Appendix 2

East Sussex County Council

A Financial Resilience Review

August 2025

A Report by:

The Chartered Institute of Public Finance and Accountancy

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

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1 Executive Summary

1.1 Summary of Findings, Issues, Evidence and Analysis

This review assesses whether East Sussex County Council (the council) has appropriate arrangements in place for financial management and governance. It also considers the actions being taken to address the significant financial challenges it faces. This review provides assurance on the financial position and governance arrangements of and to deliver a balanced budget and a sustainable financial position.

A challenging position

The council has delivered over £140m of savings since 2010, demonstrating sustained financial discipline and the willingness to take some tough and politically unattractive decisions. However, the council is now falling below its ‘Core Offer’ and with a projected deficit of £36m in 2026/27 and £54.6m in 2027/28 which risk exhaustion of the remaining unallocated reserves.

This has meant the council is lean and has low costs services and functions. However, the continued use of reserves and challenges in delivering savings to meet increasing budget deficits mean the council has to give urgent consideration to the action it needs to take and give serious consideration to applying for Exceptional Financial Support.

Inherent demographic and infrastructure challenges

East Sussex has inherent demographic and infrastructure challenges. 26% of its population is aged over 65 compared to the national average of 17% and in the over 85 cohort the council has highest number as a percentage of the population when compared to other authorities. This is accompanied by high levels of mental health need, benefit dependency and multi-morbidity. Relatively poor infrastructure and links to London coupled with over 75% of the landscape designated as a protected cause workforce and growth challenges, with the lack of large employers and subsequent business rate growth.

Sound and established financial management arrangements and understanding

Its Reconciling Policy, Performance and Resources (RPPR) framework for decision making is embedded and well understood, while vacancy and purchase order panels provide further discipline. Internal Audit has determined “Substantial Assurance,” through its Internal Audit opinion and there is an experienced and established leadership team who are respected by both Members and Officers. Member maturity and constructive officer–member engagement are clear strengths, with evidence of regular and informed consideration of key financial issues.

Financial management arrangements remain prudent. The targeted capital programme focuses on core priorities such as schools and infrastructure. The council has maintained very low levels of external borrowing since 2016, supported by a conservative approach to investment and a clear Minimum Revenue Provision (MRP) policy to provide for future financing. This demonstrates a culture of prudent treasury management that has reduced risk exposure in recent years.

Structural funding and demand challenges

Despite this, the council faces significant structural funding challenges, particularly within demand-led services including Adults, Children’s, Home to School Transport (HTST), and High Needs block. Market volatility in placement costs remains a material financial risk, with potential £1m+ swings in individual cases. The Dedicated Schools Grant (DSG) High Needs deficit presents a serious medium-term threat to the General Fund if the statutory override is removed in 2027/28, while overall reserves are projected to fall by 42% by March 2026 with further significant in year overspends likely. The current forecast also indicates a renewed need for external borrowing by 2025.

Capacity and data constraints

Capacity and data constraints add to these risks. In Children's Services, fragmented systems and reliance on spreadsheets limit predictive modelling and strategic planning. Investment in data and analytics, supported by structured tools such as the CIPFA Data Management Model, would improve forecasting, integration, and governance. While data quality itself is not weak, it is not always being used to its full potential. Piloting improvements in Children's Services would provide the clearest and most significant benefit.

Workforce capacity is a further challenge. Recruitment and retention pressures persist across finance, property, and IT, with below-market pay reducing competitiveness. The council also relies on shared procurement arrangements through Orbis, where there are ongoing concerns around value for money and contract management capability. Looking ahead, Local Government Reorganisation (LGR) in Surrey may affect the resilience of these shared services, underlining the need for a review of the arrangements.

Opportunities to strengthen

There are opportunities to strengthen resilience in some areas. Better use of data, analytics and technology would support evidence-based decision making. The council has looked at ways to address workforce challenges including internships and more trainee programmes but recognises more can be done. Stronger partnership working with the NHS, through joint commissioning and cost-sharing with districts, boroughs and West Sussex, also offers further potential to manage demand and financial pressures.

Member focus

Members are experienced and supportive and bring learning back to the council, many through their peer roles. It might be appropriate to consider a re- focussing on members scrutiny responsibilities to ensure the council gets real value through the process could further enhance the robustness of challenge, particularly ahead of any future LGR.

A solid platform but critical decisions to make

Overall, the council benefits from strong governance, respected financial leadership, and prudent treasury management. These provide a solid platform to address the significant financial risks. However, the scale of structural underfunding in demand-led services, coupled with declining reserves, rising placement costs, and future borrowing needs, places the council under mounting pressure. There are also operational risks in delivering new core systems such as Oracle Payroll and HR where benefits realisation will require close monitoring.

To maintain sustainability, East Sussex will need to maintain its focus on the tough decisions and consider the need for EFS as part of its budget development for 2026/27. This includes early preparation for different scenarios, assessing partnerships with a focus on cost share and priorities and strengthening procurement and workforce capacity. Ultimately, this may require further consideration of what a minimum future operating model could look like.

1.2 Key Recommendations/Improvement Plan

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated and the recommended timeline included with the recommendations. There are some observations that haven't been stated as recommendations as action is already being taken or there is an awareness of the issue raised

Recommendation
1. The council should continue its discussions on the potential need for EFS given the reintroduction of external borrowing from 2025 and continued service pressures.
2. The council needs to look at what further early action it can take on savings to reduce reliance on reserves.
3. The council should continually re-assess its risk appetite and triggers for decision making on divestment, business cases and further savings plans.
4. The council should maintain its focus on the minimum operating model and potentially reassess its core offer to set out sustainable service levels within available resources.
5. The council should strengthen its data and analytics capability in Children's Services, moving away from fragmented systems and spreadsheets towards integrated forecasting tools.
6. The council should consider applying the CIPFA Data Management Model to assess data governance, quality and accessibility in Children's Services.
7. The council should reaffirm the focus of members through scrutiny to ensure appropriate challenge of and support for key financial and service decisions.
8. The council should address procurement and contract management capacity through the review of the Orbis arrangements, ensuring value for money and stronger in-house oversight over service contracts.
9. The council should increase its focus on workforce recruitment and retention exploring market supplements or targeted career pathways to address competitiveness.
10. The council should develop a refreshed partnership position with the NHS, districts and borough councils to reflect the significant challenge it is facing and the consideration of EFS.

2 Introduction

1.3 The Requirement

East Sussex County Council (the council) commissioned CIPFA to undertake an external assurance review of its financial resilience, management arrangements, and service pressures. The review aligns with the work undertaken by CIPFA for the Ministry for Housing, Communities and Local Government (MHCLG) when assessing the need for Exceptional Financial Support (EFS).

The council is navigating significant challenges, particularly:

- A projected budget gap of £36m by 2026/27, including planned expenditure growth from £536.99m in 2024/25 to £579.62m in 2025/26.
- Sharp depletion of reserves, forecast to fall from £119m (Mar-24) to £69m (Mar-26) a 42% reduction in two years.
- Structural cost pressures in Adult and Children's Social Care, Home to School Transport (HTST), and High Needs Dedicated Schools Grant (DSG),
- A prudent but tightening treasury position, with new borrowing expected to resume from late 2025.
- Workforce pressures, including recruitment/retention challenges, pay competitiveness, and succession risks at senior leadership level.

The council has embedded governance and control frameworks and is widely regarded as well-led. However, sustained demand pressures, financial volatility, and reducing reserves raise immediate and medium-term financial sustainability concerns.

The review focused on four key areas:

- Financial Management and Sustainability
- Capital Programme and Companies
- Commercial Investments, Assets, and Debt
- Governance

1.4 Methodology

In our approach, we were mindful of the context set out above and our work comprised the following elements:

Desktop analysis

The council provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed key documents together with other records that have been shared by the council as being relevant for the review. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness these are based on analysis undertaken by CIPFA using published data such as the RA and RO forms. Service performance data has been extracted from a wider range of sources including: inspection reports and the council's own surveys of residents and staff.
Interviews

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

Report drafting, feedback and fact-checking

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

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review from June through to August 2025. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy.

CIPFA's review team consisted of an experienced finance consultant and support from other consultants with relevant backgrounds in Social Care and Children's Services as appropriate.

