

# REPORT OF THE CABINET

---

The Cabinet met on 24 June 2025. Attendees: -

Councillor Glazier OBE (Chair)

Councillors Bennett, (Vice-Chair), Bowdler, di Cara, Maynard, and Standley

## 1. Council Monitoring Q4 2024/25

1.1 The Cabinet has considered a report on the Council's position and year-end projections for the Council Plan targets, Revenue Budget, Capital Programme, and Savings Plan, together with Risks at the end of March 2025.

1.2 Broad progress against the Council's four strategic priority outcomes is summarised in paragraph 1.11 and an overview of finance and performance data is provided in the Corporate Summary at Appendix 1. Strategic risks are reported at Appendix 8.

### Overview of Council Plan 2024/25 outturns and strategic risks

1.3 We set challenging targets each year that reflect our aim to deliver the best services we can for our local residents and businesses with the limited resources we have available. The ongoing difficult financial position for the Council has meant that services have been working to deliver the priorities within the Council Plan alongside making savings. While our services have had a number of successes over the past year despite this, there are also areas that have experienced challenges. The Departmental Appendices (3-7) provide details of both our achievements and how we are working to improve, where we can, where targets have not been met.

1.4 The overall position at the end of quarter 4 was 43 (72%) of the 60 Council Plan targets had been achieved and 11 (18%) were not achieved. 6 (10%) are carried over for reporting in quarter 1 2025/26. These are measures where the corresponding activity has been completed, but the year-end outturn data is not yet available to report against the target. It should be noted that the percentage of targets met represents an improvement on the year-end position reported in quarter 4 of 2023/24.

1.5 Of the 60 targets, the outturns for 14 (23%) are not comparable with the outturns from 2023/24. Of the remaining 46 measures which can be compared, 14 (23%) improved or were at the maximum (i.e., the most that can be achieved); 4 (7%) remained the same; 22 (37%) had a lower outturn; and 6 (10%) are carried over for reporting in quarter 1 2025/26. Although 22 measures are showing a lower outturn compared with 2023/24, 11 of these met their target for 2024/25. This reflects the difficult decisions we had to make to adjust some targets for 2024/25 based on the resources we had available for this year. This should also be viewed in the context of the results of the inspections and audits that the Council has been subject to, which demonstrate that while we may not always be able to stretch our resources to meet the high ambitions we have for our services, we continue to deliver safe, effective and efficient services.

1.6 The Strategic Risk Register, Appendix 8, was reviewed and updated to reflect the Council's risk profile. Risk 23 (Local Government Reorganisation and Devolution) is new and introduced this quarter. Risk 4 (Health) has an updated risk definition, risk control and risk score. Risk 22 (Oracle) has an updated risk definition and risk control. Risk 1 (Roads), Risk 6 (Local Economic Growth), Risk 9 (Workforce), Risk 15 (Climate), Risk 20 (Placements for children and young people) and Risk 21 (Care Act) have updated risk controls.

## **Budget Outturn**

1.7 The detailed revenue outturns for each department are set out in the relevant appendices which show an aggregate total overspend of £21.9m (£24.8m forecast at quarter 3). The main headlines are:

- Children's Services has an overspend of £13.6m (£15.4m forecast at quarter 3); the main areas of overspend being Early Help and Social Care and Home to School Transport. The Early Help and Social Care overspend of £12.4m (£13.1m forecast at quarter 3) is due in the main to staffing costs within Localities, pressures around agency placements and Children's Homes within Looked After Children, although there was a reduction in net costs at Lansdowne Secure Unit due to increased income from recharging other local authorities for placements.

Home to School Transport has an overspend of £3.8m (£4.2m forecast at quarter 3) due to growth in numbers of pupils and unit costs for transport that have far outstripped what was estimated during the budget setting process. The final overspend has improved since quarter 3 due to legal advice confirming the possibility of charging personal transport budgets for children with Education and Health Care Plans to the High Needs Block of the Dedicated Schools Grant; this meant that £0.6m of transport expenditure could be recharged.

Not included in the figures reported above is the position of the Dedicated Schools Grant (DSG), which, in accordance with the Schools and Early Years Finance (England) Regulations 2020, is required by local authorities to be carried forward on their balance sheets. As of 31 March 2025, the Council has a cumulative DSG surplus of £2.8m, which is very unusual as most local authorities have significant DSG deficits. However, this will not continue as a forecast cumulative deficit is expected by the end of 2025/26. The statutory override is due to expire in March 2026, which means that any deficit will then be offset against useable council reserves.

- The overspend for Adult Social Care is £10.0m (£9.9m forecast at quarter 3) which largely relates to the Independent Sector, where the overspend is £12.4m. This is due to a combination of factors, primarily being increasing complexity of need and pressures arising from demand and demographic growth returning to pre-pandemic levels. There is an underspend in Directly Provided Services of £2.4m due to staffing vacancies which reflects the impact of savings consultations and underlying difficulties in recruitment.
- There is an underspend of £0.4m (£0.4m forecast overspend at quarter 3) for Business Services. This is due to new grant income, higher than budgeted income for services and reduced costs including staff vacancies, offset by increased accommodation and reactive maintenance costs.
- Communities, Economy and Transport is showing an underspend of £1.3m (£0.9m forecast at quarter 3). This is due to higher than budgeted recycling income and lower Private Finance Initiative contract prices, staff vacancies and slippage on completing Road Safety schemes; offset by an overspend in Highways where the cost of electricity for streetlighting and depots is much higher than budgeted and there was an increase in the number of winter service jobs.

1.8 Within Centrally Held Budgets (CHB), including Treasury Management (TM), and corporate funding there is an underspend of £14.3m (£13.0m forecast at quarter 3), which includes the general contingency:

- There is a £2.6m underspend on TM (£1.6m forecast at quarter 3); a reduced in-year capital borrowing requirement alongside an ongoing strategy to delay borrowing in a falling interest rate environment has meant that the Council has delayed new external borrowing; and returns on investments in year were greater than anticipated as the Base Rate did not fall as fast as originally anticipated. It should be noted that there has been a fall in cash

investment balances; the level of balances has fallen by 43% in one year to £115.3m at the end of 2024/25.

