

Title: Council Monitoring Report – Q1 2025/26
Report to: Cabinet
Date: 24 September 2025
Report by: Chief Executive
Purpose: To report Council monitoring for Q1 2025/26

RECOMMENDATIONS:

Cabinet is recommended to:

- 1) note the latest monitoring position for the Council; and**
 - 2) approve the amendment of the outturn for the unclassified roads measure set out in paragraph 2.2**
-

1. Introduction

1.1 This report sets out 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 June 2025.

1.2 Broad progress against the Council's four strategic priority outcomes is summarised in paragraph 5 and an overview of finance and performance data is provided in the Corporate Summary at Appendix 1. Strategic risks are reported at Appendix 8.

2. Update on the year end position for the Council Plan 2024/25

2.1 Outturns are now available for the 6 Council Plan measures for 2024/25, which were carried over from quarter 4. Measures are carried over when action has been completed but outturn data is not available for reporting at year-end. Outturns for these measures are provided in Appendix 3 Adult Social Care and Health and Appendix 4 Business Services Department. Overall, 75% of targets (45 of the 60 Council Plan measures) for 2024/25 were met or exceeded.

2.2 It is recommended that the outturn of 31% for the unclassified roads measure is replaced with a null outturn (represented as 'not available' in the Council Plan) for the 2024/25 year due to identified data quality issues. Further information is provided in Appendix 6.

3. Overview of Council Plan 2025/26 outturns and strategic risks

3.1 The Council Plan 2025/26 and the Portfolio Plans 2025/26 – 2027/28 have been updated with available 2024/25 outturns and final performance measure targets. All plans are published on the Council's website. The Corporate Summary (Appendix 1) contains a forecast of performance against targets.

3.2 The Strategic Risk Register, Appendix 8, was reviewed and updated to reflect the Council's risk profile. Risk 12 (Cyber Attack), Risk 15 (Climate), Risk 9 (Workforce) and Risk 6 (Local Economic Growth) have updated risk definitions and risk controls. Risk 22 (Oracle), Risk 4 (Health), Risk 5 (Reconciling Policy, Performance and Resources), Risk 20 (Placements for Children and Young People in Our Care), Risk 1 (Roads), and Risk 18 (Data Breach) have updated risk controls.

4. Budget Outturn

4.1 The detailed revenue projections for each department are set out in the relevant appendices which show a projected overspend of £25.8m by 31 March 2026. All departments other than Governance Services are overspending, reflecting the difficult financial situation that the Council, along with many others, face.

4.2 The 2025/26 budget, set in February 2025, included a number of modelled assumptions, particularly in demand-led social care services, with regard to the number of people who would access our services plus the costs of the delivery of the services required to meet their assessed needs. Whilst additional budget was provided for growth in demand, demographic changes and inflationary pressures, departments are reporting below how in a number of service areas demand is now modelled to exceed the assumptions made in the latter part of 2024. Costs are also rising as the impact of increases in staffing costs and the complexity of need that needs to be supported continue to grow.

4.3 The main headlines are:

- Children's Services (CSD) is forecast to overspend by £16.7m; the main financial pressure continues to come from the statutory demand-driven areas of Looked After Children (LAC), Child Protection, and Home to School Transport.

LAC placements remain the largest financial pressure within Children's Services, with overspend forecast on agency residential and secure placements, due in part to the volume of high-need placements and increased cost of high-cost placements.

The LAC placement budget had £3.210m growth in 2025/26, which was calculated based on an assumed 1.23% increase in numbers. In reality, LAC numbers have only increased by 0.16% since 2024/25, but there is a higher number of placements for young people with complex needs costing over £10k per week, increasing from 15 in 2024/25 to 21 in Q1 2025/26. This is a national trend as recently highlighted in a report by the Local Government Association. The risk remains of children who are currently unknown to the service entering into high-cost care placements from hospital, youth justice settings, or adoption breakdowns throughout this year and it is hard to quantify a forecast for the unknowns.

Actions undertaken to mitigate the costs include: the Connected Families Intervention Practitioners (CFIP) contributing to a significant reduction in child protection numbers and cost avoidance through enabling children at the edge of care to remain living safely within their families; the Foundations programme aimed at avoiding repeat care proceedings for parents/carers who have previously had children removed from their care; Family Group Conferencing and support for Kinship carers; embedding of the Valuing Care approach to achieve step-downs and reunifications; a new "Heading Home" strategy to support reunification planning and monitoring; and the establishment of a commissioning and placements service in 2024/25 to focus on improved market management and challenging provider costs; and work with the Regional Care Cooperative (RCC) to improve placement sufficiency and market management across the South East.