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

Report Structure

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

2 Areas Reviewed

2.1 Review Area 1: FINANCIAL MANAGEMENT / SUSTAINABILITY

An assessment of the council's financial management and management of risk to reach a view on the council's overall financial resilience and sustainability.

An assessment of steps the council is undertaking to ensure the council remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans

The council's financial management and governance as well as compliance with Local Government accounting codes and international finance reporting standards

Key findings and analysis

With a projected deficit of £45m for 2025/26 highlighted in the council's budget report, the challenge in securing financial resilience and sustainability should not be underestimated.

The council should model the implications of its latest savings forecasts in determining its need for Exceptional Financial Support (EFS). It is modelling risks, has established planning frameworks and is developing plans. It has focussed financial governance arrangements and invites challenge and support. The council has established and well understood financial management and reporting arrangements but professional resources are stretched.

There are no significant concerns expressed by the auditors in respect of compliance with local government accounting codes and international financial reporting standards and the auditors issued an unqualified audit opinion for 2023/24. The council has published its draft financial statements for 2024/25.

The scale of the financial challenge is serious but understood and clearly reported

The council's budget report published in February 2025 forecast a projected deficit of £45.3m in 2025/26 with a planned draw on reserves of £15m. This is considered later in the report. Addressing this gap with a sustainable set of deliverable savings alone is a real challenge. The S151 Officers Section 25 Statement, which forms part of the 2025/26 Budget setting report, states:

Whilst it is welcome to note the government's commitment to a fair funding review, business rates reform and multiyear settlements from 2026/27, unless the Council receives a significant and permanent increase in funding, the deficit, which is currently projected to be £37.4m in 2026/27 will continue to prove difficult to mitigate locally, and require an approach to the Ministry for Housing Communities and Local Government (MHCLG) for Exceptional Financial Support.

The quarter 1 budget monitoring report for 2025/26 shows a further deteriorating position with an overspend of £25.8m against the original 2025/26 budget, despite an expectation that £13.2m of the £14.2m savings will be delivered. Almost all of the further overspend relates to Children's and Adults Social Care. These in year deficits are not currently factored into the Medium Term Financial Strategy (MTFS) forecasts and will need to be met from ever decreasing reserves in the short term. Future borrowing needs are also a key consideration.

Reports are comprehensive and Members appreciated the support they receive from Officers both formally and informally through decision making and briefings including: whole council forums, monthly meetings with group leaders and finance leads and regular briefing papers. Members meet with the S151 Officer on a regular basis to build understanding and also discuss alternative budget planning. They felt they could ask the pertinent questions and get appropriate feedback responses. There was an awareness of the underlying drivers behind the financial challenges, for example, demand and requirements governing home to school transport and demographical profiles in East Sussex creating pressures on Adult Social Care. The Finance Portfolio Lead was fully aware of the risks and responsibilities.

Savings targets are set and delivery is reviewed by Corporate Management Team and then approved through Cabinet and Full Council. The council has identified a set of priority areas to address in line with other councils who are experiencing significant financial challenges.

Unsustainable use of reserves to balance the budget

The council has been using its reserves to manage its financial position in the short term. The council regularly reviews its reserves in line with the CIPFA Financial Management Code guidance and has historically mainly used reserves to address specific priorities and schemes. The use of reserves should only be used for a limited time to manage the financial position and as part of a wider plan to deliver a sustainable balanced financial position. The CIPFA Financial Management code makes the point that reserves should be used to mitigate the impact of financial shocks and to manage implementation of sustainable change savings. They should not be used to plug recurring deficits.

The council is currently drawing down reserves to balance in-year pressures. Reserves are forecast to fall from £119m in March 2024 to £69m by March 2026 — a 42% reduction in just two years. Whilst this is necessary in the short-term, it is not sustainable.

Scenario modelling reinforces this point: even with 100% delivery of planned savings and no increased demand, all reserves (including earmarked reserves) would be exhausted by 2027/28 as annual deficits rise to £56m. With lower savings delivery (75% or 50%), reserves fall below minimum levels earlier and the council becomes financially unsustainable earlier in 2027/28. It is clear that the council cannot continue to rely on reserves when setting its budget for 2026/27 as many of these reserves are earmarked. Accelerating savings plans will be extremely difficult given the savings the council has already made and capacity challenges and lead times associated with most savings proposals.

The latest published reserves position from the 2024/25 year-end report is shown below in Table 1. It shows the council plans to continue to use its reserves to balance its budget despite limited uncommitted reserves (strategic reserves) to cover any under delivery against planned savings or deal with any unexpected shocks. Later benchmarking shows that the council continues to have lower than average levels of reserves as a proportion of net revenue expenditure when compared with its CIPFA nearest neighbours..

Table 1: 2024/25 published reserves position

Reserves Balances	1 Apr 2025 £m	Estimated 1 Apr 2026 £m	Estimated 1 Apr 2029 £m
Earmarked Reserves:			
Held on behalf of others or statutorily ringfenced	**25.5**	**22.5**	**21.4**
Named Service Reserves			
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
Subtotal named service reserves	**36.6**	**29.8**	**12.9**
Strategic Reserves			
Priority Outcomes and Transformation	5.2	4.6	2.0
Financial Management	11.3	4.6	2.5
Subtotal strategic reserves	**16.5**	**9.1**	**4.5**
Total Earmarked Reserves	**78.6**	**61.5**	**38.8**
General Fund Balance	*10.0*	*10.0*	*10.0*
TOTAL RESERVES	**88.6**	**71.5**	**48.8**

Challenges in the Medium Term Financial Plan (MTFP)

Based on current planned levels of savings, the council is vulnerable to shocks and demand pressures. There are particular challenges highlighted in the later years of the MTFP. This is shown in Table 2 below. The council is, however, in a more favourable position than most when it comes to its Dedicated Schools Grant (DSG) position which currently shows a cumulative surplus of £2.8m if the statutory override was to end.

Table 2: Medium Term Financial Plan 2026/27 to 2028/29

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

*Notional due to LGR

If the council reaches the point where it needed to apply for EFS or serve a S114 notice, it would have to be confident that all options to address the short term MTFS position had been explored. The council is aware of this and CIPFA are supporting them.

It is important that the council plans a course of action to deliver sufficient ongoing proposals and consider all options to balance the budget including EFS.

Significant delivery of savings but challenges in meeting previous savings targets

Looking across the past three years, the council has struggled to fully deliver its planned savings, with the highest level of underperformance in Communities, Economy and Transport (CET) when looking to deliver increased income from parking charges.

In 2022/23, £1.257m of savings were targeted but only £0.452m was achieved, leaving £805k undelivered and carried forward, all within Communities, Economy & Transport (CET). CET's long term contracts do limit some opportunity and flexibility in savings delivery although the pattern repeated in 2023/24, where just 37% of the £1.779m target was delivered, again with the majority of the gap again sitting in CET. Business Services (Orbis) delivered part of its requirement, but still fell short. By 2024/25 there was a noticeable improvement, with £1.063m delivered against a £1.808m target (59%). This was driven by BSD/Orbis meeting its savings in full, but CET continued to slip £0.745m into future years. The consistent picture is that CET's undelivered savings continue to roll forward, creating pressure on the wider programme, while other areas have either had no savings requirement or have performed strongly when targets were set. This is shown in Figure 1 below and the accompanying charts (Figures 2 and 3).