- Within CHB the underspend is now £8.4m; an increase of £1.3m from the forecast at quarter 3 due to the movement in TM and a decrease in the estimated debt impairment for the year. The underspend is mainly due to the TM variance, the General Contingency of £5.3m, and the decision not to transfer a planned £1.3m contribution to the Capital Programme.
- Corporate Funding budgets have underspent by £5.8m (£5.9m forecast at quarter 3). This is mainly due to the allocation of the Social Care Services Grants totalling £5.4m in February 2024, after the 2024/25 budget was set (as approved by Cabinet on 25 June 2024), plus a net additional £0.4m received for business rates 2023/24 pooling and reliefs.

1.9 The net impact of the above is an unplanned draw from the financial management reserve of £7.6m in 2024/25 (a fall from the £11.8m projected at quarter 3). This is in addition to the planned £14.3m draw to present a balanced position in setting the 2024/25 budget. The Council's projected level of strategic reserves was last assessed to be £4.5m as of March 2029; any reduction in unallocated reserves reduces the flexibility available in dealing with the challenge of addressing next year's projected deficit and setting a balanced budget, without having to seek further savings. In this context, to address the projected in-year overspend and reduce the required draw from reserves, the Council took a number of actions to reduce spending in 2024/25, including:

- Additional controls on spending, including the requirement for purchase orders above £1,000 to be supported by a business case and approved by a reviewing board.
- An updated recruitment protocol, including Corporate Management Team approval of non-core role recruitment.
- Reviewing proposed savings for 2025/26 to identify whether actions can be brought forward into 2024/25.
- Asking departments to identify any further actions to reduce in-year spend across all budgets.

1.10 The Capital Programme Outturn net expenditure for the year is £87.0m against a budget of £106.6m. In previous reporting, a slippage risk factor of £20.0m had been applied to the capital programme to reflect likely slippage based on a risk assessment of historic levels of actual expenditure and slippage at a project/programme level. The risk factor was held at a corporate level to enable services / project managers to manage project budgets at a local level, whilst ensuring greater robustness to the overall planning and monitoring process. The net forecast expenditure at quarter 3 after applying this risk factor was £84.6m, so there was a relatively small movement of a £2.4m increase in the final outturn from the quarter 3 forecast.

- The programme outturn slippage is £19.421m against a quarter 3 forecast of £13.7m across several projects, relating to various project specific factors. The largest areas of slippage included: Integrated Transport A22 Corridor (£1.112m); Other Integrated Transport Schemes (£1.033m) Exceat Bridge Replacement (£2.553m); Eastbourne Town Centre Phase 2b (£1.952m); Youth Investment Fund (£1.745m); Schools Capital Building Improvements (£1.033m); IT & Digital Strategy (£2.191m) and IT & Digital Strategy Oracle (£2.622m).
- The programme outturn shows a small spend-in-advance of £0.333m, against a previously forecast £0.4m, mainly relating to: Learning Disability Supported Living (£0.123m) and Broadband additional vouchers (£0.107m).

## Progress against Council Priorities

### Driving sustainable economic growth

1.11 The Council has spent £382m with 815 local suppliers over the past 12 months. This equates to 60% of our total procurement spend, meeting the target of 60%. £1.8m in Social Value was secured through our Property Frameworks from contracts with a combined value of £11.5m which equates to 16% of the contract value. In total, all applicable contracts in 2024/25 secured 19% of Social Value commitments against a target of 10%. Social Value secured through these contracts included apprenticeship and job opportunities for local people, work experience and career awareness programmes offered to local schools and colleges, and supporting environmental programmes with local groups, schools and colleges (Appendix 4).

1.12 In 2024/25 the percentage of Principal roads requiring maintenance was 5%, against a target of 7%. The percentage of Non-Principal roads requiring maintenance was 6% against a target of 8%. The percentage of Unclassified roads requiring maintenance was 31%, against a target of 25%. A lower figure indicates better road condition. These figures are only available at one point each year, with the results published in quarter 4. They are based on specialist laser surveys undertaken in summer 2024 for Principal and Non-Principal roads, and manual surveys for Unclassified roads which were undertaken in early 2025. The outturns refer to the percentage of road length across the entire county that should be considered for maintenance. The surveys measure road condition in 10m sections. All roads are likely to have a mixture of green, amber and red road condition sections. The road condition outturns reported here are the percentage of 10m sections that should be considered for maintenance, which are classed as red. So, for example, a proportion of 5% indicates that 5% of all 10m sections surveyed of that road type should be considered for maintenance (Appendix 6).

1.13 Work on our highways continued in 2024/25 using the extra funding approved by the Council in recognition of the deterioration of the network following last winter's prolonged, wet and cold weather. We completed 510 patches across 381 sites throughout the year. We replaced, repaired or cleaned 350 road signs and refreshed 683 road markings. We also completed 565 minor road drainage schemes, and 75 larger schemes. 117 road improvement schemes were completed in 2024/25 and over 23,000 potholes were repaired (Appendix 6).

1.14 During 2024/25 over 1,500 students have had the opportunity to go on an Open Doors workplace visit, and over 50 employers have committed to offer the visits. An iCan careers event in March 2025 was attended by more than 400 young people from 34 schools. They had the opportunity to explore career pathways, engage in 6 interactive workshops on employability skills, and connect with representatives from 32 different organisations. The Council continued to help adults improve their numeracy skills through 14 Multiply interventions in 2024/25. 1,300 people were supported as part of the interventions (Appendix 6).

1.15 The Council has delivered business support programmes that helped to create 60 Full Time Equivalent (FTE) jobs in 2024/25, against a target of 45 FTE jobs. 29.5 FTE jobs were created through the first round of the Newhaven Business Grants Programme, 18.5 FTE jobs through the first round of the Rural Business Grants Programme, and 12 FTE jobs through the delivery of specialist business support through the 'Big Ambitions' programme (Appendix 6).

