

Business Services – Q3 2025/26

Summary of progress on Council Priorities, issues arising, and achievements

Key cross cutting programmes

Carbon

In line with the annual delivery plan in our current Climate Emergency Action Plan 2025-2030, a further 6 energy efficiency projects were completed in Q3, bringing the total for Q1-Q3 to 13. The 6 projects completed in Q3 were:

- 4 Insulation (roofing with insulation): All Saints, Motcombe, Pashley Down and Stone Cross schools
- 1 window replacement improving energy efficiency -Mayfield Primary School
- Solar PV scheme as part of roofing works at Hookstead.

Our annual target of 10 energy efficiency projects has been met by the end of Q3.

The Property team continues to provide energy efficiency best practice advice for building managers who run sites with high or unusual energy use patterns, to help them identify savings. An 'Ask the Expert' energy saving workshop took place in November 2025, where 28 site managers were able to obtain advice from a qualified mechanical engineer at no charge, as part of a social value benefit commitment from a Council contract.

The total Council carbon emissions (including Scope 1 'direct emissions' and 'Scope 2' indirect emissions from purchased utilities) for Q1 and Q2 2025/26 (reported a quarter in arrears) saw a 23% reduction compared to Q1 and Q2 2024/25, and a 52% reduction compared for the same period of the baseline year 2019-20. At this stage it is not possible to accurately forecast the annual emissions for 2025/26, as it will largely depend on whether we have a cold winter compared with previous years and, consequently, how much gas is required for heating. We do not expect to achieve the current target of a 57% cumulative reduction against the 2019/20 baseline. A Scrutiny review will consider the target for the CO₂ arising from County Council operations measure as recommended by Cabinet on 16 December 2025.

During Q1 and Q2 2025/26, gas consumption fell by 20%, and oil consumption by 34% compared to the same period in 2024/25 (there can be a data lag for oil due to the nature of deliveries). Comparatively warmer weather will have contributed to reduced heating demand. Electricity consumption fell by 11% for buildings and 6% for street lighting.

The UK grid carbon emission factor changes from year to year to reflect the change in fuel mix in UK power stations (i.e. between renewables, nuclear, natural gas, oil and coal) and the proportion of imported electricity. The carbon emission factors used for reporting in 2025/26 are based on the fuel mix used in 2023, this is due to the time it takes to collate and analyse the data (more information can be found on the [gov.uk conversion factors 2023 website](https://www.gov.uk/conversion-factors-2023)).

The carbon emission factor for electricity fell by 14% between 2024/25 and 2025/26, having increased in 2023/24 and remained at that level last year. The reduction in the electricity carbon emissions factor made a positive contribution to the year-on-year Q2 emissions reduction.

The reduction in carbon emissions has a positive impact on consumption and spend, in both the schools and non-schools portfolios. The table below shows that during Q1 and Q2, there has been a reduction in spend of £196,416 for the Council's utilities when compared to the same period last year, which is equivalent to a 13% reduction. It is important to note, the heating is mostly required in Q3 and Q4, where the bulk of the costs will be incurred. This significant reduction in cost reflects estate changes, investments made in renewable energy (e.g. solar photovoltaic), energy efficiency measures and training for staff managing buildings.

<u>Financial Year (Q1 & Q2 period)</u>	<u>Spend at 2024/25 Unit Rates</u>	<u>Consumption - MWh</u>
2019-20	£2,093,372	9,642
2024-25	£1,498,953	6,728
2025-26	£1,302,537	5,316

Note: To help with the yearly comparisons, the spend figures in the table have been estimated using the Q1 and Q2 consumption figures from 2019/20, 2024/25 and 2025/26, and then price-corrected against the average unit rates from 2024/25. The spend figures are based on consumption only (i.e. not including standing charges or any other non-commodity costs).

Oracle Implementation

The Council's current Payroll and Finance system SAP will no longer be supported from 2027 and, following an extensive procurement process, the Oracle Fusion system was chosen to replace SAP.

The Oracle programme is being delivered in a phased 'adopt not adapt' approach, feeding in learnings from implementations in other organisations. Phase one, the implementation of Enterprise Performance Management (EPM), went live with the first module in September 2024. All other modules for EPM in the Council are now live and have been well received by the finance team.

Phase 2, covering Finance, Recruitment and Procurement (c.1,500-2,000 users), successfully went live in April 2025, and has now transitioned into business-as-usual activity. Whilst there were some issues on go live, these have now been resolved and the Council's implementation compared favourably to other organisations and the Council is now looking to make the most out of the new system's capabilities.