Figure 1: Past savings projections and performance (£m)

	2022/23	2023/24	2024/25
Actual	£452	£664	£1,063
Plan	£1,257	£1,779	£1,808
Shortfall	(£805)	(£1115)	(£745)
% Achieved	35%	37%	59%
Source: End of year Council Monitoring Report			

Figure 2:

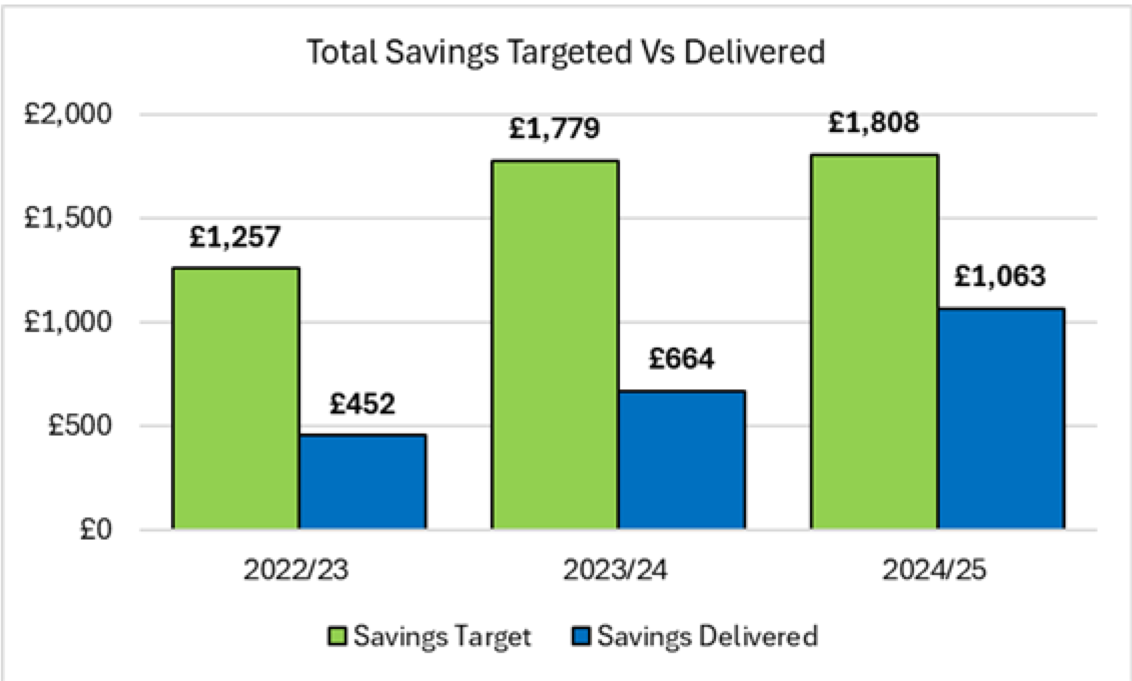
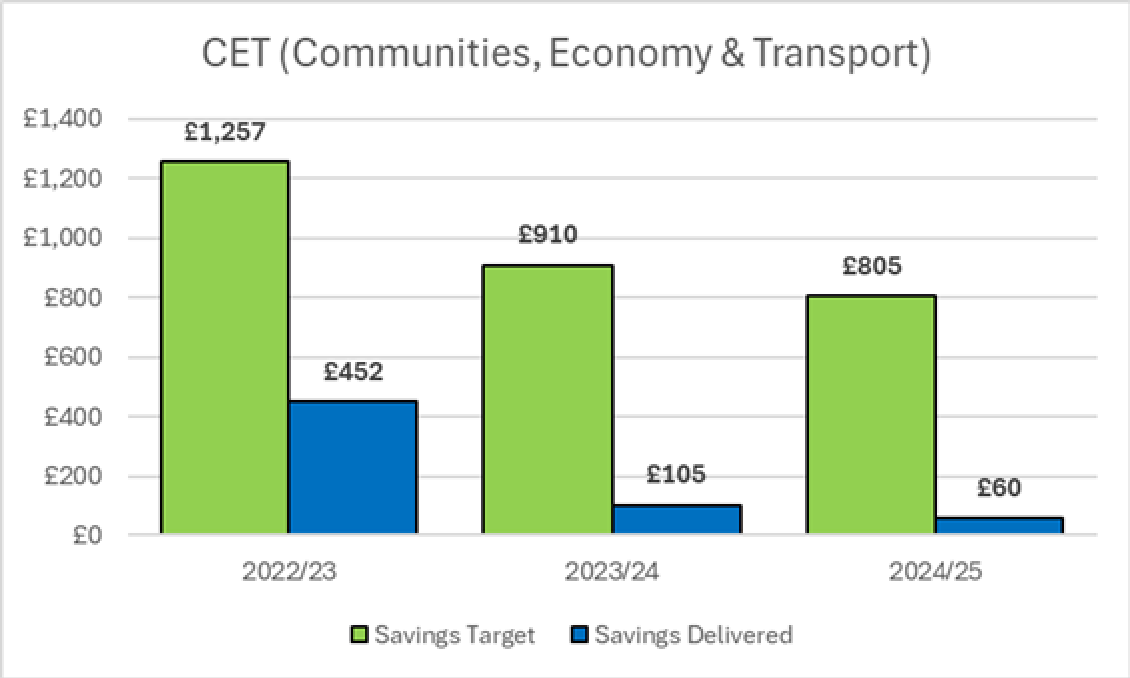


Figure 3:



The council is currently reviewing its savings proposals against CIPFA's savings database and is identifying where it has either taken action or is considering action in the areas. The council should also consider what a minimum operating model could look like as part of this work, building on the previous good work on determining the 'core offer' in the context of achieving an immediate and medium term balanced budget position. This is challenging and might involve increasingly difficult policy decisions, but also realistic assessments of the capacity and capabilities needed and available to ensure a resilient council. The understanding of the current RPPR framework should provide the council with a good base to consider this.

East Sussex's relative financial position is challenging and the use of reserves higher than its nearest neighbours

A comparison of the council against its nearest neighbours using the financial resilience index and CIPFA statistics is considered below:

CIPFA's Financial Resilience Index for 2023/24 is a comparative analytical tool intended for use by Chief Financial Officers to support good financial management. The index shows a council's position on a range of measures associated with financial risk highlighting where additional scrutiny may be required.

Change in reserves reflecting the use of reserves to support the budget shows it compares unfavourably to its nearest neighbours which means it is using more of its reserves. This is a concern. The graphs for general and earmarked reserves are shown in Figures 4 and 5 below:

Figure 4:

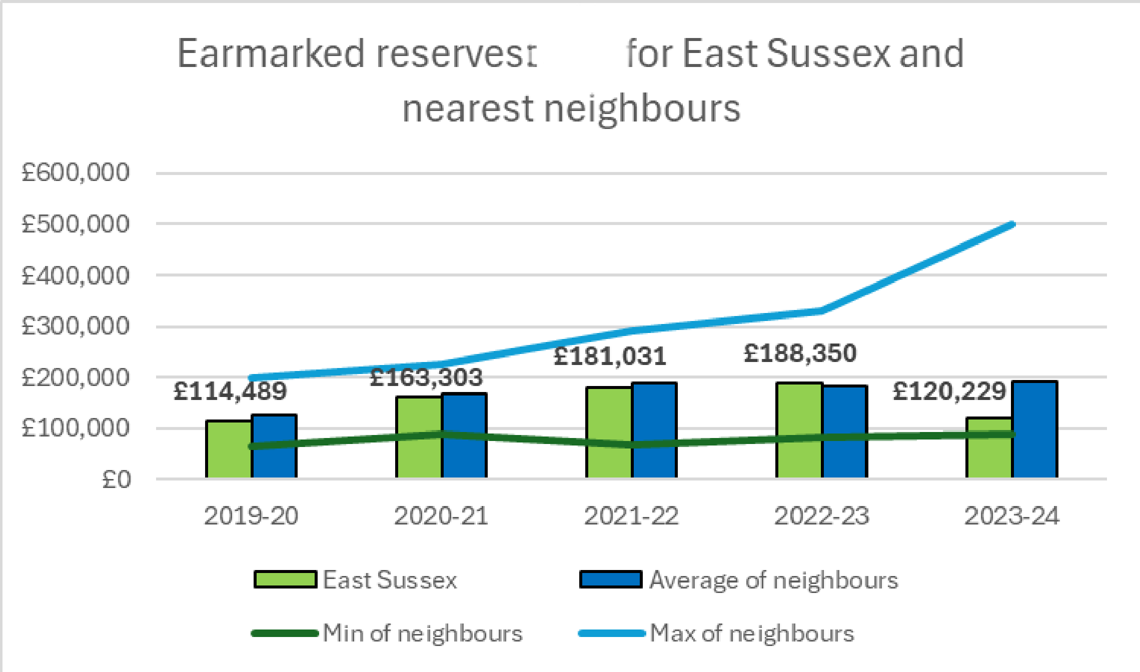
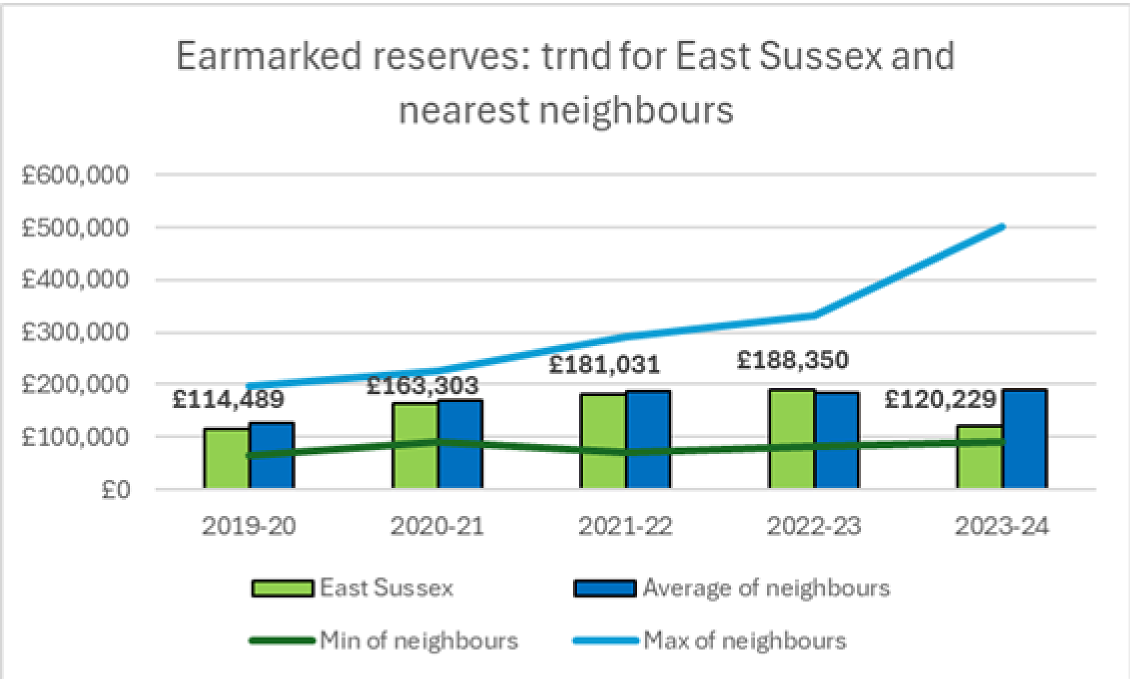