1.16 Final data for the average Attainment 8 score for pupils at state-funded schools was released in quarter 4. Both the average score for all pupils and the average score for disadvantaged pupils were below the targets set for this year (43.1 against a target of 44.0 and 30.1 against a target of 30.5 respectively). The performance of four academies in the Bexhill and Hastings area, where average attainment is lower, impacts significantly on the overall outturn for East Sussex. The young people attending those schools account for approximately one fifth of all secondary pupils in year 11. The average Attainment 8 score of Looked After Children was also below target at 14.7 (target was 19.0) (Appendix 5).

1.17 The percentage of eligible disadvantaged children aged 2 years old who took up a funded place in the spring 2025 funding period was 73%. While this is lower than the national average of 74.8% (the target for this measure), it should be noted that performance appears to have been affected by changes in how the data is reported by the Department for Education (DfE). Some eligible disadvantaged children are now able to access a funded place through the working families funding streams implemented in April 2024, which is reducing the cohort counted through this measure (Appendix 5).

1.18 The 2024/25 percentage of young people who were Not in Education, Employment or Training at academic age 16 was 4.2% against a target of less than or equal to 5%. This is also an improvement on the 2023/24 figure of 4.4%. For academic age 17 the total was 5.7%, against a target of less than or equal to 7%. The 2023/24 figure was 6%. The commissioned advice and support that our Youth Employability Service provides has had a positive impact in supporting young people to access education, employment, and training. We continue to work with the DfE and local colleges to expand the courses available at Level 2 and below. Level 2 courses are generally equivalent to GCSEs and can serve as a pathway to Level 3 courses, apprenticeships, or employment (Appendix 5).

### **Keeping vulnerable people safe**

1.19 The rate of children with a child protection plan was 59.8 per 10,000 children aged 0-17 at year-end, below the target of 64.4. This represents an 11% decrease from the outturn for 2023/24 and reflects the continuing positive impact of the support provided by the Connected Families Intervention Practitioners. The rate of Looked After Children reduced slightly in quarter 4 to 67.3 per 10,000 just above the target of 66.6 (Appendix 5).

1.20 We have met all of the targets linked to waiting times in Adult Social Care included within the Council Plan. This is due to improvements in how cases are triaged and how waiting lists are managed (Appendix 3).

1.21 Trading Standards made 290 active interventions in 2024/25 to protect vulnerable people, exceeding the annual target of 200. 360 businesses received training or advice from Trading Standards in 2024/25, against a target of 350. Trading Standards also seized a significant amount of illegal tobacco and vape products in 2024/25, with tobacco and cigarettes with a genuine retail value of nearly £450,000 and illegal vapes with a genuine retail value of £60,000 seized (Appendix 6).

1.22 A new contract to provide safe accommodation (Refuge) in East Sussex will begin in quarter 1 2025/26. The new provider, Interventions Alliance, will take over the 37 existing units of safe accommodation and provide an additional 18 units within the first 3 months of the contract. The new contract is due to last for 3 years. 6 projects awarded via the Domestic Abuse Small Grants Fund started to deliver services in January 2025. These projects consist of: support for victims / survivors from ethnic minority backgrounds, older people, those in temporary accommodation, and adults with multiple compound needs, as well as child to parent abuse initiatives and whole family approaches (Appendix 3).

### **Helping people help themselves**

1.23 Satisfaction with the 0-19 Early Help Service remained high in 2024/25, with 91% of respondents to our feedback survey agreeing that things had changed for the better as a result of the targeted support they received, above the target of 80% (Appendix 5).

1.24 321 carers were supported through short-term crisis intervention in 2024/25, against a target of 390. Together with the provider and NHS Sussex, we have reviewed the service. The contract has been respecified, and the target has been reduced to 300. This reflects the increased needs of carers and the offer of up to 6, rather than the previous 4, visits (Appendix 3).

1.25 The multi-agency Financial Inclusion programme in East Sussex brings together statutory, voluntary and other partners to improve residents' financial wellbeing and resilience.

The programme delivered a range of benefits during 2024/25. These benefits included distribution of the Household Support Fund, which made 170,000 awards totalling £7m to support households struggling with the cost of bills and essentials. Benefits maximisation campaigns were carried out, which contributed to increases in resident income through benefits of over £1m per year. The 'Additional Measures' grants programme provided additional funding to the money advice sector during the year, reaching over 3000 clients and delivering £2.7m of increased income and debt reduction (Appendix 3).

1.26 In collaboration with Voluntary, Community and Social Enterprise partners, a new Social Enterprise Development Programme began on 1 April 2025 to provide information, advice and support to residents and assist the Council in meeting its duties under Sections 2 and 4 of the Care Act 2014 including the requirement to prevent, reduce or delay the need for care and support (Appendix 3).

1.27 In February 2025, East Sussex Public Health held our first multi-agency workshop about prevention of gambling-related harm, and there was unanimous support to work together on the development of an action plan. In addition, funding has been secured from the South-East School of Public Health to enable delivery of Wider Workforce Gambling Harms Prevention Training to staff working in organisations across East Sussex (Appendix 3).

### **Making best use of resources now and for the future**

1.28 Throughout 2024/25 corporate lobbying work focussed on using our partnerships and networks at the local, regional and national level to influence policy development in a range of areas, with a focus on the reforms needed in response to growing demand and financial challenges. Significant lobbying in 2024/25, has emphasised the acute need for sustainable resources to meet increasing demand and local government funding reform to ensure the unique needs of the population of East Sussex are recognised and can continue to be met now and in the future. In quarter 4, this included the Council responding to consultations on local authority funding reform and the provisional Local Government Finance Settlement, which highlighted that allocations of the new Recovery Grant did not account for population need in East Sussex. The Leader and Chief Executive have continued to actively raise issues and priorities for the county with our local MPs during 2024/25, including, in quarter 4, through specific updates on our Council Plan and budget for 2025/26. This included the Leader meeting, along with group leaders, with a number of East Sussex MPs in quarter 4 to brief them on proposals included in the budget for 2025/26 and ask for their continued support in lobbying Government (Appendix 7).

