**Title:** **Council Monitoring Report – Q2 2025/26**

**Report to:** **Cabinet**

**Date:** **16 December 2025**

**Report by:** **Chief Executive**

**Purpose:** **To report Council monitoring for Q2 2025/26**

**RECOMMENDATIONS**

**Cabinet is recommended to:**

1) **note the latest monitoring position for the Council**
2) **recommend that Scrutiny consider the target for the CO2 arising from County Council operations measure set out in paragraph 2.2**
3) **approve the proposed Capital Programme variation to include the installation of fire suppression systems at Maresfield and Pebsham Waste Transfer Stations set out in paragraph 3.7**

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## 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 September 2025.

1.2 Broad progress against the Council's four strategic priority outcomes is summarised in paragraph 4 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. Overview of Council Plan 2025/26 outturns and strategic risks

2.1 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.

2.2 We continue to make progress on reducing our carbon emissions. However, carbon and cost reduction work is now focused on business-as-usual activity such as the planned building maintenance programme, following the reprofiling of the capital budget in 2024/25. Analysis undertaken over the summer, using the latest available data on our emissions for 2024/25, suggests that with our current resources the current target is not achievable. It is recommended that Scrutiny are recommended to consider the target and what it would take in terms of cost to meet it, as well as what impact resource constraints, local government reorganisation and the establishment of the Mayoral Combined County Authority would have on it. Further information is provided in Appendix 4.

2.3 The Strategic Risk Register, Appendix 8, was reviewed and updated to reflect the Council's risk profile. Risk 5 (RPPR) has an updated risk definition. Risk 1 (Roads) and Risk 6 (Local Economic Growth) have updated risk definitions and risk controls. Risk 9 (Workforce), Risk 15 (Climate), Risk 20 (Placements for Children and Young People in Our Care), and Risk 22 (Oracle) have updated risk controls.

## 3. Budget Outturn

3.1 The detailed revenue projections for each department are set out in the relevant appendices which show a projected overspend of £24.1m by 31 March 2026 (£25.8m at quarter 1).

3.2 The main headlines are:

- Children's Services (CSD) is forecasting a £14.9m overspend for 2025/26. Whilst the forecast has reduced from £16.7m at Q1, the service continues to experience significant pressures from Looked After Children (LAC) placements and Home to School Transport. The rate of LAC has seen a slight decline at Q2 to 66.5 (down from 67.1 at Q1), but the number of children in higher-cost residential care has increased as a proportion of total LAC numbers from 20% at Q1 to 21% at Q2. Mitigation measures include family support programmes, reunification strategies, and improved commissioning, alongside regional collaboration to manage placement costs. The service aims for a 3% reduction in LAC numbers, though savings may be limited as lower-cost placements are more likely to step down. Transport costs are rising by 10% due to increased Special Educational Needs and Disabilities demand and higher unit costs, although 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 revenue budget projections due to statutory accounting override, the Dedicated Schools Grant / Special Educational Needs and Disabilities deficit is projected to be £20.062m by the end of 2025/26. Demand for special school placements is rising, but local maintained schools are at capacity, forcing reliance on Independent and Non-Maintained Special Schools at significantly higher costs. Additionally, bespoke out-of-school provisions requested by parents further increase expenditure, with limited mechanisms to control these costs.

- The forecast overspend for Adult Social Care is £9.0m (no change from quarter 1) which largely relates to the Independent Sector, where the overspend is forecast to be £8.9m. 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.

- Communities, Economy and Transport is showing a forecast underspend of £0.2m (overspend of £0.1m at quarter 1). Whilst there is an overspend on Highways, where the cost of electricity for street lighting and depots has risen significantly, these costs have been offset by a range of underspends in other service areas.

- The £0.4m overspend within the Business Services Department (£0.2m at quarter 1), is largely in Property due to loss of income from a courier service contract, increased service charges and additional stamp duty costs in various properties, together with the loss of income following academy conversions.

3.3 Within Centrally Held Budgets (CHB), including Treasury Management (TM), and corporate funding there is a forecast underspend of £10.7m (10.8m at quarter 1), which includes the general contingency:

- There is currently an estimated £1.0m 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 57% in one year to £71.8m at the end of September 2025.