Figure 5



East Sussex holds one of the lowest levels of unallocated financial reserves across its comparator group. Its has maintained £10m for its General Fund balances for the past five years. The average for its statistical neighbours has ranged between £27m and £33m during the same period. Even in 2023–24, when some neighbours saw reductions in their reserves, East Sussex remained well below both the average (£31m) and the lowest point of several individual comparators (£16m). This suggests that the council has limited flexibility in responding to unexpected pressures compared with others in its group.

The picture looks different when turning to earmarked reserves. East Sussex has consistently held levels broadly in line with the average of its comparators, and in some years slightly above. In 2020–21, for example, it carried £163m against an average of £169m, and in 2021–22 £181m against £188m. This points to a potentially more prudent approach to setting aside resources for specific pressures and future risks. However, the latest figures for 2023–24 show a marked shift: East Sussex reported £120m compared with a neighbour average of £191m, and substantially lower than the maximum of £501m within the group. This reduction suggests either significant planned drawdown or a reclassification of reserves.

Taken together, East Sussex appears to be operating with a very narrow level of unallocated reserves flexibility, relying more heavily on earmarked reserves to manage risk. However, the recent decline in earmarked balances highlights a potential vulnerability, especially at a time when many comparators have maintained or increased their positions. A fuller breakdown of reserves has been provided as part of our data pack, which should assist in understanding the underlying drivers.

Other benchmarking insights show the following:

- **Reserves position**: East Sussex has significantly lower reserves than its peers, with unallocated reserves at only 1.89% compared to the group average of 6.94%, and total reserves at 24.60% versus the average of 45.76%, indicating a limited financial safety net.

- **Service spending profile**: Compared with neighbours, East Sussex devotes a **higher share of expenditure to Adults' and Children's Social Care**, reflecting demographic pressures and demand. This highlights a lack of flexibility in the base budget, with resources already concentrated on statutory services.

- **Income generation**: Sales, fees and charges per capita are below the average of comparator authorities, suggesting opportunities to explore additional charging or cost recovery measures.

- **Social Care ratio**: The data pack shows East Sussex's ratio of social care spend to total service budget is among the highest in its comparator group. This reinforces the challenges in managing demand and the potential transformation or difficult decisions needed in these service areas if financial sustainability is to be achieved.

The need to maximise income and funding

Benchmarking from 2023/24 suggests that per person East Sussex has lower Sales, Fees and charges compared to its nearest neighbour comparators. Fees and charges were increased above CPI last year and the responsibility is delegated to the Director of Finance for all increases at CPI or below. Changes to fees and charges are also considered quarterly through the council's corporate summary reports. There may, however, be merit in a more fundamental review of fees and charges through benchmarking with nearest neighbours Such benchmarking might warrant consideration as part of future budget setting reports.

Evidence suggests that maximising the use of ring fenced funding and any historic unspent funds has been considered as part of the council's savings plans. However, this should be kept under continual review to ensure it is carefully prioritised and any further opportunities to redirect or repurpose funds are properly considered. Whilst this is unlikely to be significant in the context of the scale of savings required, it will further enhance the importance of cross functional and indeed cross partnership thinking required in the areas of regulatory, public health services and care healthcare placements.

Established financial management arrangements

From our meetings we have encountered officers and members who are committed to the council success and ensuring the council is on a sustainable financial footing, Analysis of key documents shows detailed and comprehensive reporting and analysis of the financial position. The council undertakes an annual assessment of its position against the CIPFA Financial Management Code which shows a high level of compliance which is supported by our review findings. The RPPR framework is a longstanding, well understood approach that brings finance, policy and performance together which reinforces the interdependencies and trade-offs that need to be considered. These meetings are weekly with the Director of Finance and all Heads of Finance and consider budget setting, in year monitoring and year end processes. There is also regular engagement with Directors of Adults and Children's Services to discuss recovery plans, demand management and overspending in high risk areas.

Feedback on the finance business partner support from Directorates is generally positive but there is an awareness that more work needs to be done to address the gap in me areas between finance and service departments in some areas and align finance officers to the departments they support, ensuring a pro-active and embedded approach. This is considered later under the assessment of capacity and capability.

There is clear messaging on the importance of spend being controlled responsibly and income being maximised with an annual review of income and charging as part of the RPPR process. The introduction of the Purchase Order Panel has instilled further discipline and influenced behavioural changes in spending. This was accepted and understood across the council and is considered alongside a weekly Corporate Management Team review of vacancies. This has encouraged consideration of alternative staffing models and Purchasing Card monitoring is in place through Directors.

The Annual Governance Statement and the risk register set out the financial challenges and action being taken to address them.

Compliance with the CIPFA Accounting Codes and Standards

As mentioned earlier, the council assesses themselves against the financial management code. The accounting policies applied by the council in preparing and presenting its financial statements confirm that the authority complies with the Accounting Code and relevant statutory reporting requirements.

There have been no significant issues raised by the external auditors in previous years audit reports. At the time of our work, we were not aware of any significant issues with regard to the ongoing audit.

Recommendations

1. The council should continue its discussions on the potential need for EFS given the reintroduction of external borrowing from 2025 and continued service pressures.

2. The council needs to look at what further early and decisive action it can take on savings to reduce reliance on reserves.

3. The council should determine its risk appetite and triggers for decision making on divestment, business cases and further savings plans.

4. The council should develop a clear minimum operating model to set out sustainable service levels within available resources.

The capacity and capability of the council to deliver an effective finance function to the council commensurate with the complexity of its particular circumstances

Key findings and analysis

An experienced team but continuing difficulties in recruiting and retaining staff

The Finance team is relatively stable and experienced with particular strength through the current S151 Officer who has significant corporate knowledge, understanding and respect across the council. The council has, however, recognised the poor value for money provided through agency staff and the challenges of high turnover and recruitment difficulties, particularly in more senior finance roles.

The council is actively recruiting CIPFA trainees to look to develop its own staff given these challenges. There is a focus on internal development given lack of a formal training budget and lunch and learn sessions and a broad area of focus framework is in place to cascade learning.