1.29 We completed 3 energy efficiency schemes in quarter 4, including 2 window replacement projects and one heat decarbonisation scheme. In total, during 2024/25, 20 schemes have been delivered against a target of 23. This reflects cuts to both the Salix Recycling Fund and the ring-fenced Council budget for directly funded carbon saving projects. Energy consumption and carbon emissions are reported a quarter in arrears, so quarter 3 data is the most up to date information. Carbon emissions for quarter 3 were 2% lower than quarter 3 2023/24. If consumption during quarter 4 is similar to previous years, then the reduction compared to the baseline year 2019/20 would be 36%, against a target of 50% (Appendix 4).

1.30 The Council has continued to work both across the organisation and with partners across a range of environment and climate change areas in 2024/25. This included providing environmental advice to client local planning authorities on nearly 2,000 planning applications. We delivered the 40% of the actions in the East Sussex Climate Emergency Road Map 2022 – 2025 which were assigned to the Council. The remaining 60% of actions are assigned to other partners in the Road Map. We have also continued to develop the local nature recovery strategy, which is currently planned to be published by early 2026 (Appendix 6).

1.31 The Council continued with a project to replace the SAP system used for our procurement, finance and Human Resources processes in 2024/25, as this will not be supported from 2027. The Council made good progress on implementing the Oracle Fusion system to replace it. Most of the modules from Phase 1, and all of Phase 2 (which cover most

of the procurement and finance processes) are now live. Phase 3, the final phase of the implementation, will begin to be delivered during 2025/26 (Appendix 4).

1.32 The 2024/25 sickness absence figure (excluding schools) is 9.21 days lost per FTE employee, against a target of 9.10. This is an increase of 0.9% on the 2023/24 figure. The predominant reason for the increase in absence rates is a rise in the number of flu related absences and musculoskeletal related absences (Appendix 4).

1.33 The Council continues to ensure its office hubs are used efficiently and during 2024/25 the space used for staff at County Hall was rationalised and reduced. In quarter 4, the Council vacated both South and East blocks, which involved over 163 teams moving to remaining blocks (Central, North, and West). The vacant blocks are being advertised for office use, marketing commenced in March 2025. The total work on office rationalisation across the corporate estate, including at Eastbourne and Hastings, has provided significant benefits to the Council including £1.050m of financial benefit, reductions in resource required to support ongoing facilities management and maintenance, and reductions in carbon emissions (Appendix 4).

1.34 In December 2024 the Government published its English Devolution White Paper outlining plans to devolve greater powers to newly established Strategic Authorities, alongside a programme for Local Government Reorganisation. The Government invited expressions of interests from upper-tier and neighbouring unitary authorities in joining the Devolution Priority Programme (DPP) which would see progress happen at an accelerated pace. In January 2025, following a discussion at Full Council, Cabinet approved a response to Government's invitation which confirmed a commitment to work with partners in West Sussex County Council, and Brighton & Hove City Council to develop a proposal for a Mayoral County Combined Authority (MCCA). Confirmation was received in February that Sussex was one of six successful areas accepted on to the DPP and expected to undergo reorganisation and devolution at an accelerated speed. In March, following debates at Full Council, Cabinet agreed a response to Government consultation on the establishment of an MCCA in Sussex and agreed an interim proposal for unitary local government in East Sussex developed jointly with district and borough council partners (Appendix 7).

## **2. Reconciling Policy, Performance and Resources (RPPR) - State of the County**

2.1 The State of the County report is a key annual milestone in the County Council's Reconciling Policy, Performance and Resources (RPPR) process, our integrated business and financial planning cycle. The report provides an overview of the current operating context for the Council to begin the process of more detailed planning for 2026/27 and beyond. Alongside the 2024/25 year end monitoring report earlier on this Cabinet agenda, it reflects on our achievements over the last year and the challenges we expect in the year ahead arising from both local and national factors. This analysis helps us start to refine our plans and to guide our business planning and budget setting processes.

2.2 The County Council continues to play a vital role in the quality of life for people across East Sussex. The essential services we provide and commission, and the work we do in partnership with public, voluntary and business sector partners, contribute significantly to improving health and wellbeing, independence, prosperity, connectivity and community across the county. The reach of our services is significant. In the past year our Adult Social Care services have supported over 30,000 people, our Children's Services have been in contact with over 48,000 children and young people, we maintained over 2,000 miles of road, including repairing over 23,000 potholes in our roads and pavements, issued over two million items through our libraries and dealt with a quarter of a million tonnes of waste. The Council

employs 9,912 people (approximately half of these in schools) and spends £382m (60%) with local suppliers, a significant influence in the county's economy.

2.3 We have a strong track record of focusing, within the Council and with our partners, on making best possible use of the collective resources available for the benefit of local people. Over the past year 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.

2.4 These valued partnerships and services provide a firm foundation as we approach a period of both sustained challenge for the Council and the most significant change to local government in a generation. The potential devolution of powers from national Government to Sussex and election of a new Mayor in 2026, alongside the proposed reorganisation of local council structures from 2028, would represent reform on a scale not seen since East Sussex County Council (ESCC) came into being. The change on the horizon is considerable and will be a key factor in our planning for the future, but there remain a number of uncertainties, and the future landscape is not yet clearly in our sights. Whilst we anticipate new opportunities in the medium term to progress further transformation and integration of local public services, in the short term it is vital to maintain our focus on the immediate and growing pressures on ESCC services and resources. The financial challenge facing the County Council in the next two years is, once again, unprecedented in its scale as costs have continued to build beyond the resources available to respond. Securing the ability to maintain our statutory duties and continuing to meet the needs of East Sussex residents, particularly the most vulnerable, remain our most pressing priorities.