Phase 3 (HR and payroll – c.10,000 users) is the most complex element of the programme and the most important to deliver to a high level of quality. This phase is currently in testing phase and, subject to the necessary quality standards being met, is anticipated to go live later in the year. Extensive communication and engagement is being undertaken in the run up to go-live, and support provisions will be put in place to resolve any queries or issues that staff may have in using the new system.

Orbis

The Council currently operates a shared service model ('Orbis') across Surrey County Council (SCC), East Sussex County Council (ESCC) and Brighton & Hove City Council (BHCC) for its Internal Audit, IT & Digital, Procurement, Insurance and Treasury Management functions.

Due to Devolution and Local Government Reorganisation (including SCC being scheduled to split into 2 new organisations on an accelerated timeframe), the increasing need for AI and digital innovation, the departure of the former Chief Digital and Information Officer, as well as service specific challenges such as the implementation of Oracle; there has been a need to undertake reviews of each of the current Orbis arrangements.

As a consequence, reviews of each of the three main Orbis functions (IT & Digital, Procurement and Internal Audit) have been undertaken in conjunction with BHCC and SCC to assess the ability of the Orbis services to meet the current and emerging requirements of the 3 partners.

The reviews found that the Orbis partnership has produced benefits and all Orbis services provide value; however, it also identified some issues and determined that the current operating models do not fully address the increasingly different strategic needs of the three authorities. Proposals for how to move forward with the Orbis partnership are due to be considered within each council in Q4 and in Q1 2026/27.

Human Resources and Organisational Development (HROD)

Following an extensive procurement process, 2 new contracts for key services have been awarded to People Asset Management in Q3. Firstly, the provision of Occupational Health services covering approximately 10,000 staff including Schools. Secondly, our Employee Assistance Programme contract covering all Council staff, which is available for Schools and Academies to purchase.

The Redeployment Policy has been updated following engagement with the local trade unions. The update enables relevant staff to have access to the redeployment register and appropriate redeployment opportunities at the earliest opportunity. This should help support greater numbers of redeployments where necessary.

Attendance Management and Wellbeing

The 2025/26 Q1 – Q3 sickness absence figure for the whole authority (excluding schools) is 7.10 days lost per Full Time Equivalent (FTE) role, an increase of 3.2% since the same period last year. The year end estimate for 2025/26 (based on nine month's data) is 9.51 days per FTE, so the target of 9.10 days per FTE is predicted to be missed.

Absence levels increased sharply in Q3. The main contributors were flu-like symptoms, coughs and colds, and a further rise in stress-related absence. The rise in stress-related absence is particularly visible in Adult Social Care and Children's Services. A review of the cases shows a mix of factors. Several long-term cases are linked to complex employee relations issues and are being closely managed. In Adult Social Care, service changes and the pressure created by ongoing vacancies are also likely to be influencing higher stress levels.

Compared with the same Q1 – Q3 period last year, stress-related absence has risen by 1,366 days (from 3,113 to 4,479 days) and flu-like symptoms by 413 days (from 2,272 to 2,685 days). These trends highlight the need for continued focus. Targeted support is already in place and teams are working closely with services to manage the underlying issues, but we recognise there are challenges that will require sustained attention.

Strategic actions underway:

- HR Review: Continued focus on stress and mental health-related absences to understand drivers and support earlier resolution.
- Manager Guidance: Improvements underway to simplify access to guidance, helping managers respond consistently.
- Wellbeing Programme:
 - Targeted workshops
 - Proposals shaped by evaluation (including Time to Talk feedback)
 - Expansion of the Mental Health First Aiders network
 - Ongoing Menopause Cafés

We are also exploring how to use the new occupational health provider to offer a workshop to support staff through organisational change. Adult Social Care is forming a working group to examine the causes of stress in more depth and develop a targeted plan to mitigate them.

Procurement

Procurement, contract and supplier management activities

The Council has spent £416m with local suppliers over the past 12 months. This equates to 62% of our total procurement spend, which meets our target of 60%. 1,280 local suppliers were used. 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.

Social Value

In Q3, a total of 10 contracts commenced, of which 5 were out of scope of the Social Value Measurement Charter, which quantifies the economic, social and environmental benefits of the procurement. 4 contracts accessed existing pre-approved list of suppliers (Frameworks) with predefined contractual terms and 1 contract was included in the Adult Social Care and Health Social Value trial, which uses a qualitative rather than quantitative approach to social value, so financial proxy figures are not used to calculate the social value commitment. The five in-scope contracts had a total contract value of £13.19m and secured £1.72m in social value commitments, which equates to an outturn of 13% against a target of 10%.