Day to day relationships with service departments appear strong and a confidence was expressed in the finance team's ability to model, analyse and support services and undertake scenario modelling, although there are weaknesses in Childrens Services which require spreadsheet analysis due to system limitations in the current Liquid logic system. The team has been bolstered in some areas with a focus on Looked After Children in through a new Finance Manager. Despite this, there are risks with significant knowledge held by key individuals

The market remains challenging for recruiting and retaining finance and other specialist professionals. There are difficulties providing the capacity to support all activities across the council but feedback on the level of support members and directorates receive was positive. There was regular access both informally and formally to financial management advice and briefings.

Ensuring the benefits are realised from the implementation of Oracle

The phasing out of SAP and the introduction or Oracle is being managed in phases with the final phase implementation in 2027. The implementation of Oracle has been led by Finance with support from a dedicated specialist developer and finance super users trained to lead on Oracle 'guided learning' and development. Business partners provide support to Oracle developers.

The first finance, procurement and recruitment modules went live in April 2025 and there is currently work ongoing to overlay the reporting module, EPM. Payroll, which is considered to be one of the most complex modules and is expected to go live in 2026. The risks are being managed and the challenges of implementation acknowledged. The system is functioning and refinement is continuing. It appears staff have adapted to the changes and the team are making iterative improvements. Discussions are taking place with West Sussex on opportunities to collaborate on the use of and training on the system.

The council's approach to financial risk management including identification, management and treatment of risk.

Key findings and analysis

Regular and comprehensive risk reporting is in place including specific reporting on financial risks and their likely impact.

The council has a comprehensive and structured approach to risk management, embedded across its governance and operational frameworks. The Council uses a formal Risk Management Framework that outlines its policy and strategy for identifying, assessing, and managing risks. The framework supports the Council's four priority outcomes:

- Driving sustainable economic growth
- Keeping vulnerable people safe
- Helping people help themselves
- Making best use of resources

The Council maintains a Strategic Risk Register, which is reviewed quarterly. Key risks include: Uncertainty in future funding, Inflation and cost-of-living impacts, Demand pressures in adult and children's social care and Capital programme delivery risks.

Risk management is integrated into the Council's Annual Governance Statement, which aligns with the CIPFA/SOLACE framework for good governance. The Local Code of Corporate Governance ensures that risk management is part of decision-making, resource allocation, and performance monitoring and the RPPR process ensures strategic alignment of risk with planning and budgeting. Audit and Scrutiny Committees monitor risk registers and internal controls. The strategies to manage risk include the use of reserves to act as a buffer for financial shocks, a focus on commissioning and partnerships working to manage demands and share risk. The Capital Strategic Asset Board is used to oversee capital investment risk and scenario planning and forecasting to anticipate future pressures. There is no formal risk appetite statement but the process in understood and embedded. However, there is an earlier recommendation on this in the report.

The underlying drivers of any financial fragility and risk and the council's ability to successfully manage those drivers so that issues do not materialise. This should include an assessment of the council's approach to managing increased demand in adult social care and children's services.

Key findings and analysis

Drivers of financial fragility are understood and monitored but continue to grow, particularly in Adults and Children's Social Care

The drivers of financial fragility in the council relate primarily to adults and children's services and whilst not untypical of other county councils, are more acute and accelerating. 75% of the council's budget is spent on supporting social care and provision covers around 10% of the population which creates a real strain on other services. This is felt in the public focus on highways which has significantly lower overall spending. The two biggest areas of financial pressures are considered below:

Adult Social Care (ASC)

There are real pressures in ASC provision which are reflected in the significant overspends in recent budget and monitoring reports. However, the council has a good understanding of these and strong data capabilities which allows it to easily analyse caseload and client costs.

The overspend for Adult Social Care was £10.0m at the end of 2024/25 which largely related 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.

Context and Local Pressures

The council faces a number of key challenges affecting the resilience of the ASC system:

- A high number of support requests from older adults compared to statistical and geographical neighbours.
- Persistent and growing cost pressures associated with supporting complex needs, provider market demands and discharge pathways.
- A requirement to sustain or improve outcomes while keeping costs and unit prices low.
- Significant levels of unpaid care and rising complexity in care needs.
- Transformation and reform demands in the context of constrained capital and workforce resources.

Despite proactive management and interventions, rising demand, inflationary care costs, and increased acuity of need continue to place unsustainable pressure on revenue budgets. The council has been forced to make difficult prioritisation decisions and is actively seeking savings options to deliver medium-term financial stability.

In response to these pressures, CIPFA undertook a structured review of innovation and demand management within adult social care. This involved assessing the council's activity against a matrix of nationally recognised best practice across seven innovation areas:

1. Prevention & Early Intervention
2. Asset-Based Community Development
3. Digital Transformation
4. Alternative Housing Models
5. Strengthening Front-Door Triage
6. Commissioning Reform
7. System-Wide Integration

Each area reflects methods or service changes that can contribute to improved outcomes and financial sustainability through early intervention, better targeting, and more efficient use of resources.

1. Prevention & Early Intervention

Prevention and early intervention reduce long-term care costs by delaying or avoiding escalation of need, reducing hospital admissions, and empowering people to maintain independence for longer. The council has a mature and embedded approach to early intervention. The Joint Community Rehabilitation Service forms the basis of a reablement-first offer. Social prescribing is fully integrated through VCSE partners and wellbeing coaches. The council supports around 70,000 unpaid carers and has developed a nationally notable transitions app. Financial inclusion work, through the Money Guiders programme, has secured over £1m of additional income for residents and relieved over £2.7m in debt annually.

2. Asset-Based Community Development

Asset-based approaches use community strengths to prevent dependency on formal services, improve wellbeing, and reduce demand through informal support and local resilience. Through the "Making It Happen" programme and the Community and VCSE

Development Programme, the council has embedded asset-based working at neighbourhood level. Though not a pure Local Area Coordination model, the approach supports community leadership, peer networks and co-designed delivery. Community governance is maturing through the Integrated Community Team (ICT) strategy.

3. Digital Transformation

Digital tools and assistive technology enable self-management, automate low-risk tasks, and support earlier interventions—cutting back-office costs and managing rising demand more efficiently. The council has digitised its telecare offer and now supports over 8,000 users with digital solutions. Assistive technology is being enhanced through machine learning pilots, and the council is developing business cases in collaboration with major tech providers. The adult social care portals now include self-assessment tools, financial eligibility checkers, and safeguarding referrals. Predictive analytics is still emerging but the council has commenced scoping work, including the development of an Appearance of Need Tool.

4. Alternative Housing Models

Housing models like Extra Care and Shared Lives offer cost-effective alternatives to residential care and can delay or replace the need for intensive services, supporting independence and community living. The council commissions six extra care housing schemes, providing 285 flats in total, and is undertaking a strategic review to meet future demand. Shared Lives is a registered service in East Sussex and is set to expand further through a pan-Sussex initiative funded by the Accelerating Reform Fund.

5. Strengthening Front-Door Triage

Effective triage at the point of first contact ensures appropriate, proportionate responses and reduces unnecessary assessments, packages, and crisis admissions. The council has dedicated Hospital Discharge Teams co-located in all acute hospital sites and works across care, housing and NHS teams. Discharge to Assess (D2A) pathways are fully embedded, with block-commissioned beds and a reduction in average length of stay from 60 to 31 days. The ICT model further supports joined-up triage and early intervention.

6. Commissioning Reform

Commissioning models focused on outcomes, flexibility, and personalisation support better value for money, reduce duplication, and ensure resources align to people's actual goals and needs. Homecare commissioning has shifted towards strength-based support planning, outcome-based reviews, and an approved list of providers. The council is piloting Individual Service Funds (ISFs), with Independent Lives acting as the strategic partner. The council also supports the development of micro-providers and personal assistants through extensive guidance, training, accreditation, and promotional resources.

7. System-Wide Integration

System integration enables more coordinated responses, faster discharge, shared planning, and fewer duplications across NHS and social care—unlocking capacity and reducing avoidable costs. The council participates in the East Sussex Discharge Executive Improvement Group and has established Integrated Community Team Management & Planning Groups. These structures support shared planning, escalation resolution, and local joint commissioning. The council makes good use of JSNA footprints, benchmarking, and performance dashboards to inform decisions.