2.5 As well as significant achievements, the past year has seen the Council forced to take difficult decisions which impact on individuals, communities and partners in order to meet our legal duty to set a balanced budget. Pressures on services have continued to grow as the needs in our communities increase and become more complex, costs have escalated due to national factors beyond our control, and the funding we receive from Government and can generate locally has not kept pace. We expect these pressures to be ongoing in the coming months and years and have a significant impact on planning for the future. The evidence base set out in this report shows how changing demography, needs and national reforms will continue drive future demand for services and support. The gap between the funding we have and the cost of providing statutory services has now grown unsustainably and we have been realistic and honest about the substantial challenges this creates. As always, we will be transparent about the choices we face, including what this may mean for services and the people they support, and we will continue to approach our planning with a sharp focus on what the Council wants to achieve for East Sussex with the limited resources we have.

2.6 This will involve progressing the savings described within the budget set by Council in February which we know are all difficult choices which will have further impacts on our residents, staff and partners. It will mean continuing our focus on approaches which help people stay independent, or avoid the need for more intensive statutory support from ESCC services, wherever we can. We know that the best investment is in the upstream, preventative services which improve outcomes and ultimately make better use of resources and we will continue to make and evidence this argument. However, we do not have sufficient funding to scale up or even maintain these services to the level we would want, or to invest as we would like in the infrastructure and economy of East Sussex for the future. We will also maintain our tight controls on day to day spending and costs. But it is clear that these actions will not be enough to bridge the gap and we will need to consider the further steps needed as we work towards a balanced budget for the coming year.



2.7 This State of the County report contains the usual elements: the demographic evidence base; the national and local policy outlook; and updates on the Medium Term Financial Plan and capital programme. It provides our latest understanding of how we will need to continue to respond to the wide range of policy, demographic and financial drivers which influence the outlook for the Council in the short and longer term.

2.8 We begin our planning for 2026/27 and beyond from the most challenging financial position the Council has ever faced, but also with significant uncertainty about future funding. Government is planning fundamental reforms to the way local government funding is allocated to individual councils, and the recent Spending Review set out a national funding pot for councils which will not grow at the same level as need. Whilst we welcome the national commitments to reducing the number of ringfenced grants and to multi-year funding settlements which will help us plan most effectively, the combination of constrained and redistributed funding increases the likelihood that the Council will not receive the resources required to bridge the financial gap and fund the essential investments we need to make in order to sustain statutory services. The temporary solution of relying on reserves to balance the books, as we have in the past two years, is no longer viable now that these reserves are depleted and the deficits from previous years have accumulated. If the promised multi-year settlement does not provide the funding we need, other avenues will need to be sought. It was agreed earlier in June to commission analysis to inform our options, including the potential to seek Exceptional Financial Support from Government.

2.9 Together with the high level of financial uncertainty, we continue to see locally the ongoing impact of the Covid pandemic and increased cost of living translate into growing need for the statutory, demand-led services for vulnerable children and adults which account for around three quarters of our budget. This, combined with ongoing escalation in costs right across the Council, including in other major statutory services such as highways and transport, 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 due to 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 reduced resources.

2.10 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.

2.11 These national and local factors are also impacting on the Council's key partners, particularly in local government, health and the voluntary, community and social enterprise (VCSE) sectors. For district and borough councils the impact of increased homelessness and the spiralling costs of temporary accommodation has a major impact on resources, and national reforms to planning, housing and waste are significant. For the local NHS, demographic changes and increased complexity of need, coupled with the Covid legacy and major national reforms, impact demand and resources, with implications for working with Adult Social Care and Children's Services. For VCSE partners increased vulnerability in our communities and stretched public services mean more local people seeking support, alongside increased funding challenges as a result of higher costs. In this context, working

together to target resources and sustain support as effectively as possible is more important than ever.

2.12 Taking every step we can locally to manage demand and reduce costs continues to be an ongoing discipline. However, the scope for more efficiency gains is now very limited and national support is vital. This report sets out our approach to proactive lobbying and communications to ensure that the Government is aware of the needs of our county, the urgent requirement for sustainable funding that appropriately reflects local need, and the case for fundamental national reform in key areas to enable more flexible and targeted use of the resources we have.

2.13 It continues to be critical that we focus ESCC resources, in partnership with others, in the most effective way to support our priorities and the provision of statutory services. The Council spends over £1.1bn gross each year (in the region of £580m net) on services for the county's residents and businesses. We continue to use our robust RPPR process to ensure our financial and other resources are aligned to delivery of our priority outcomes and that we are informed by a clear understanding of our effectiveness. This report describes the range of action we are already taking and outlines further steps we will need to take to bridge the financial gap if additional national support is not forthcoming.

### **Current Position**

2.14 A range of national factors have continued to impact on the county over the past year, leading to ongoing pressures on households. The heightened cost of living has persisted, with a disproportionate impact on the most vulnerable, the complexity of need amongst vulnerable children, families and adults has continued to grow, and population changes have also led to increased need. These pressures have manifested locally in ongoing growth in demand for County Council services, reinforcing the importance of the role the Council plays for the residents, communities and businesses of East Sussex. Our assessments of the impact of the national and local operating context on future levels of service demand continue to be refined and the latest modelling will be built into our planning.

2.15 As we develop our medium and longer term plans we will also need to factor in the broader context in which we will be working. As it approaches the end of its first year in office, the Government is pursuing a wide range of fundamental reforms to key services with more anticipated in the coming months. Many of these reforms have major impacts for our services, requiring a significant policy and operational response at a time of limited resources and uncertainty about the funding available to support change and transition. The national and local context includes:

- The developing national and international economic outlook, including considerable economic uncertainty. Inflation has fallen from previous heights but has recently increased and remains above target, impacts from the increased cost of living persist, economic growth remains limited and public finances continue to be strained. The ongoing pressures on households are likely to continue to influence demand for our services and the costs of providing services will also continue to increase.
- Considerable uncertainty over the future of local government funding. The long-planned funding review, covering the formula on which funding allocations to individual local authorities are based, is underway and will inform a multi-year financial settlement from 2026/27. With the review's outcomes and any transitional arrangements unclear, and indications of a shift of funding towards concentrated areas of deprivation in urban centres, there are considerable risks for East Sussex. In addition, national service reforms in Children's Services and a lack of clarity on funding arrangements for Adult Social Care (see below) carry considerable financial risks for local authorities.