The Social Value commitments for Q3 included:

- Apprenticeship opportunities
- work experience placements for local students
- local job opportunities for priority groups, including long term unemployed
- support for local charity or community events
- hosting a Carbon Reduction Workshop for local SMEs
- supporting habitat restoration and maintenance
- tree planting with local schools

Procurement policy

The Procurement Policy Team has been focused on the following activities during Q3:

- incorporating carbon reduction and social value requirements into several significant Council contracts, including Hastings Phase 2 Construction and Dry Mixed Recyclables
- preparing the Council's Modern Slavery Statement, reporting on actions taken to address modern slavery in supply chains during the 2025/2026 financial year
- continuing to work with Equality, Diversity and Inclusion colleagues to support training
- continuing to work with Finance and other stakeholders on the remaining transparency notices under the Procurement Act 2023
- working on the implementation of the East Sussex Social Value model, with guidance material, briefings and initial project support all underway

Contract and Commercial Advisory

The Contract and Commercial Advisory team continues to engage with colleagues in Legal to design and agree processes to ensure the Council is compliant with the Contract Management obligations as prescribed in the Procurement Act 2023, specifically with regard to the publishing of Contract Details Notices. The team have been supporting a number of procurements, most notably the Schools Catering and the Dry Mixed Recyclables Off-Take contracts to shape commercially robust approaches, develop meaningful Key Performance Indicators and review draft contracts to ensure they are clear, proportionate and operationally deliverable. The team have also provided ongoing commercial and contractual support across different services including Adult Social Care, IT&D and Library Services, advising on implementation, potential disputes, exit planning and general best practice in contract management.

Internal Audit

Through the delivery of sufficient audit coverage in Q3, the Chief Internal Auditor continues to be able to provide assurance over the adequacy and effectiveness of governance, risk management and control for the Council.

Internal Audit have continued to focus on delivery of the Annual Internal Audit Plan and were able to complete 75.4% of the plan to draft report stage by the end of Q3, against a Q3 target of 67.5% (90% target for the year).

All high priority actions agreed with management as part of individual audit reviews are subject to action tracking, whereby we seek written confirmation from services that these have been implemented. As at the end of Q3, it was confirmed that 6/6 (100%) of the high-risk actions due to be implemented on a 12-month rolling basis had been actioned (against a target of 97%).

Property

The Property Team is committed to making best use of the Council's land and buildings, as outlined in the Strategic Asset Plan 2020-2025. During Q3, work began to develop an interim Strategic Asset Plan for 2026-2028 for consideration by Place Scrutiny Committee in Q1 2026/27. It is anticipated that the interim plan may require further review to reflect the decision of central Government on the outcome of Local Government Reorganisation and developments through Devolution.

Following successful marketing of surplus assets, the Property Team is working with preferred bidders to sell the freeholds for Sandbanks, Hailsham and the former swimming pool adjacent to the former Freda Gardham School in Rye. In addition, sales have been completed for 3 premises at Hye House, Crowhurst in December 2025, generating capital receipts for the Council.

A proposal to relocate the Registration Services from Hastings Town Hall to Hastings Library was approved by the Lead Member for Transport and Environment on 10 November, and approval was granted to a prospective tenant at the Phoenix Centre, Lewes by the Lead Member for Resources and Climate Change on 5 December. In addition, there were new lettings and lease renewals at Pacific House, Eastbourne.

The Council's planned maintenance programme for schools and non-schools was progressed in Q3, including a number of projects improving energy efficiency. Property worked with a wide range of site managers and bursars to share best practice to reduce energy consumption via a number of workshops. A programme of in-depth audit review of energy use at sites has reaped benefits including at The Keep, where the costs were reduced by £44,000. The Property Team further expanded its role in the rollout of the Area Controller of Premises Support services to all directorates, with a full model scheduled to be in place by the end of Q4.

Property's Facilities Management Team commenced work assisting the Children's Services department with their service transformation, bringing early years and family teams together at St. Mary's House, Eastbourne.

The re-procurement of the School Meal contract continued, with evaluation of bids completed in Q3, and the contract award due in Q4. The contract will begin in 2026/27.

Property continue to manage a number of capital projects for services including the Special Educational Needs (SEN) project at Acre Wood, Crowborough where significant ground works and foundations were constructed in Q3. Other SEN satellite provisions were completed in Q3, including at Uckfield College. Further SEN projects at Chailey, St Peters and Ocklynge are due to complete in Q4. New feasibility studies for SEN provision & facilities were commenced for 4 schools in Q3.

Construction works at Hollington Youth Hub, which is funded by central Government, continued with the main structure being constructed in Q3 and internal works planned for Q4.

IT and Digital

A business case for Microsoft Copilot was completed in Q3, which has informed the Council's scaled and responsible approach to exploring AI, focusing on tools that demonstrably improve productivity and service quality. Building on the structured pilots (which covered 33 use cases and deployed 150 Microsoft Copilot licences across departments), a further 150 licences were recommended for high-impact areas.