Summary

The council demonstrates an unusually wide and deep commitment to innovation in adult social care. it has moved from exploration to implementation in many areas and has embedded best practice models in ways that suit its local demography, geography and pressures. While some areas like predictive analytics are still in development, the system is building resilience through proactive leadership, VCSE partnerships, technology, and prevention-based commissioning.

Acknowledged Challenges and Areas for Development

In addition to the areas of progress, the Director also acknowledged specific weaknesses and risks that continue to affect the long-term sustainability of adult social care in East Sussex:

- The county has been forced to reduce some preventative services, despite their known long-term value, in order to meet statutory Care Act duties. This creates a potential cycle of increased downstream demand.
- Budget constraints have led to cuts in housing-related support, which may drive future increases in mental health and respiratory conditions due to housing insecurity.
- There is growing concern over the impact of NHS funding reductions and cost shunting, with reduced investment in health services contributing directly to rising demand for social care.
- The local care market faces sustainability risks, with fee uplifts constrained to around 4% while actual cost pressures are significantly higher, creating tension with providers.
- Questions remain over the long-term sustainability of current funding models, particularly in the context of East Sussex's ageing population and growing complexity of need.

Children’s Services

Complex high cost placements, some over a £1m annually, and crisis driven entries into care with increasing Special Educational Needs (SEN) pressures and diagnosis with associated increased SEN Transport costs characterise the problems facing the council. Although these are not untypical, they are particularly acute in East Sussex.

Children’s Services had an overspend of £13.6m at the end of 2024/25. A UASC grant funding error meant a larger overspend but this has been corrected and £1.3m received from the Home Office in 2025/26. The main areas of overspend were Early Help and Social Care and Home to School Transport. The Early Help and Social Care overspend of £12.4m was 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 had an overspend of £3.8m due to growth in numbers of pupils and unit costs for transport that are significantly higher than 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.

Fragmented systems and availability of data presents challenges in fully understanding the patterns and demands facing Children’s Services. The use of work arounds and spreadsheet data alongside inconsistent versions of Liquid logic mean there are difficulties on consolidating child level costings across teams which is key when considering the number of high costs cases that the council is dealing with. This impacts on the confidence in decision making and also business cases that are presented to the leadership team. Work is underway to improve systems integration and create a centralised approach to collecting and interpreting data but until this information is available and confidence grows in what is being presented, it will be difficult to plan and respond effectively to the continued pressures and overspends.

East Sussex's initiatives—such as integrated Family and Youth Hubs, kinship care promotion, and early help transformation—are well-aligned with the Children's Social Care National Framework. This framework emphasises:

- Multi-agency collaboration.
- Early intervention and family support.
- Stable, loving homes for children in care.
- Embedding the voices of children and families in service design.

East Sussex's governance structures and transformation board reflect best practice in implementing these principles. The council is benchmarking against other councils with a recent visit to Essex who have similar challenges with demography and coastal deprivation and rates of Looked After Children. Approaches are aimed at keeping children with families through intensive support programmes, but caseloads remain high. However, staff training is considered to be strong with a relatively stable and high number of senior social workers.

There has been a positive approach from the voluntary sector to the approaches the council is taking. An additional Director role has been created to provide capacity in Health and Social Care commissioning and there is a regional focus on fostering and placements budgets. High cost cases are often appearing from hospital discharge and adoption breakdown and 7 children are currently costing the council over £8m. The service has been successful in removing any reliance on agency staff and has delivered savings through restructures. The relationship with finance and finances understanding of the situation, in particular the focus and support from the S151 Officer is notable. Members are also considered supportive with some long standing members with a good understanding of the issues. However, risks were identified where members can interpret information and learning form other councils which may not be helpful in East Sussex's context.

The council also use in-house foster care and secure homes to reduce external placement costs and maintains strong early help services and investing in preventative mental health and parenting support where it can. However, like other councils, it is looking at further cuts in preventative services to meet statutory duties and there are growing challenges in fostering recruitment with a view that the southeast fostering hub is not ambitious enough in tackling the issue. Joint working is in place with East Sussex District Councils including Eastbourne, Hastings and Lewes.

Recommendations

5. The council should strengthen its data and analytics capability in Children's Services, moving away from fragmented systems and spreadsheets towards integrated forecasting tools.

6. The council should consider applying the CIPFA Data Management Model to assess data governance, quality and accessibility in Children's Services.

An overall view on the ability of the council to manage identified budget pressures through its own resources.

Key findings and analysis

Members have demonstrated a strong understanding of the position the council is in and have shown a willingness to make some difficult decisions despite minority leadership. The council is currently managing the identified budget pressures through its own resources, but it is highly unlikely that will be enough if it is to maintain a minimum level of reserves. The council has reviewed the mitigations available and has engaged the Executive early, including members, in discussions on the importance of delivering savings and policies that need to be reviewed. This has extended to the S151 Officer clearly articulating through his Section 25 Statement as part of the budget report of the potential risk of a S114 notice due to pressure on reserves and the need to engage with MHCLG on the potential to seek EFS.

The inherent low business rates base, high demand on social care faced by the council creates a significant challenge which is in sharp focus with all those we met.

The existing position appears manageable for 2024-25 but this assumes the savings decisions are supported and delivered on time as currently anticipated. However, unless there are significant reductions in key service demand areas, higher business rate growth or increased funding, the position is very fragile for 2025/26.

Review Area 2: CAPITAL PROGRAMME / DEBT / INVESTMENTS / ASSETS

An assessment of the council's capital programme / overall debt position including short and long term borrowing, and approach to investment / asset management to reach a view on the suitability, VfM and risk exposure of the council in this space, and how this may impact on the overall financial resilience / sustainability of the council.

The council's management / governance of its capital programme, major projects (whether delivered in house or via companies) and investments including the adequacy of internal processes, scrutiny of investment decisions, use of external expertise where required, risk management and capacity and capability to deliver. This should include an assessment of the council's exposure to refinancing and any other risks identified because of its chosen borrowing strategy.

Key findings and analysis

The council continually challenges its capital programme given the financial pressures but there is a legacy impact of underinvestment, particularly in Highways. Its PPRR framework helps to guide decision making along with its Capital Board and Asset Management Plan, business plans and an experienced but lean property team.

Its overall current debt and treasury management position is being managed and reported in line with the Prudential Code requirements with recent low levels of borrowing but there is now a need to borrow to address critical investment. This needs careful management to ensure it is sustainable given the potential challenges in realising savings targets and limited available capital receipts. Maximising the use of existing limited assets remains a priority.

The Capital Programme is constrained by available funding but does require further borrowing to fund priority schemes

The most acute issue facing the council is the ability to meet the highways maintenance backlog given the limited capital funding available with funding only currently available through the Highways Grant. It is estimated that £300m is required to bring the road network up to standard with the current spend at around £21m a year. Previous capital planning included needs-based projects which have had to be revisited.

The revised capital programme is after a capital programme risk review and totals of £713.9m over 10 years, aligned to the 20 year strategy. The three year funded programme is aligned to the medium term financial plan. This is shown in Table 3 below:

Table 3:

Table 1 - Capital Programme Gross Expenditure Updates	Ref:	Current Year 2024/25 £m	MTFP Period			2028/29 to 2034/35 £m	Total £m
			2025/26 £m	2026/27 £m	2027/28 £m		
Approved Capital Programme (State of the County 2024)		**108.305**	**116.650**	**67.960**	**72.251**	**431.879**	**797.045**
Approved Variations	A	7.234	19.682	1.998	1.958	13.293	**44.165**
Capital Programme Reprofiles	B	(12.717)	11.578	(0.038)	0.000	0.000	**(1.177)**
Schools Basic Need / SEND	C	0.000	0.500	0.500	(4.981)	8.981	**5.000**
IT&D Programme	D	1.829	(1.467)	(1.827)	(6.433)	7.469	**(0.429)**
Capital Programme Extension	E	0.000	0.000	0.000	1.150	35.185	**36.335**
Capital Programme Risk Review	F	0.000	(16.185)	(14.547)	(19.418)	(116.871)	**(167.021)**
Total Updates		**(3.654)**	**14.108**	**(13.914)**	**(27.724)**	**(51.943)**	**(83.127)**
Revised Capital Programme		**104.651**	**130.758**	**54.046**	**44.527**	**379.936**	**713.918**
Capital Slippage Risk Factor	G	(20.068)	(18.278)	(7.337)	(3.924)	49.607	0.000
Approved Capital Programme (after Capital Slippage Risk Factor)		**84.583**	**112.480**	**46.709**	**40.603**	**429.543**	**713.918**

There are a number of high profile schemes in the pipeline with £87m earmarked for Communities, Economy and Transport (CET) in 2025/26 and £38m for Education, Youth and schools programmes amongst other IT and capital schemes. Previous reviews of borrowing have meant that areas such as Highways can now only be funded through grant. The council is looking at how it funds large projects collaboratively including with central government and bus companies.