- Structural change in local government initiated by the English Devolution White Paper. Locally, this will see the potential creation of a Mayoral Combined County Authority (MCCA) for Sussex and a single tier of local government in East Sussex, with associated opportunities and risks for the Council and the county, as well as the potential for wider public service reform.
- Potential further changes to arrangements for driving economic growth locally as some functions currently undertaken by upper tier authorities could transition to a Sussex MCCA, along with additional powers devolved from Government. Harnessing the benefits of additional investment and opportunities for the county through these developments, Levelling Up Partnerships and the Plan for Neighbourhoods will be vital.
- Major national reforms in children's social care and education requiring a significant local response from the Council and partners, alongside ongoing work to respond to increasing complexity of need and challenges in securing suitable care placements. Significant reforms to the special educational needs and disabilities system are also anticipated in the coming months.
- Uncertainty in relation to plans to reform the Adult Social Care system, particularly future funding arrangements which remain unclear. Significant national reforms in the NHS are also impacting local health partners and have implications for how we work together. We are also continuing to respond to a range of significant local pressures in health and social care and taking forward a range of work to manage demand and improve outcomes.
- Significant national policy developments related to planning, infrastructure and transport, including the reintroduction of strategic spatial planning, potential changes to transport planning under proposed devolution arrangements and significant reforms to public transport. We are also taking forward our agreed Local Transport Plan and its supporting plans, the next stages of our Bus Service Improvement Plan, and a number of local infrastructure projects.
- Delivering new duties arising from the Environment Act, including in relation to biodiversity, nature recovery, waste and recycling. We will also look for opportunities to draw investment into East Sussex through Government plans in areas such as clean energy, and to define the current and future role for local authorities in Sussex in addressing climate change, to work most effectively alongside new national and local structures that are emerging.
- Ongoing challenges in the labour market, including the impact of workforce shortages and recruitment and retention challenges, ongoing pay negotiations and the need for our workforce to adapt to service reforms. We will also need to consider the impact of significant national employment reforms. Alongside this, the need to take advantage of new opportunities from rapidly developing advances in technology and artificial intelligence which may support capacity and efficiency.
- The ongoing need to respond to a complex picture of migration in light of global conflicts, increased numbers of people seeking asylum, including unaccompanied children, and developments in national policy on immigration.
- Renewing work with our voluntary, community and social enterprise Sector (VCSE) partners to maximise capacity to build community health, wellbeing and resilience as part of our ongoing activity to help people help themselves.

- The ongoing importance of all our partnerships in harnessing the collective resources and assets available within the county for the benefit of our communities, particularly in the context of financial pressures.

2.16 The local and national policy outlook at Appendix 10 sets out the latest position on these and other current issues, and plans will continue to develop over the summer and autumn as more information emerges. As always, Members will continue to be updated on policy developments throughout the RPPR cycle.

2.17 To address the unsustainable financial position we have taken every possible step including instituting strict spending and recruitment controls, reprioritising spend, reducing our office estate and maximising income. We have reviewed and reduced our capital programme to minimise the need for borrowing, which means we are not able to invest to the level we would want 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. We have reviewed the value for money our services provide, ensuring they perform well against our nearest comparator authorities and that we adopt good practice elsewhere where we can. External assessment has confirmed that the Council continues to provide good value for money, is efficient and well-run. We are introducing and testing further digital and artificial intelligence approaches and systems which benefit both service delivery and capacity.

2.18 Where it is feasible within available resources we have pursued preventative or upstream approaches which improve outcomes and manage demand, supporting people and communities to be independent wherever possible. This includes a transformation programme in Children's Services focused on securing the right placements for children and delivering national reforms to social care support for families, and the further integration of community health and care services and development of a prevention strategy in Adult Social Care and Health. The delivery of additional patching, drainage and lining works through Cabinet's previous additional investment in highways maintenance has supported the future resilience of the roads which the local economy and our communities depend on. However, there is a lack of funding for the scale of investment required in preventative work across a range of areas which would reduce the need for more intensive support in the future. As resources for this work have become increasingly constrained over time, services have become necessarily focused on responding to the most critical needs, creating a negative cycle of growing demand and increased costs.

2.19 We have taken the additional and significant steps of bringing forward further difficult service reductions and drawing on service reserves to balance the budget. However, despite all the action we have taken, fundamentally there remains a large gap between the income we currently expect to receive in the coming years and the costs of providing services. Without further Government support, changes to the statutory requirements local authorities are expected to fulfil, or more funding for the county as a result of reform of local government finances we will not have the funding we need for the future. Further detail on the financial outlook and proposed next steps is provided at paragraph 2.26.

2.20 In all our activities, and in planning for the future, the County Council will continue to work to our guiding principles that:

- We are effective stewards of public money and deliver good value for money through strong integrated business planning;
- Our activities are transparent and we can be held to account;
- We operate as One Council and focus on agreed priority outcomes;

- We prioritise the investment available for front line service delivery and maximise the resources available, including work to secure sustainable national funding and partnerships with other organisations;
- We carry out all we do professionally and competently;
- We remain ambitious and realistic about what can be achieved with the resources available; and
- We strive to be a good employer and partner.

