing to see high levels of demand for core services including Adult Social Care. The numbers of patients being admitted to hospital with increasingly complex care needs has been causing an increase in the numbers of people in hospital beds who are medically fit for discharge, due to capacity issues within community support services across the health and care system. We are working with NHS Sussex and provider trusts to address these issues, which are reflected nationally.

4.2 In quarter 2 it was reported that the 2024/25 target was unlikely to be met for the measure 'Number of people receiving support through housing related floating support'. There is a savings proposal to significantly reduce funding for this service in future years. As a result of the potential changes to funding the provider has been operating a recruitment freeze since May 2024 and service capacity is expected to continue to reduce.

4.3 There is currently no significant change to the projected quarter 2 revenue budget forecast.

5 Revenue Budget 2025/26

5.1 The impact of the provisional Local Government Settlement has seen an increase in grant funding, including a £8.9m increase in the Social Care Grant, a £1.5m allocation of Children's Social Care Prevention Grant, offset by a loss of £0.5m Services Grant. However, the additional funding is not at a level sufficient to address the underlying service pressures we face. Furthermore, the Government has not yet confirmed ESCC's allocation of funding to compensate for the direct impact of the increase to employer national insurance contributions. The overall allocation announced indicates there is a risk that this will fall short of the cost to the Council. Outside of the provisional Settlement, the Council has been allocated £4.8m of funding as part of the new extended producer responsibility (EPR) for packaging. This will be included in the Waste Reserve.

5.2 The Council continues to make necessary investments in services to meet the needs of our residents. Following on from an increase of £51.1m in 2024/25, the Council is investing a further £54.9m in 2025/26. Available additional funding of £41.6m for 2025/26 is not sufficient to meet this investment, leaving an annual budget deficit of £13.3m, with an underlying deficit of £27.6m when accounting for the one-off reserve draw made in 2024/25. New savings proposals of £13.5m, the full year impact of savings delivered in 2024/25, and a draw from service specific reserves of £11.4m are required to present a balanced budget for 2025/26:

Summary of Budget Growth and Funding 2024/25 and 2025/26	2024/25 (£m)	2025/26 (£m)
Non-Pay Inflation	28.2	25.1
Pay Awards	7.9	6.4
Service Investment:		
Adult Social Care	3.9	7.5
Children's Services	19.1	9.4
Other service budgets	(1.1)	4.9
Other corporate budgets	(6.9)	1.6
Total Budget Growth	51.1	54.9
Council Tax	(21.7)	(25.8)
Business Rates	(7.5)	(0.5)
Government Grants	(7.6)	(15.3)
Total Additional Funding	(36.8)	(41.6)
Annual Budget Deficit	14.3	13.3
Deficit carried forward from 2024/25	0.0	14.3
Total Budget Deficit	14.3	27.6
New savings delivered in 2024/25	0.0	(2.7)
New savings 2025/26	0.0	(13.5)
One-off use of reserves	(14.3)	(11.4)
Budget Deficit After Savings and One-Off Use of Reserves	0.0	0.0

5.3 The MTFP has been updated for regular calculated adjustments and the additional year of 2027/28, with the movements summarised below. This MTFP is presented in the context that 2026/27 will be the first year of a multi-year settlement, which will reflect the impact of funding reform; and 2027/28 could start to see the impact of local government reorganisation. As such, years two and three of the MTFP are to be taken as indicative at this stage. The overall position includes a deficit of £14.344m carried forward from 2024/25 that was temporarily funded from a one-off contribution from reserves. The full MTFP is provided at Appendix 2:

Medium Term Financial Plan Summary	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	Total (£m)
	Annual	Annual	Annual	Cumulative
Council 6 February 2024 DEFICIT	30.978	16.503	0.000	47.481
CARRY FORWARD OF 2024/25 DEFICIT	14.344			14.344
Total After Carry Forward	45.322	16.503	0.000	61.825
Normal Updates	(29.637)	13.799	11.887	(3.951)
Pressures added to / (removed from) the MTFP	11.954	(1.107)	8.063	18.910
Savings	(16.190)	(3.279)	(1.219)	(20.688)
DEFICIT AFTER NORMAL UPDATES	11.449	25.916	18.731	56.096
One-off use of reserves	(11.449)	11.449		0.000
DEFICIT AFTER ONE-OFF USE OF RESERVES	0.000	37.365	18.731	56.096

Savings

5.4 As set out to Cabinet in September and November 2024, departments have undertaken work to identify how further savings could be delivered, guided by the agreed areas of search:

- Discretionary and non-statutory preventative services;
- Directly provided services;
- Support services and back office functions;

- Income generation.

The approach taken by each department was outlined in more detail in the September and November reports.