- Within CHB the forecast underspend of £9.7m is due to the General Contingency of £5.7m, £1.5m available from not transferring a contribution to the Capital Programme and £3.3m unused provision for budgetary risk, offset by £0.7m debt impairment and other smaller variances.

- Corporate Funding budgets are underspending by £1.1m (£0.2m at quarter 1), due to the additional allocations of Social Care-related grant and New Homes Bonus, plus an increase of forecast Business Rates income offset by a reduction in forecast Council Tax income.

3.4 The net impact of the above is an unplanned draw from reserves of £12.2m 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. Any reduction in reserves reduces the flexibility available in dealing with the challenge of addressing next year's projected deficit of £55.8m and setting a balanced budget. 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 Corporate Management Team approval of non-core role recruitment.

3.5 The total savings identified to be delivered in 2025/26, including slippage from previous years, are £14.3m. Departments are reporting that £12.3m will be able to be delivered in 2025/26, with £2.0m 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.

3.6 Capital Programme net expenditure for the year is projected to be £91.6m against a budget of £107.8m. 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 £88.9m. The Capital Programme is currently forecasting a net variation of £16.2m, with the key contributing factors outlined below.

- Total slippage of £15.2m has been identified within the Communities, Economy and Transport (CET) programme. This includes £8.6m relating to delays in the Bus Priority Bus Service Improvement Plan projects. These delays reflect a combination of factors, including resource constraints within the BBLP contractor and the complexities involved in delivering bus lane infrastructure which is subject to public consultation and scrutiny. A further £5.6m slippage has been identified across various Transport Infrastructure schemes, following a strategic review of deliverability by year end considering current resource availability and the outcomes of known inquiry decisions.
- Slippage of £4.7m has been identified within the Business Services Department (BSD) programme following a detailed review of project progress. This comprises £3.8m across Schools and Corporate building schemes, and £0.9m within Information Technology and Digital (IT&D). These figures represent the best current estimates of expenditure achievable by year-end, based on the latest assessment of individual project delivery timelines.
- Spend in advance of (£3.3m) has been reported within BSD, due to accelerated works at Acre Wood School based on the newly appointed contractor's estimates and (£270k) has been reported within CET, mainly due to higher than anticipated charges for construction framework costs on the grant funded Hastings Town Centre Public Realm and Green Connections scheme.
- A net overspend of (£486k) is currently forecast, primarily within the CET directorate. This includes a (£303k) overspend related to the Passenger Services Bus Service Improvement Plan scheme due to higher than anticipated costs on planned projects which are currently under investigation by the service. Additionally, there is a (£137k) forecast overspend for archaeology works on the Bexhill and Hastings Link Road, where no budget had been allocated.

3.7 Capital Programme variation request. The Waste Service requests approval to increase the Capital Programme by £1.215m in 2026/27 to install fire suppression systems at Maresfield and Pebsham Waste Transfer Stations. These sites operate under the Council's long term PFI contract with Veolia and are critical to county wide waste operations. While Veolia is not contractually obliged to contribute, they have agreed to fund 50% of costs at each site. This investment addresses the growing risk of fires caused by lithium batteries and other combustible materials, which have led to increasing incidents nationally and locally. A major fire could result in prolonged service disruption, tipping away costs, and significant liabilities. Installing suppression systems will safeguard infrastructure, reduce operational and environmental risk, and ensure compliance with Environment Agency guidance, providing long-term resilience. The increase will be funded from resources within the Capital Programme, should borrowing be required than the revenue costs of the funding the borrowing would be in the region of £90,000. The proposal was approved by Lead Member for Transport and Environment on 10 November 2025, subject to the revision to the Capital Programme being approved.

## 4. Progress against Council Priorities

### Driving sustainable economic growth

4.1 The Council has spent £411m with 1,152 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. 2 contracts, with a value of £5.58m, were agreed in quarter 2 and as part of these we secured £1.07m in social value commitments. This equates to 19% of the contract value, and will include employability support, careers awareness programmes, internship and volunteering opportunities and professional development for staff and volunteers (Appendix 4).