Table 4 below shows the associated revised funding with a significant new borrowing requirement for 2025/26 but a reduced the level of borrowing to £34.4m up to 2027/28, producing a revenue budget saving of £4.2m compared to the original programme. Every £10m of borrowing costs the council approximately £0.75m over the full life of the asset (assuming a 30 year life).

Table 4

Table 4 – Capital Programme Funding Update	Ref:	Current Year 2024/25 £m	MTFP Period			2028/29 to 2034/35 £m	Total £m
			2025/26 £m	2026/27 £m	2027/28 £m		
Gross Expenditure		**84.583**	**112.480**	**46.709**	**40.603**	**429.543**	**713.918**
Specific Funding	H	(29.230)	(48.400)	(3.817)	(1.209)	0.000	(82.656)
Specific Developer Contributions	I	(4.621)	(2.646)	(1.998)	(1.674)	(1.002)	(11.941)
Net Expenditure		**50.732**	**61.434**	**40.894**	**37.720**	**428.541**	**619.321**
Formula Grants	J	(25.772)	(29.530)	(29.330)	(30.919)	(208.370)	(323.921)
Capital Receipts	K	(4.802)	(3.950)	(2.248)	(2.198)	(4.424)	(17.622)
Reserves and Revenue Set Aside	L	(11.213)	(9.536)	(0.385)	(0.452)	(6.383)	(27.969)
Capital Reserve	M	(3.458)	(2.605)	0.000	0.000	(7.804)	(13.867)
Developer Contribution Target	I	0.000	0.000	0.000	0.000	(17.601)	(17.601)
Capital Programme Borrowing	**N**	**5.487**	**15.813**	**8.931**	**4.151**	**183.959**	**218.341**

Monitoring of the Capital Programme has improved

The Capital Programme receives full council approval as part of the annual budget report. This is based on the 'State of the County' report in line with the financial regulations. All schemes are formally approved into the capital programme and strategic projects require a business case. The State of the County report guides the prioritisation of schemes with exceptions reported to Cabinet;

The Councils Capital Strategic Asset Board (CSAB) consists of each service department, finance, property and procurement and oversees the development and delivery of the Council's capital programme. Working Groups also report into the Board. In year, the Capital Programme is monitored and reported to the Corporate Management Team and then to Cabinet and Full Council, on a quarterly basis, as part of the Council's RPPR monitoring process. The CET and BSD directorates manage significant capital spend.

Re-profiling of the capital programme occurs twice a year and CET has its own capital sub-board; Strategic Capital Board includes all relevant directorates. There are, however forecasting challenges with programme slippage caused by external influences including national highways and scope creep and some room for improvement in individual project management . Reprofiling does enable realignment of borrowing and funding impacts and this should be undertaken as necessary.

The Council's current Capital Strategy runs from 2024/25 to 2044/45 and was approved as part of RPPR 2023/24. It reflects emerging risks, principles and corporate priorities, and is informed by decisions made as part of the RPPR process. It also links to the Asset Management Plan and other key corporate documents including the Environmental and Climate Action Plans and the Treasury Management Strategy.

The debt position is manageable and is continually reviewed but further borrowing is required and further focus on debt recovery is needed in some areas

The council's debt position compared to income and reserves is healthy when compared to other CIPFA peer authorities. The council's total debt of £200m is held as long term loans in PWLB which limits refinancing risks. The position is reported routinely to members as part of regular treasury management reports but given the risks associated with further borrowing, it may be appropriate to consider the frequency of reporting, linked to more regular revisions to the capital programme.

A review of outstanding debt also forms part of regular reporting to members and this has identified further action needs to be taken through a new project board to address growing Adult Social Care debt which is increasing compared to the previous financial year.

The council's commercial investment portfolio (property, bonds etc.) and forward strategy, including dependence on commercial income, exposure to debt costs and whether, in CIPFA's view, it is prudent to reduce the council's exposure and over what timeframe.

The council has a limited commercial investment portfolio with very limited income or debt exposure

The Strategic Asset Plan (2020–2025) outlines the Council's approach to managing its property portfolio effectively, efficiently, and sustainably. A key objective is to maximise financial returns and commercial opportunities through the rationalisation and disposal of land and buildings. In line with this strategy, the Council aims to deliver value for residents and businesses while managing associated risks in a balanced and proportionate way.

As of **31 March 2023**, the Council's commercial property portfolio was valued at **£12.1 million**, generating an annual net income of **£0.3 million** in **2022/23**, which helps support council services.

Additionally, the Council may offer loans and financial guarantees to third parties to support external projects that align with its strategic priorities. Under the **Local Authorities (Capital Finance and Accounting) (England) Regulations 2003**, any loan to an external organisation that would qualify as capital expenditure if incurred by the Council must be treated as such. Therefore, all external loans are subject to the same governance and oversight as other capital expenditures under this Strategy.

The Council does not borrow funds for projects where the primary objective is commercial gain.

The council has established Treasury Management arrangements but reducing cash balances

The council has a comprehensive Treasury Management Strategy which is consistent with CIPFA's Code of Practice. This also requires the responsible officer (s151 officer) to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

The council achieved a reasonable return on its investments in 2024/25 with an average rate of 4.96% at the end of quarter 4 but cash balances are diminishing as significantly as the council uses it reserves to cover continuing budget deficits.

The council's external treasury management advisors, MUFG are responsible for supporting the council in its treasury management activities. Internal and external training is offered to members and this was confirmed through our meetings. There were also regular briefings from officers to members that cover the council's investment and borrowing activity.

There may be opportunities, however, to further develop members understanding and involvement tin Treasury Management to ensure there is the right level of oversight from members and newer members might benefit from further training in some areas. This may be pertinent given the current need for further borrowing to fund the capital programme.

The council's approach to asset management and valuation, the appropriateness of its asset portfolio, and a view on a proposed asset disposal plan set against broader Value for Money considerations.

Key findings and analysis

Significant asset rationalisation has already been achieved with a 40% reduction in the corporate estate footprint. Savings of £1m have been made from estate changes.

The ability to generate significant capital receipts, however, is limited due to the lack of surplus assets. Smaller asset disposals are delegated to the Chief Operating Officer under delegated authority from lead member The major asset is County Hall which is significant but carries relatively little value and opportunity. County Hall now has two wings that are still empty although this is reduced from 5 empty wings. Decisions on the best use of County Hall have been protracted and have required significant engagement due to complex stakeholder involvement including residents and the national park. Existing planned disposals are factored into the programme but are in the low millions. In the absence of significant disposal opportunities, it is even more important that the council focuses on potential underutilised land and assets. Members are appropriately engaged through briefings and working groups.

Whether and to what extent the council is complying with statutory guidance / following best practice with regards its capital programme, wholly / part-owned companies and investments including but not limited to investment guidance, minimum revenue provision guidance and accounting codes.

Key findings and analysis

The council is compliant with the CIPFA prudential code in terms of the reporting requirements and prudential indicators including liability benchmarking and borrowing limits and boundaries. The council is also compliant with the CIPFA treasury management code. The MRP Policy for 2024/25 was approved by the council in February 2025.

The council has no plans to make financial investments other than short term cash investments which are invested in line with the requirement of the CIPFA treasury management code.

The council is aware of the changes to the MRP legislation and the implications for any lending to third parties. MRP is charged on an annuity basis which was reflected as a change in this financial year. In applying this policy, the council undertakes an assessment of ability to repay and recognises any adverse charges through a provision to cover any future financial losses. The council is advised to continually monitor any changes to guidance to ensure it is compliant. Advice is received from MUFG as the council’s treasury management advisors.

2.2 Review Area 3: **GOVERNANCE**

An assessment of the council's approach to overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the council is operating in line with the Nolan Principles and in a way to secure continuous improvement.