### **Demographic, Economic and Demand Changes**

2.21 Appendix 9 sets out the key factors affecting the county in relation to demography, deprivation, health, housing, the environment and economy, and the impact these are having on demand for our services. This contains more detail on the issues outlined in paragraph 2.14. Appendix 9 highlights some of the longer-term challenges we face related to the nature of our population and our geography alongside emerging issues. While some factors impact on residents across the county, such as the ongoing challenges around cost of living, each local area is different and some are impacted more by particular issues. In addition, some of our communities are impacted by multiple systemic issues that require additional support to address. This has been recognised by the awarding of Levelling Up funding to these areas, and more recently being identified as eligible places for Plan for Neighbourhoods funding.

2.22 The main factors highlighted by the report are:

- **Older People** – the latest population projections show that the number of over 65s in the county will continue to grow at a much faster rate than our working age population; we are expecting an increase of 9.5% in the 65-84 age group and an increase of 18.3% in the over 85 age group in the next four years. Proportionately we have high numbers of over 65s and over 85s which has an impact on the demand for services and the Council's finances. Rother has the joint highest percentage of the population aged 85 years and over in the country.
- **Children and Young People** – there are still higher levels of demand for children's social care and more complex cases than seen pre-pandemic which together have resulted in a higher number of child protection cases. The number of children and young people with Education, Health and Care Plans (EHCPs) continues to increase year on year, which is leading to an increased demand for home to school transport provision.
- **Economy** – economic productivity within the county remains lower than the national average. Average wages for those employed within the county also remain lower than the national average. The unemployment rates in Hastings and Eastbourne are higher than the national average.

### **Council Priority Outcomes**

2.23 The Council's business and financial planning is underpinned by our four priority outcomes, which provide a clear focus for decisions about spending and savings and direct activity across the Council.

2.24 The current four priority outcomes are:

- Driving sustainable economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves; and
- Making best use of resources now and for the future.

The priority outcome that the Council makes the “best use of resources now and for the future” is a test that is applied to all activities to ensure sustainability of our resources, both in terms of money and environmental assets. It ensures that the future impact of the choices we make

about using resources is actively considered across all that we do, as well as the here and now.

2.25 The priority outcomes, and their subsidiary delivery outcomes, are reviewed annually to ensure they continue to reflect the current context. Updates have been made in recent years to ensure the priorities we are working to deliver, and the way we measure the performance of our activities and services, reflect the current operating context. Following these recent updates, it is considered that the current priority and delivery outcomes, as set out at Appendix 11, remain appropriate and Cabinet is recommended to agree these as the basis for future business and financial planning.

### **Medium Term Financial Plan**

2.26 When the 2025/26 balanced budget was approved by Full Council on 11 February 2025, the deficit on the Medium Term Financial Plan (MTFP) to 2027/28 was £56.2m. Updating the MTFP for normal factors (such as the latest inflation rates and an additional year), the position is an increased deficit by 2028/29 of £70.8m.

2.27 On 11 June the Chancellor published the Government's Comprehensive Spending Review (CSR) – the first spending review of the current Parliament. The CSR announced a 2.6% real terms increase in local government core spending power, although this largely comes from increased Council Tax, which will retain the 3% core referendum principle and 2% for the Adult Social Care precept. The CSR did not publish any information on likely allocations, which will be subject to the outcome of the Government's funding reform consultation. The Government's intention to use funding reform to target funding based on deprivation creates risks that redistribution will impact negatively on the Council's future financial position.

2.28 The MTFP as set out below assumes continuation of current funding. However, the detail within the Comprehensive Spending Review, funding reform consultation and business rates reset, together with a multi-year settlement are all likely to impact on the future deficit. The Council will be required to set a further two balanced budgets in 2026/27 and 2027/28, prior to Local Government Reorganisation (LGR) in 2028/29.

<b>Medium Term Financial Plan</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29* £m</b>
<b>Annual Budget Deficit / (Surplus)</b>	<b>25.089</b>	<b>18.084</b>	<b>16.175</b>
Carry Forward of 2025/26 Deficit	11.449	-	-
<b>Annual Budget Deficit / (Surplus) after Carry Forward</b>	<b>36.538</b>	<b>18.084</b>	<b>16.175</b>
<b>Total Budget Deficit / (Surplus)</b>	<b>36.538</b>	<b>54.622</b>	<b>70.797</b>

\*Notional due to LGR

2.29 The Council has recognised ongoing service pressures in Adult Social Care and Children's Services and invested £51.1m in 2024/25 with a further £54.9m in 2025/26 required when the budgets were set. Whilst the 2025/26 Local Government Financial Settlement saw an increase in grant funding to the Council including a £8.9m increase in the Social Care Grant and a £1.5m allocation of Children's Social Care Prevention Grant, there was the loss of £0.5m Services Grant, plus the Council did not receive an allocation from the new £600m Recovery Grant, where allocations were specifically targeted to meet need and deprivation, particularly in non-shire authorities. Overall, the additional funding was not at a level sufficient to fund the investment, and the Council still required a significant draw on reserves of £11.4m in 2025/26.

## CABINET

2.30 The use of reserves to mitigate budget deficits is not sustainable as they can only be used once. The current level of reserves is set out in the table below. Total strategic reserves are projected to be £4.5m by 2029, which excludes any additional draws required to balance budgets in 2025/26 or beyond. This compares with a cumulative deficit of £70.8m by 2028/29:

<b>Reserves Balances</b>	<b>1 Apr 2025 £m</b>	<b>Estimated 1 Apr 2026 £m</b>	<b>Estimated 1 Apr 2029 £m</b>
<b>Earmarked Reserves:</b>			
<b>Held on behalf of others or statutorily ringfenced</b>	<b>25.5</b>	<b>22.5</b>	<b>21.4</b>
<b>Named Service Reserves</b>			
Waste Reserve	19.8	14.7	7.4
Capital Programme Reserve	9.1	5.2	0.0
Insurance Reserve	7.7	5.7	5.5
Local Government Reorganisation Reserve	0.0	4.2	0.0
<b>Subtotal named service reserves</b>	<b>36.6</b>	<b>29.8</b>	<b>12.9</b>
<b>Strategic Reserves</b>			
Priority Outcomes and Transformation	5.2	4.6	2.0
Financial Management	11.3	4.6	2.5
<b>Subtotal strategic reserves</b>	<b>16.5</b>	<b>9.1</b>	<b>4.5</b>
<b>Total Earmarked Reserves</b>	<b>78.6</b>	<b>61.5</b>	<b>38.8</b>
<b>General Fund Balance</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
<b>TOTAL RESERVES</b>	<b>88.6</b>	<b>71.5</b>	<b>48.8</b>