5.5 In total, potential savings of £18.003m have been identified for the period 2025/26-2027/28, with £13.505m proposed for delivery in 2025/26. The detailed proposals are set out at Appendix 4a. The provisional Local Government Finance Settlement has not removed or reduced the requirement to identify savings given the legal requirement to balance the budget. Further difficult choices are required to address the financial gap for the coming year. The proposals affect a range of frontline and supporting services and have significant and wide ranging impacts – on residents, partners and staff. It is important to restate that savings are being brought forward out of necessity given the financial position we face. They are all tough choices. There are no easy options and these are not proposals that we would want to make.

5.6 A number of proposals have been subject to public consultation between October and November 2024. No decision has been taken as to whether or not they should be implemented, and it is not the purpose of the budget setting meeting to do so. These decisions will be taken by the Executive following consideration of the result of the consultation and other relevant considerations.

5.7 Full Council sets the budget for the Council, and in so doing determines the allocation of resources to each of the Council's service areas and essentially sets financial limits within which the Council must operate. The budget does not determine how particular services are delivered and, in setting the budget, Full Council does not take decisions on specific proposals and cannot direct or require the Executive to expend money in a particular way.

5.8 The proposals set out, if implemented, do not fully close the funding gap. After many years of service reductions, transformation and efficiencies, this reflects the very limited opportunity to make further savings whilst still meeting our statutory duties and basic operating requirements. The savings proposed would, however, make a significant contribution towards bridging the deficit.

5.9 As is clear from this report, and from the quarterly monitoring reports that Members have received throughout the year, the Council has faced very significant cost and demand pressures. This has resulted in a significant in year 2024/25 overspend and projected budget deficit which will have to be met from reserves. In an effort to mitigate the in-year overspend and to enable the Council to balance its budget for the year ahead measures have been taken in year to reduce spend. These have been, and will continue to be, taken in accordance with the Council's decision making framework.

Balancing the budget

5.10 The budget for 2024/25 included a one-off draw from strategic reserves of £14.3m. By Quarter 2, the Council was projecting to draw a further £10.5m from strategic reserves to cover the forecast net in-year overspend. Following these draws, the projected level of strategic reserves is only £9.4m as at 1 April 2025. This limited flexibility will need to be held to cover emergent financial challenges in 2025/26, such as future overspends or failure to deliver savings in full.

5.11 In order to present a balanced budget for 2025/26, the council will therefore need to draw £11.4m from service specific reserves, comprising a £9.4m draw from the Waste PFI Reserve and a £2.0m draw from the Insurance Fund. As service specific reserves are held specifically to mitigate volatile expenditure or known future cost, drawing from these reserves will constrain the Council's ability to manage future financial risk and known liabilities in these service areas.

5.12 As reserves can only be used once, the underlying deficit will be deferred into 2026/27, leaving a deficit of £37.4m. Even if it is assumed that Council Tax flexibility will continue into 2026/27, and that the maximum 4.99% is taken in 2026/27, the deficit would be £24.8m.

5.13 Having increased Council Tax by the maximum allowable amount, and the MTFP remaining in deficit, it would take an additional 3.06% in Council Tax to balance the budget for 2025/26 without using reserves. A total increase of 8.05% would require a referendum.

6 2025/26 and beyond

6.1 While the additional funding in the provisional Local Government Finance Settlement was welcome, it was not sufficient to address the ongoing impact of increased service demands and high levels of inflation in prior years, together with the impact of increases in the national living wage and increases in employers' national insurance contributions on our providers, especially in social care.

6.2 Whilst it is welcome to note the Government's commitment to a fair funding review, business rates reform and multi-year settlements from 2026/27, unless the Council receives a significant and permanent increase in funding, the cumulative deficit, which is currently projected to be £56.1m by 2027/28, will continue to grow, which would be a completely unsustainable financial position.

6.3 As such, the Council's financial sustainability and ability to meet the needs of our residents is wholly reliant on the multi-year settlement in 2026/27 and wider reforms. If this, and the associated fair funding review and business rates review, proves to be insufficient, we will have to consider further options, including seeking Exceptional Financial Support.

7 Council Tax requirement

7.1 The provisional Local Government Finance Settlement provided the ability for the Council to raise a maximum of 2.99% Council Tax and 2% ASC precept available in 2025/26 without a referendum. Considering the financial position, including the pressures in social care, it is proposed that this additional flexibility be included.

7.2 It is therefore proposed that the County Council be asked to consider increasing Council Tax in 2025/26 by 4.99% (2.99% Council Tax plus 2.0% Adult Social Care Precept). If agreed, the proposed band D charge for 2024/25 would therefore be:

Changes in Council Tax	£ per house at Band D	
	Council Tax Annual	Council Tax Weekly
Band D 2024/25	£1,778.31	£34.20
Council Tax increase*	£53.19	£1.02
Adult Social Care Precept* 2.0%	£35.55	£0.68
Indicative Band D 2025/26*	£1,867.05	£35.90

* Council Tax is rounded to allow all bands to be calculated in whole pounds and pence.