The service is ambitious to realise a 3% reduction in LAC numbers this year. It should not be assumed that this will translate to an equivalent 3% reduction in costs across all placement types, as it is more likely that reunifications will be achieved for children in lower cost placements. The risk remains that any additional or extended high-cost placements could have a material impact on the forecast throughout this year.

The overspend in Home to School Transport can be mainly attributed to the number of clients with Special Educational Needs and/or Disabilities (SEND). Spend on these clients is set to increase by 10% from 2024/25; linked both to Education, Health and Care Plan (EHCP) numbers and unit costs increasing. Significant work has gone into implementing cost reduction measures within the service including a review of solo routes and optimisation of routes.

Not included in the figures reported above is the position of the Dedicated Schools Grant (DSG), which, in accordance with the statutory accounting override set out in the Schools and Early Years Finance (England) Regulations 2020, allow local authorities to carry forward DSG deficits on their balance sheets. As of 31 March 2025, East Sussex has a cumulative DSG surplus of £2.8m, which is very unusual, as most local authorities have significant DSG deficits. However, it is projected that there will be a deficit of £19.1m by the end of 2025/26, which will

be taken directly to the balance sheet and presented in the statement of accounts as negative reserves.

This sudden transition to a DSG deficit is caused by pressures within the High Needs Block of DSG, which is used to fund education for children and young people with SEND or who attend Alternative Provision. There is an accelerating demand for special school placements which, as East Sussex's maintained schools are full, means that children are placed increasingly in Independent and Non-Maintained Special Schools (INMS) at inflated cost. There is limited control over the annual increases in costs at INMS as there is no legal framework in which to challenge the costs of provision. Additionally, there is an increase in the number of children for whom parents are requesting costly bespoke provision outside of school, such as private tutoring and agencies.

- The forecast overspend for Adult Social Care is £9.0m which largely relates to the Independent Sector, where the overspend is forecast to be £8.7m. This is due to an increase in demand and more people being supported, however it should be noted that support is being provided at a lower average cost than previous years, because the service is managing the market, being prudent with packages of support and reviewing more people. There is an overspend in Directly Provided Services of £0.316m due to staffing cost pressures, increasing costs and demand for equipment services to support people in their homes and legal fees.
- Communities, Economy and Transport is showing a forecast overspend of £0.1m. The largest overspend is in Highways where the cost of electricity for street lighting and depots is higher than budgeted, offset by underspends in other areas.
- There is a forecast overspend of £0.2m for Business Services Property Services due to increased procurement costs for the new Digital Hub and loss of income from a courier service contract.

4.4 Within Centrally Held Budgets (CHB), including Treasury Management (TM), and corporate funding there is a forecast underspend of £10.8m, which includes the general contingency:

- There is currently an estimated £0.9m underspend on TM, based on a reduced in-year capital borrowing requirement and greater than anticipated returns on investments. It should be noted that there has been a fall in cash investment balances; whilst above benchmark returns are being achieved, the level of balances has fallen by 36% in one year to £137.2m at the end of June 2025.
- Within CHB the forecast underspend of £9.9m is due to the General Contingency of £5.7m, using £3.3m from the provision for budgetary risks, and £1.5m available from not transferring this contribution to the Capital Programme, offset by £0.6m debt impairment.
- Corporate Funding budgets are underspending by £0.2m, due to the additional allocations of Social Care-related grant and New Homes Bonus.

4.5 The net impact of the above is an unplanned draw from reserves of £14.9m in 2025/26. This is in addition to the planned £11.4m draw to present a balanced position in setting the 2025/26 budget. Use of the Capital reserve has the potential to increase the requirement to borrow, leading into increased costs in the future; use of Collection Fund surplus and Insurance and Local Government Reorganisation Reserves will likely hinder the Council's management of future risk and transformation. The Council's strategic reserves are £16.5m at 1 April 2025 - for comparison, the latest published budget gap after likely funding scenarios for 2026/27 is £24.6m. Any reduction in 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 or exceptional financial support. To address the projected in-year overspend and reduce the required draw from reserves, the Council continues with several actions introduced last year, 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 CMT approval of non-core role recruitment.

4.6 The total savings identified to be delivered in 2025/26, including slippage from previous years, are £14.3m. Departments are reporting that £13.2m will be able to be delivered in 2025/26, with £1.0m slipping to future years, and £0.2m not being able to be achieved but being replaced by other permanent savings. The impact of the slippage has been reflected in the revenue monitoring position. The departmental appendices provide more detail.