2.31 Planning scenarios will be considered which may impact the overall deficit, as set out in the table below.

	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29* £m</b>	<b>Total £m</b>
<b>Revised deficit</b>	<b>36.538</b>	<b>18.084</b>	<b>16.175</b>	<b>70.797</b>
<b>Scenarios currently being considered</b>				
Continuation of Council Tax flexibility: <i>Add a further 3.00% to our current 1.99% assumption to get to 4.99% (2.99% plus 2.00% ASC Precept) for 2026/27</i>	(11.894)	(0.420)	(0.433)	(12.747)
<b>Deficit/(surplus) after scenarios</b>	<b>24.644</b>	<b>17.664</b>	<b>15.742</b>	<b>58.050</b>

\*Notional due to LGR

2.32 The CSR confirmed that the Council Tax referendum limit would continue to be 5% (a 2% Adult Social Care precept and 3% for other services). If the Council raised Council Tax by 4.99% there would remain a cumulative deficit of £58.1m by 2028/29. With regard to possible funding scenarios, the Government has been clear that deprivation will play a much bigger part in determining the allocation of funding. There is concern that the measures used to

define 'need and deprivation' will favour urban councils, while shire councils such as ESCC will lose out. This could be particularly challenging for East Sussex, which has higher levels of deprivation and need than neighbouring authorities.

2.33 Given the forecast level of strategic reserves is £4.5m by March 2029, which excludes any draws necessary to mitigate future deficits, and that all other avenues have been explored, the Council will have to consider balancing the 2026/27 budget from the following options:

- Further savings and service reductions, which could have a significant impact on local residents given the savings that have already been delivered.
- Use of remaining reserves, which would leave the Council unable to manage emergent financial pressures.
- Exceptional Financial Support (EFS) to fund the deficit - EFS is not 'free' money to the Council as it would involve either borrowing and/or increasing Council Tax above the referendum limit. The Ministry of Housing, Communities and Local Government (MHCLG) look to the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide assurance for any EFS requests. CIPFA has been commissioned to undertake the required financial assurance review in anticipation of having to approach MHCLG for EFS.

2.34 None of the above options are desirable but the Council will have no option but to undertake some combination of the above if it is to maintain financial sustainability and protect services to the residents of East Sussex, as we move towards the reorganisation of local government.

### **Savings**

2.35 The 2025/26 balanced budget and MTFP agreed by Council in February already includes planned savings of £16.2m. Following on from over £140m in savings delivered since 2010, these savings are very challenging to deliver and will have significant impacts on our residents, staff and partners. They also mean that it has not been possible to sustain all services at Core Offer levels - the basic but decent level of services residents should expect. However, in light of the serious financial position the Council faces, and the very limited options remaining, it is recommended that officers explore areas of search for further savings and service reductions across all departments to reduce the financial gap.

2.36 Given the need for any savings to take effect as early as possible to impact on the 2026/27 financial position, areas of search will be brought forward for Member consideration at the earliest opportunity.

### **Capital Programme**

2.37 The approved programme has now been updated to reflect the 2024/25 outturn and other approved variations, revising the gross programme to £724.1m to 2033/34. The details are set out in Appendix 12, together with the revised programme.

2.38 The 10 year capital programme to 2034/35 and 20 year Capital Strategy 2025/26 to 2045/46 will be updated as part of the RPPR process over the autumn to add an additional year and ensure continued links into, and support of, the Council's other strategies.

### **Lobbying and Communications**

2.39 This report sets out the range of significant demand, policy and financial issues which must be addressed in our planning for the future. The outlook is highly challenging - we face a significant financial gap and very limited and undesirable options open to the Council in responding to this. There is also continued uncertainty in relation to national reforms in major service areas, ongoing growth in need and a lack of clarity on future funding arrangements. At the same time, similar pressures are affecting many of our key partners, affecting the work we



do together to improve outcomes for local people, and we are working with local government partners to plan and deliver major structural change.

2.40 These are substantial risks and planning in this context is very complex. It is clear however, that without further Government support, the financial outlook will require difficult decisions in the short term and that these will not be the decisions we would choose to make to address growing demands or to support transition to future organisations.

2.41 Through our lobbying, we will make clear to the Government the requirement for sustainable funding for local government as a whole, additional support to deliver national reforms and that the specific local needs of East Sussex must be appropriately reflected in new funding arrangements. We will highlight that opportunities for efficiencies and service transformation arising from structural change can only be fully harnessed if underpinned by the robust and sustainable services that East Sussex residents, businesses and communities need. This includes opportunities to continue positive preventative work that could most effectively manage future demand for services.

2.42 We will continue to work with local, regional and national partners to make this case through all available avenues and seek the support of East Sussex MPs in highlighting the needs of our county and the key role the Council has to play in improving the quality of life for local people.

### **Next Steps**

2.43 Work will continue over the summer to refine our understanding of the medium term impacts on our services of national reforms, changing demand for services and the financial resources that will be available to us in the coming years. We will also develop proposals for closing the financial gap.

2.44 We will report back to Members in the autumn with an updated assessment of our service demand, funding expectations and proposed actions to inform more detailed business and budget planning for 2026/27 and beyond. We will use our RPPR process to plan for the future as best we can in the context of the considerable uncertainty we face.

2.45 Members will continue to be consulted on plans as they are developed through Cabinet, County Council, Scrutiny Committees, Whole Council Forums and specific engagement sessions throughout the 2025/26 Reconciling Policy, Performance and Resources process.

24 June 2025

KEITH GLAZIER, OBE  
(Chair)