7.3 The formal precept notices for issue to the District / Borough councils will follow the formal recommendation by County Council. The current position is subject to change following final figures on Collection Fund and Business Rates provided by borough and district councils at the end of January 2025. The draft precept calculation is therefore set out at Appendix 5.

8 Capital Programme

8.1 Through the RPPR process the Capital Strategy and programme are reviewed annually to ensure that they support the Council's responsibilities and departmental service strategies. To manage investment to a sustainable level, the Capital Strategy focuses on the delivery of targeted basic need for the Council to continue to deliver services as efficiently as possible.

8.2 The current approved programme has now been updated to include normal updates in accordance with Capital Strategy principles and additional investment proposals considered

by CMT. The planning horizon has also been extended to 2034/35 to maintain the 10 year programme.

8.3 The challenging revenue budget position, referenced throughout this report, has meant that the Capital Programme has been subject to a risk review undertaken during 2024 aimed at minimising the level of borrowing required to fund the future programme, reducing pressure on the MTFP by an estimated £3.9m of borrowing costs over the period to 2027/28.

8.4 It is proposed that a capital programme of £284.4m (net of the slippage risk factor) be set over the MTFP period from 2024/25 to 2027/28 (current year plus three), requiring £34.4m of borrowing, with the remaining years to 2034/35 being indicative to represent longer term planning. The update to the capital programme can be found at Appendix 8a.

8.5 The Council's 20 year Capital Strategy recommended for approval can be found at Appendix 8c. The Capital Strategy covers the period 2025/26 to 2045/46 and has been updated to reflect emerging risks, principles and corporate priorities. The strategy has been revised to acknowledge that capital investment decisions have a direct impact on the Council's revenue budget, particularly relating to borrowing costs, and are therefore to be considered in the context of their impact on revenue budget and wider Council financial position.

9 Robustness and Reserves

9.1 At Full Council in February 2024 there was an estimated total reserves balance of £83.8m by March 2028. Following usual updates, the balance at 31 March 2029 is now estimated at £51.3m.

9.2 The current reserves position is summarised in the table below. Total service and strategic reserves are projected to be £18.8m by 2029. This compares with a cumulative deficit of £56.1m by 2027/28. The projected balances at 1 April 2029 reflect the draws from specific reserves to balance the budget in 2025/26, and receipt and use of extended producer responsibility (EPR) for packaging funding:

Reserves Balance (£m)	Balance at 1 Apr 2024	Estimated balance at 1 Apr 2025	Estimated balance at 1 Apr 2029
	£m	£m	£m
Earmarked Reserves:			
Held on behalf of others or statutorily ringfenced	31.3	26.1	22.5
Named Service Reserves			
Waste Reserve	19.5	19.3	7.4
Capital Programme Reserve	9.9	9.5	0.0
Insurance Reserve	7.4	7.4	5.2
Adult Social Care Reform Reserve	3.0	0.6	0.0
Subtotal named service reserves	39.8	36.8	12.6
Strategic Reserves			
Priority Outcomes and Transformation	7.3	3.0	1.9
Financial Management	35.8	6.4	4.3
Subtotal strategic reserves	43.1	9.4	6.2
Total Earmarked Reserves	114.2	72.3	41.3
General Fund Balance	10.0	10.0	10.0
TOTAL RESERVES	124.2	82.3	51.3

9.3 A lack of Government funding to address pressures in social care, instead asking councils to use reserves to mitigate pressures, means that the Council will have used significant reserves to balance the budget for both 2024/25 and 2025/26.

9.4 In drawing £14.3m in 2024/25 from strategic reserves to present a balanced budget, plus a further £10.5m to cover the in year 2024/25 overspend reported at Quarter 2, the Council has had to abandon its usual approach of maintaining reserves to help future proof Council services from unforeseen risks. The £9.4m remaining in strategic reserves is the only flexibility the council has left to mitigate in year pressures. As such it will be maintained in 2025/26 to offset any emergent risk.

9.5 As a result, the Council has no choice but to draw upon service specific reserves to fund the budget deficit. These reserves are held specifically to mitigate volatile expenditure or known future cost. Drawing from service specific reserves will result in increased budgetary pressure in the future.

9.6 In addition to reserves, there is also a General Fund (unallocated reserve) balance of £10.0m, aligned to the Chartered Institute of Public Finance and Accountancy best practice, plus a general contingency within the base revenue budget equal to £5.7m for 2025/26, to cushion the impact of unexpected events and emergencies in year. This general contingency is set at 1% of net revenue expenditure (NRE) less Treasury Management. For 2025/26, the General Fund and contingency total £15.7m, which represents 2.65% of NRE.

9.7 Details of the reserves held, and the Chief Finance Officer Statement on Reserves and Budget Robustness, are set out in Appendix 6.