4.7 The Capital Programme net expenditure for the year is projected to be £95.6m against a budget of £103.0m. A slippage risk factor has 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 will be held at a corporate level to enable services / project managers to manage project budgets at a local level, whilst ensuring greater robustness to the planning and monitoring process at a corporate level. The net forecast expenditure after applying this risk factor is £84.8m.

- The programme is forecasting total slippage of £8.1m which is further to reprofiling undertaken as part of the State of the County review. The quarter 1 slippage relates wholly to the Bus Service Improvement Plan (£8.1m) from a mixture of the 2025/26 (new) programme and previous years' programme.
- The programme is projecting an overspend of £0.7m, relating to: House Adaptations for Disabled Children's Carers Homes (0.5m) historic commitments and the Bexhill and Hastings Link Road (£0.2m).

5. Progress against Council Priorities

Driving sustainable economic growth

5.1 The Council has spent £398m with 992 local suppliers over the past 12 months. This equates to 61% of our total procurement spend, which is above our target of 60%. The Procurement team continues to promote our contract opportunities to local suppliers, as well as building local supply chain opportunities into our tenders where possible. 17 contracts, with a value of £3.83m, were agreed in quarter 1 and as part of these we secured £1.24m in social value commitments. This equates to 32% of the contract value, and will include apprenticeships, the creation of local jobs and careers awareness programmes amongst other initiatives (Appendix 4).

5.2 Work on our highways has continued, with 7,080 potholes repaired in quarter 1, 4,903 of these being carriageway potholes and the remainder primarily footway potholes. We completed 42 road improvement schemes in quarter 1 to improve the condition of the roads (Appendix 6).

5.3 The Skills East Sussex Engineering Task Group delivered engineering clubs at schools in Hastings in quarter 1, to help meet the Skills East Sussex priorities. We also procured partners during quarter 1 to deliver eight Skills Bootcamp courses during 2025/26. Delivery of the Bootcamps is due to start in quarter 2 (Appendix 6).

5.4 67 businesses in East Sussex were supported through business support programmes during quarter 1. 47 of these were supported through the Growth Hub, 17 through Newhaven Business Grants and 3 through Rural Business Grants (Appendix 6).

5.5 Skills East Sussex celebrated a decade of working to improve local employment and skills levels and boost economic prosperity in East Sussex in quarter 1. Achievements over the last 10 years have included securing over £60m of additional funding for the delivery of employment and skills initiatives and capital infrastructure; launching one of the UK's first Growth Hubs and developing adult learning and employment programmes such as Moving on Up, Support into Work and Multiply (Appendix 6).

Keeping vulnerable people safe

5.6 The number of children with a Child Protection Plan has reduced to 579 at the end of quarter 1, down from 614 in quarter 4 2024/25. This has been achieved through effective multi-disciplinary work with children and families, reducing risk and effecting change with families. The rate of

Looked After Children decreased slightly in quarter 1 to 67.1 per 10,000 (695 children) down from 67.3 per 100,000 at quarter 4 2024/25, which is below the national average rate for England, at 73.9 in Q4 2024/25, and IDACI (expected rates based on levels of deprivation) at 70.0, Q4 2023/24, but higher than the rate for our statistical neighbours (62.8, quarter 4 2024/25) (Appendix 5).

5.7 The 2024/25 outturn (reported a quarter in arrears) for the percentage of people affected by rape, sexual violence and abuse who have improved coping strategies was 86.6% against a target of 88%. The provider has attributed the lower performance to staff changes across the organisation and data accuracy. Guidance on inputting information has now been created to resolve the issue. (Appendix 3).

5.8 A new contract to provide safe accommodation for people seeking safety from domestic abuse in East Sussex began on 1 July 2025. The new provider, Interventions Alliance, has taken over the 37 existing units of accommodation in the county. Plans to provide an additional 18 units within the first 6 months of the contract are underway (Appendix 3).

5.9 Trading Standards made 45 interventions during quarter 1 to protect vulnerable people. These interventions included installing call blockers and CCTV for vulnerable people who had been repeatedly targeted by scammers. 63 businesses received training or advice from Trading Standards during quarter 1 (Appendix 6).

Helping people help themselves

5.10 The Council's Connected Families Intervention Practitioners (CFIP) have continued to deliver support and interventions with parents and carers of children on Children in Need or Child Protection Plans. They work with parents across the county providing dedicated support to address their personal issues, in order to support families to stay together and improve the wellbeing and life chances of children. In quarter 1, interventions with 78% of families we worked with were successfully concluded. This supported parents and carers to achieve stability in relation to their mental health, drug and alcohol use, safety from abuse or causing others harm (Appendix 5).