4.2 Work on our highways has continued, with 5,274 potholes repaired in quarter 2, 3,532 of these were carriageway potholes and the remainder primarily footway potholes. We completed 33 road improvement schemes to improve the condition of the roads (Appendix 6).

4.3 The Visitor Economy Task Group helped East Sussex College Group become an approved centre for the Hospitality Skills Passport in quarter 2. The Careers Hub hosted Apprenticeship Roadshows in Hastings and Eastbourne, with over 900 young people, parents and adult job seekers attending, alongside 40 employers, apprenticeships training providers and support organisations (Appendix 6).

4.4 128 businesses in East Sussex were supported through business support programmes during quarter 2. 109 of these were supported through the Growth Hub and 19 through Rural Business Grants (Appendix 6).

4.5 6,779 children took part in The Summer Reading Challenge which encourages children to read during the summer holidays and inspires them to tap into a world of imagination through reading. 114 promotional assemblies were held in schools, and 81 volunteers supported the challenge in libraries. Celebratory certificates for children who completed the challenge will be sent to schools to present to the children (Appendix 6).

4.6 The Council's Alternative Provision service, which provides for pupils who would not otherwise receive a suitable education, was transferred to the London South East Academies Trust in quarter 2. The new service is called the East Sussex Academy and is operating from sites in Hailsham, Newhaven and Hastings. In 2025/26 the Council is commissioning 220 places at the East Sussex Academy, a 96% increase on the number of places we commissioned in 2024/25 (Appendix 5).

### Keeping vulnerable people safe

4.7 Ofsted undertook a Focused Visit Inspection of East Sussex Children's Services during quarter 2, focusing on children in need and those subject to a child protection plan. The inspection does not provide an outcome grading but set out a number of key findings and makes recommendations. The inspection letter contains a number of positive findings including that our services make a difference to local children and that the senior leadership team, with strong corporate support, continue to invest in services for vulnerable children. One recommendation for improvement was received, relating to the timeliness with which child protection strategy meetings are held, although Ofsted noted that once held, the meetings appropriately considered the level of risk and impact on the children involved (Appendix 5).

4.8 The number of children with a Child Protection Plan has reduced to 532 at the end of quarter 2, down from 579 at the end of quarter 1. The Connected Families, SWIFT and Foundations services continue to deliver specialist support to parents, enabling children to stay safely within their families. The rate of Looked After Children also decreased in quarter 2, to 66.5 per 10,000, down from 67.1 per 10,000 at quarter 1. The rate for East Sussex remains below the national average for England, which is 68.6 and the Income Deprivation Affecting Children Index (IDACI) adjusted rate (expected rates based on levels of deprivation) which is 70.0 (Appendix 5).

4.9 The Lansdowne Secure Children's Home and the Silver Birches Children's Home were both inspected by Ofsted in quarter 2, and both received a judgement of Good. The inspectors noted many positive factors at each of the homes, whilst also providing recommendations for improvements, which are being taken forwards (Appendix 5).

4.10 The Care Quality Commission (CQC) inspected the Council earlier in 2025 and have now given a positive assessment of our adult social care services, recognising our commitment to providing the best possible support for residents. Giving the Council a rating of 'good', the CQC highlighted the collaboration with those using the service as a 'real strength'. The CQC's chief inspector of adult social care and integrated care, said: "What really stood out was how people felt listened to and treated with dignity. The staff at East Sussex should be really pleased with their good rating and the services they're providing to people in the county" (Appendix 3).

4.11 We continue to commission and provide services to support adults and older people across the county. There is a greater complexity of need amongst people accessing support, along with an ongoing increase in demand for our services. Compared to the same point in 2024 there has been a 5.8% increase in contacts handled by Health and Social Care Connect, 3.1% increase in the number of people receiving residential and nursing care, 5.5% increase in the number of assessments completed, and 7.1% increase in activity overall, up 12.7% on the same period in 2023 (Appendix 3).

4.12 Trading Standards made 37 interventions during quarter 2 to protect vulnerable people who had been the target of rogue trading or financial abuse. The team dealt with a wide range of fraud and scam interventions which involved nearly £330,000 of financial risk to the vulnerable people. 151 businesses received training or advice from Trading Standards during quarter 2 (Appendix 6).