10 Engagement Feedback and Future Consultation

10.1 The views of the Scrutiny Committees are set out in Appendix 7. The views of partners and young people are also included in the appendix. The outcomes of engagement events with Trades Unions and business ratepayers will be made available to Members once the meetings have been held and comments recorded.

11 Equalities

11.1 An initial Equality Impact Assessment (EqIA) of each of the revenue savings proposals has been undertaken to identify potential impacts on people sharing legally protected characteristics and is set out in Appendix 4b. Where a detailed EqIA has been identified as required and completed it is available to Members. Further EqIAs will be undertaken where appropriate when individual proposals are being considered.

11.2 All proposed capital spending has been subject to an initial equalities assessment to identify potential impacts on people sharing legally protected characteristics and to identify whether a detailed EqIA is required (including if one has already been completed or is planned). Where the need for a further equality assessment has been identified, this will be undertaken when individual proposals are being planned in more detail, to enable accurate analysis. A summary of the equality consideration of proposed capital spending is set out in Appendix 8b and where a detailed EqIA has been completed it is available to Members.

11.3 In considering the proposals in this report, Cabinet Members are required to have 'due regard' to the duties set out in Section 149 of the Equality Act 2010 (the Public Sector Equality Duty) as summarised in Appendices 4b and 8b. EqIAs are carried out to identify any specific adverse impacts that may arise as a result of proposals for people sharing legally protected characteristics and to identify appropriate mitigations. The full version of relevant completed EqIAs for capital projects and savings proposals are available on the Cabinet pages of the Council's website. They can be inspected upon request at County Hall. Members must read the full version of the EqIAs and take their findings into consideration when determining these proposals.

11.4 Whilst the Cabinet is being asked to recommend, and subsequently the County Council asked to agree, the revenue budget and capital programme, the budget decision does not constitute final approval of what policies would be or what sums of money will be saved or spent under the service proposals. The recommendations in the report do not commit the Council to implement any specific saving or spending proposal. When the Executive come to make specific decisions on budget reductions or expenditure, where necessary, focussed consultations and the full equalities implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equalities or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the Council.

12 Fees and Charges

12.1 The Chief Finance Officer is delegated to approve all fees and charges and to report to Cabinet and County Council those set at a level above inflation; a reasonable inflation level with regard to the Consumer Price Index (CPI), Retail Price Index (RPI) and pay inflation. The OBR forecast for 2025/26 at October 2024 is 2.7% CPI and 3.5% RPI, and estimated pay inflation for 2025/26 (including the impact of NiC changes) is 4.6%. As such, it has been determined that fees increasing above 4% be reported. Appendix 9 is for noting and shows a schedule of the fees and charges approved at quarter 3 that have increased by more than 4%.

13 Conclusion

13.1 This Council has a firm foundation of sound and prudent financial management over many years, endorsed by external assessments. We have taken difficult decisions when we needed to in order to balance the books and make best use of stretched resources. Our robust RPPR process has enabled us to direct spending towards priorities and core services, in particular protecting services for the most vulnerable in our county.

13.2 However, despite this strong record, the scale of the challenge the Council now faces is substantial. The continuing escalation in costs and demand for statutory services, due to factors beyond local control, has not been matched with sufficient increased funding. Despite the action we have taken locally to address pressures wherever we can, there is a very significant deficit and substantial risk in the coming years. There also remains considerable uncertainty about the future funding regime for local government, as well as wider service and structural reforms, and how any changes will impact on the Council.

13.3 There is continued national reliance on raising funding for core pressures, particularly growing demand in social care, through local Council Tax which is unrelated to need and unsustainable. In this context we must again ask local people to contribute more to protect services for the most vulnerable for the future. This recommendation is not made lightly, given the ongoing pressures on household budgets, but it is essential if we are to protect services as far as possible. Support will continue to be available through local Council Tax Support Schemes for those residents eligible and we will continue to work with partners to signpost residents to sources of support with the cost of living, including access to benefits they may be entitled to.

13.4 Even after this contribution, the budget presented for the year ahead relies on delivering significant and difficult savings, which will impact on local people, our staff and partners, and on using further reserves to balance the books, removing this safety net for the future. This is an unsustainable position.

13.5 In this context, and with future funding for local government under review, our lobbying will also be vitally important. We will respond with clarity and with evidence to the Government's consultations on funding and service reform. We will ensure the hard choices already having to be made, and the impacts these will have on local residents, business and communities, are heard loud and clear. We will continue to work with our local, regional and

national partners to highlight the specific needs of East Sussex and to press for fair, sustainable funding that enables us to meet the requirements of our residents for essential support. Until this is delivered our medium term financial position will remain extremely difficult and present significant risk to our ability to meet local needs in the future.

BECKY SHAW
Chief Executive