Key findings and analysis

The council is strategic and has established governance arrangements with a clear focus and understanding at leadership level. Decision making processed are understood. Capacity and capability remain an inherent issue and this is more acute than some councils, but it is balanced by continuity and corporate memory. This does, however, bring associated risks with reliance in key longstanding member of staff.

The Authority needs to remain focussed on making the necessary tough decisions and it will be important that officers and members maintain their strong relationships, understanding and confidence to support effective decision making as they have to balance ambition and risk with financial sustainability.

The council thinks strategically and challenges its core role

There is a view from some that the council has a conservative approach to addressing the challenges it faces and could be more transformational in its thinking but this can be countered to some extent by a realism and sustainable approach to change which instils confidence, a values led focus and discipline. The council assessed its role and key services and developed a 'core offer; framework. This has been articulated further into what residents can reasonably expect from a council with budget constraints. Some key decisions were taken including a review of Libraries which led to closures and then community led provision going forward. Prevention work is constrained including in libraries, education and public health but services are well regarded and hold up well to external inspections and scrutiny.

East Sussex has established and embedded governance arrangements with a clear culture of financial discipline and risk awareness. The RPPR (Reconciling Policy, Performance and Resources) framework is strongly embedded across the council and provides a recognised mechanism for linking decision-making, policy and resources.

Capacity and capability challenges exist, particularly in corporate services such as Finance, Property and IT, where recruitment and retention pressures are compounded by pay differentials with neighbouring and London authorities. Despite this, governance processes are considered to be mature, with members and officers working closely together and demonstrating strong commitment to maintaining financial control increasingly difficult circumstances.

The adequacy of the council's decision-making processes including presence / absence of clear schemes of delegation, audit and scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the council.

Established and appropriate governance arrangements are in place

Decision-making is supported by established constitutional arrangements, with effective use of officer/member forums and regular briefings. There are regular meetings of the statutory officers, the 'golden traingle' (the Chief Executive, S151 Officer and the Monitoring

Officer). Member engagement is described as high quality, with intensive one-to-one and group sessions ensuring councillors are well-informed. There was a view that pre decision consensus what not always maintained when it came to full council decisions and this could affect the ability to deliver the full benefits of a proposed decision and create unintended or unforeseen consequences for the council. The recent decision in respect of closing Adult Day centres was one example that was cited. There was also a view that whilst members were prepared to consider significant changes or reductions in service delivery to meet the financial challenges, some lower value savings options might not be supported but may be equally important to deliver. This should be kept under review.

There were some questions about the independence of scrutiny (noting it is chaired by the administration) and the degree of access to underlying analysis. Others report scrutiny as thorough and independent. These differences reflect a wider tension between the strength of officer-led controls and the desire of some members for deeper political debate and earlier involvement in shaping proposals. This also extended to a potential lack of clarity on the process of public consultation and member duties in considering consultation and its role in decisions. These challenges are not unusual but may warrant consideration or clarification on the scope and expectations of scrutiny.

Recommendations

7. The council should reaffirm the focus of members through scrutiny to ensure appropriate challenge of and support to key financial and service decisions.

Established Audit Committee arrangements

The Audit Committee regularly review the Council's exposure to strategic risks along with a focus on internal systems and processes. The Chair of the Audit Committee believes it has improved over time and the committee influences and reviews the annual Internal Audit programme. No weaknesses have been reported over the last two years in the Annual internal Audit Opinion and the service provided by Orbis is compliant with the Public Sector Internal Audit Standards. The Chair is also a member of the Scrutiny Committee which ensure an awareness of the scope of each committee's activity and there is an annual report on the activity of the Internal Audit Committee. Planned developments include the appointment of two independent members which may provide an opportunity to consider the committees role and scope further, potentially in the areas of external partnerships and treasury management given the increasing importance and pressures in these areas.

Committee members receive some training but uptake is limited due to availability and competing responsibilities. The Chair has not received any formal training for the Audit Chair role and it may be worth considering some further training and support.

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

Key findings and analysis

The RPPR framework ensures that financial planning and policy priorities are aligned through the Medium Term Financial Plan. The approach is outcome-focused, linking available resources to service priorities in a transparent way. This provides members with clarity on the trade-offs required in a constrained financial environment.

The authority's current outlook stresses the need to balance service delivery with structural financial pressures, with reserves forecast to reduce materially by 2026. This has sharpened the focus on prioritisation and risk management.

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

Key findings and analysis

Council leadership is widely viewed as effective, with strong officer-member relationships that are mature and constructive. Members are considered to have a good grasp of the financial and service pressures, and there is evidence of mutual respect between officers and members in decision-making.

Leadership has fostered a culture of discipline and control, with vacancy panels and purchase order controls seen as embedding financial grip. At the same time, the leadership acknowledges the need to maintain member engagement and support in the context of challenging service decisions and potential Local Government Reorganisation.

A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff.

Key findings and analysis

Interviews highlight a culture of openness and respect in interactions between officers and members. Staff are aware of the major challenges and engaged in the RPPR process. The culture is described as disciplined, with recognition of the council's limits in terms of capacity and financial headroom.

The council's capacity and capability to improve and transform at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change, delivery with local partners, and collaboration with sector support).

Key findings and analysis

Problems are acknowledged and understood but restricted capacity and pay challenges remain

Benchmarking shows pay and reward challenges in key roles including Chief Officers and Heads of Service. There is some shared leadership in some service areas with other authorities which increases resilience, but the inherent risks remain. Despite this, retention remains high due to a commitment to the council and the area which was demonstrated through our interactions with the council staff. HR initiatives to attract interns, work with the universities and a strong values based culture. Capacity is a particular challenge in specialist corporate areas such as Finance, Property, Digital/IT and audit. The earlier comments on the maturity of data and systems management in some areas could hinder the councils capability to change service delivery.

The council's finance culture is well-established, stable, and operationally sound, but there is a risk that opportunities for rapid innovation or digital adoption aren't developing with sufficient speed to drive savings and improvements in ways of working and practices.

The council is understandably cautious when it comes to financial risks and business cases are essential for approving any new developments. There are limited plans for other technical investment beyond the Oracle implementation and many developments are driven by services. This may be understandable given the limited reserves and restrictions on funding to support new investments, but it may be appropriate as savings opportunities become more challenging to reassess the risk appetite of the council, as recommended earlier.

Aspirations remain around improved data accessibility and transparency and stronger use of assumptions in forecasting and scenario modelling. This would provide better real-time insight for service leads, but resource and some cultural barriers provide constraints.

A workforce planning toolkit recently launched to help managers assess succession, retirements, and future resourcing and a risk register is in place, reviewed quarterly through DMT and CMT, to inform decisions on vacancies and structures. Compassionate redundancy and workforce reductions have been guided by well-established policies and dashboard reporting on key workforce stats and corporate health indicators are in place. These indicate some signs of stress which might warrant further review, but the governance structures are in place to consider this further.

Close working with partners but there is strain in the system

The council has a strategic commissioning approach that evaluates outcomes and considers sustainability over a 3 to 4 year horizon. There is some tension between current budget decisions and future unitary ambitions, but the priority is, understandably, deliverability against budget. Partnership working is generally sound, with good operational relationships with NHS and district council although financial contributions from health partners remain limited. Shared services, (Finance, Procurement, Human Resources, Internal Audit, Insurance and IT) provided through Orbis has delivered mixed results.

Historic savings have been delivered which have been important in helping to sustain services but with pending local government reorganisation and divergence in ICT strategies including finance systems, the council is increasingly looking to collaborate with West Sussex and Brighton. Whilst Internal Audit and Insurance provision is seen as positive due to their small, but specialist teams, finance and IT are not considered to be delivering due to the specific organisational needs of the respective councils. The extent of value for money through procurement has also been questioned.

An openness to challenge and engagement

The council demonstrates an openness to challenge and external engagement, including internal audit assurance and peer review processes, and shows a strong commitment to maintaining financial grip while recognising areas where further insight and capacity need to be developed.

Recommendations

8. The council should address procurement and contract management capacity through a review of the Orbis arrangements, ensuring value for money and stronger in-house oversight.

9. The council should increase its focus on workforce recruitment and retention in key support functions (finance, IT, property), exploring market supplements or targeted career pathways to address competitiveness.

10. The council should develop a refreshed partnership position with the NHS, districts and borough councils to focus on cost-sharing and joint commissioning.

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