**Helping people help themselves**

4.13 The new Heathfield and JOFF Youth Hubs opened in quarter 2. Sessions at the new facilities are attracting high numbers of young people who are enjoying the new facilities available. The response from parents and community members to the new hubs has also been positive (Appendix 5).

4.14 The percentage of new Education, Health and Care Plans issued within 20 weeks remains off target at quarter 2 (30.5% including exceptions and 32.7% excluding exceptions) with delays due to late statutory advice from partners. There have been recent improvements in the timeliness of advice for social care elements of assessments following the recruitment of additional posts. We have also begun to see improvements in timeliness of advice from the Children's Integrated Therapy and Equipment Service within the NHS. However, the significant increase in demand for assessments coupled with demand and capacity issues among statutory partners continues to present challenges (Appendix 5).

4.15 The Council runs courses aimed at giving children and adults the skills they need for riding their bikes on the road. We delivered 92 Bikeability courses to 640 individuals in quarter 2. 137 'Wheels for All' sessions were also delivered to 1,932 attendees (Appendix 6).

4.16 The stroke rehabilitation pilot at Bexhill's Irvine Unit has been shortlisted for the Community Hospitals Association Innovation and Best Practice Awards 2025. This six-month programme supported stroke survivors to rebuild strength, confidence and independence through supervised physical activity. The pilot was supported by strong collaboration between the Council, Active Rother, Active Sussex and East Sussex Healthcare Trust (Appendix 3).

4.17 162 employers and approximately 20,000 employees are now supported by the Wellbeing at Work programme. Through up-to-date health and wellbeing guidance, tailored training, and organisational support, the programme helps workplaces adopt practices that improve staff wellbeing, such as offering training sessions focusing specifically on men's and women's health (Appendix 3).

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

4.18 During quarter 2, the Leader and Chief Executive continued to raise issues and priorities for the county with our local MPs, including highlighting the stark financial position the Council faces in individual meetings with MPs and ministers. During quarter 2, the Government consulted on its proposed approach to local authority funding reform through the Fair Funding Review 2.0. The Council provided a robust response which in particular emphasised the need for updated relative needs formulae to better take account of the county's older population, the need for a more sophisticated approach to calculating local labour costs, and the negative impact on the Council of a proposed 100% Council Tax equalisation (Appendix 7).

4.19 We completed 2 energy efficiency schemes during quarter 2, with roof insulation being installed at a primary school and a nursery. The total Council carbon emissions outturn for quarter 1 saw a 22% reduction compared to quarter 1 2024/25. At this stage it is not possible to accurately forecast the annual emissions for 2025/26 as the majority of emissions occur in the second half of the financial year (Appendix 4).

4.20 The Council has continued to work with a range of partners to develop and deliver carbon reduction and climate change adaptation work in quarter 2. This included finalising the corporate climate emergency progress report for 2024/25 and identifying corporate sites where it would be possible to install electric vehicle charge points. We also entered into discussions with UK Power Networks about what scale of solar farm could be accommodated on the closed landfill at Pebsham (Appendix 6).

4.21 The quarter 1 and quarter 2 sickness absence figure for the whole authority (excluding schools) is 4.30 days per Full Time Equivalent (FTE) role, a 4.1% decrease compared to the first 2 quarters of 2024/25. The year end estimate for 2025/26 (based on six month's data) is 8.83 days/FTE, so the target of 9.10 days/FTE is predicted to be met (Appendix 4).

4.22 The Council has continued work to ensure its office hubs are used efficiently during quarter 2, with both Sandbanks in Hailsham and the former Rangers' Workshop in Rye now under offer. Space at The Keep and Pacific House was also let out in quarter 2 (Appendix 4).

4.23 Alongside our partners in West Sussex County Council and Brighton & Hove City Council we have continued to work on the proposed establishment of a Mayoral Combined County Authority for Sussex as part of the national devolution priority programme. We continue to work towards securing the opportunities from devolution. Along with our district and borough council partners, we submitted our One East Sussex proposal for Local Government Reorganisation in East Sussex in quarter 2. One East Sussex shows that a single unitary council would be simpler for residents, would save money, and would avoid the extra complexity of splitting up existing services (Appendix 7).

**Becky Shaw, Chief Executive**