5.11 The Early Years Funding team works closely with parent and carers, early years providers and other agencies to ensure the take up of the Department for Education's (DfE) free early education entitlement for three- and four-year-olds. Four schools in East Sussex were successful in bidding to the DfE and will all receive capital funding of up to £150K to establish school-based nurseries. These new nurseries will help increase the number of places available for families to access funded early education and childcare places (Appendix 5).

5.12 The 2024/25 outturn (reported a quarter in arrears) for the number of IMD1 NHS Health Checks conducted, shows that there was a decrease of 16% in 2024/25, compared to 2023/24, against a target of a 9% increase. The overall NHS Health Check activity by Hastings and Rother Healthcare reduced by 43% between 2023/24 and 2024/25. Furthermore, unlike in previous years, overall health check activity across East Sussex did not increase in quarter 4 as expected. This may be linked to significant changes in how the programme is to be delivered from 2025/26, alongside wider operational pressures (Appendix 3).

5.13 4.32% of the local smoking population set a quit date in 2024/25 (reported a quarter in arrears), against a target of 7%. However, individuals who do set a quit date achieve good outcomes with the stop smoking service, with 59% achieving a four-week quit against a target of 50%. As smoking declines nationally the service is engaging with the more entrenched smoking community, which may be impacting on the number who want to quit. Public Health have begun a number of programmes to help encourage people to access stop smoking support (Appendix 3).

Making best use of resources now and for the future

5.14 During quarter 1, the Leader and Chief Executive continued to raise issues and priorities for the county with our local MPs, including through a specific update on our State of the County report. This set out the uncertain and stark financial position the Council faces and asked for MPs'

support in lobbying Government to recognise the specific and unique needs of East Sussex, which are more acute than much of the rest of the South East, and that these must be appropriately reflected in new funding arrangements (Appendix 7).

5.15 We completed 5 energy efficiency schemes during quarter 1, including 2 solar PV schemes, 2 insulation schemes and 1 estate rationalisation. The total Council carbon emissions outturn for 2024/25 (reported a quarter in arrears) saw a 36% reduction against a target of 50%. Carbon emissions from the Council's electricity consumption fell by 3% during 2024/25. As the grid carbon emissions factor remained the same in 2024/25 as in 2023/24, the 3% emissions reduction is principally down to the Council reducing its electricity use. In 2024/25, external temperatures for East Sussex were lower than in 2023/24. This colder weather increased heating demand and prevented the Council from seeing a reduction in emissions from fossil fuel heat, which have remained at the same level year on year (Appendix 4).

5.16 The Council has continued to work with a range of partners to develop and deliver carbon reduction and climate change adaptation work in quarter 1. This included finalising a climate change adaptation toolkit, which will be rolled out to 3 Council services during 2025/26. We also continued discussions with GB Energy about options for securing third party funding for rooftop solar panels on schools (Appendix 6).

5.17 The quarter 1 sickness absence figure for the whole authority (excluding schools) is 2.08 days lost per Full Time Equivalent (FTE) role, a 3.8% decrease compared to quarter 1 2024/25. The year end estimate for 2025/26 (based on the quarter 1 data) is 8.86 days/FTE, so the target of 9.10 days/FTE is predicted to be met (Appendix 4).

5.18 The Council has continued work to ensure its office hubs are used efficiently, and during quarter 1, 2 properties were marketed for sale, Sandbanks in Hailsham and the former Rangers' Workshop in Rye. A public consultation has also begun on the disposal of the Tilling Green Playing Fields in Rye. In addition, marketing of vacant space in South and East Blocks at County Hall has commenced (Appendix 4).

5.19 The Government's consultation on the proposed establishment of a Mayoral Combined County Authority for Sussex closed early in quarter 1. The consultation followed our successful application, along with West Sussex County Council and Brighton & Hove City Council, to join the national devolution priority programme, working on an accelerated timescale towards a mayoral election in May 2026. Subject to further national and local decisions, work will continue to prepare for the creation of the combined authority, including the legislation required. As part of the Government's separate plans for the reorganisation of local government, the Council has continued to work with district and borough council partners to develop a final reorganisation proposal for a single unitary council for East Sussex, which is due to be submitted to Government in September 2025 (Appendix 7).

5.20 The Council's East Sussex Wellbeing and Employment Service won the 'excellent support' category at the National Homeless Link awards during quarter 1. The award recognises the holistic approach to bringing together housing, health, wellbeing and support into skills and employment for people who are homeless and living in temporary accommodation and for people who are at risk of being homeless (Appendix 3).

Becky Shaw, Chief Executive