Alongside this, with Copilot Chat now available to all staff at no additional cost, an 'AI for All' approach was endorsed. This aims to accelerate routine tasks, reduce mental workload, and improve quality and consistency. Therefore, purchasing of paid-for Copilot licences will only be where there is a genuine need for the enhanced functionality.

This work is underpinned by a new dedicated AI Policy, developed in Q3, which sets out clear ethical, privacy and governance standards. The Policy was approved by the Lead Member for Resources and Climate Change on 22 January.

The Windows 11 device refresh project completed during Q3. Managed entirely in-house, this initiative has modernised our digital workspace, strengthened security and compliance and delivered considerable cost savings. With Microsoft support for Windows 10 ending in October 2025, the project operated across all Orbis partners to a strict deadline, completing on time and under budget. The Council refreshed 5,264 devices and raised £212,000 through recycling.

Revenue Budget Summary

The 2025/26 Business Services net revenue budget is £32.173m. There are £1.060m planned savings in BSD this financial year (**ref i**), of which £0.080m relating to the planned reduction in the cost of the Digital Postal Hub is not expected to be realised in this financial year, but the shortfall is planned to be covered within the directorate.

The current outturn forecast is a £0.016m overspend (**ref v**) and this position assumes that all other savings are achieved.

The £0.289m overspend forecast within Finance and Business Admin (**ref ii**) relates to loss of traded service income following academy conversions and the higher than budgeted cost of the annual External Audit.

IT&D are reporting an underspend of £0.299m (**ref iii**) as the renewal of several of the IT&D contracts have been secured at a lower cost than anticipated at budget setting, including the cost of Microsoft Licences. There are also small underspends across the service contributing to the overall position.

In Property there is a forecast overspend of £0.026m (**ref iv**). This is a reduction from the Q2 overspend position and has arisen following a reduction in staff costs across the service and budgeted consultant costs that were expected to support surplus property disposals that are not anticipated to materialise this financial year. The Joint Use budgets are also forecasting a combined underspend of £0.085m. The underspend is offsetting the pressure of losing income from a courier service contract to East Sussex Fire and Rescue Service which has now ended, increased service charges and additional stamp duty costs in various properties.

Capital Programme Summary

The 2025/26 capital budget is £35.790m. At Q3 there is a net £3.148m underspend (**ref x**) comprising the following variances:

IT & Digital Strategy Implementation - Reporting slippage of £0.275m (**ref vi**) relating to eCasefile, Server 2016, M365 Governance and Security and Power BI projects due to a combination of procurement timelines and capacity. There is further risk of slippage on the LAN Upgrade projects, also due to procurement capacity and timelines. This does not impact systems or security.

Capital Building Improvements (Corporate) - Non Schools Building Maintenance is forecasting slippage of £0.500m (**ref vii**) due to a Project Surveyor leaving in November, with no replacement being appointed, that has impacted capacity. Consequently, numerous projects are now on hold. Delays are further compounded by the additional procurement controls within the newly implemented Oracle system and the resource required to maintain them.

Special Educational Needs & Disabilities Provision – Acre Wood forecasts slippage of £1.688m (**ref viii**). After lengthy delays with mitigating environmental impacts on site and budgetary concerns, work has progressed, though weather and on-site conditions have slowed down

progress recently, meaning that some of the activity will slip to 2026/27. The budget is currently on track overall.

Finally, there is further slippage of £0.728m on the Hollington Youth Centre (**ref ix**). Onsite conditions and weather have slowed the programme. Budget is on track overall.

Performance exceptions Q3:

Priority – Making best use of resources now and for the future

Performance measure	Outturn 24/25	Target 25/26	RAG Q1 25/26	RAG Q2 25/26	RAG Q3 25/26	RAG Q4 25/26	Q3 2025/26 outturn	Note ref
Number of working days lost per FTE (Full Time Equivalent) employee due to sickness absence in non-school services	9.21	9.10	G	G	R		7.10 days lost per FTE employee	

Savings exceptions 2025/26 (£'000)

Service description	Original Target For 2025/26	Target including items c/f from previous year(s)	Achieved in-year	Will be achieved, but in future years	Cannot be achieved	Note ref
Planned savings – BSD Property	254	-	174	-	-	
Planned savings – BSD IT&D	26	-	26	-	-	
Planned savings – Finance	142	-	142	-	-	
Planned savings – BSD	638	-	638	-	-	
Total Savings	1,060	0	980	-	0	
			-	-	-	
Savings met from underspending in Department			-	80	-	
Subtotal Permanent Changes ¹			-	-	-	
Total Savings and Permanent Changes	1,060	0	980	80	0	i

Memo: treatment of savings not achieved in the year (£'000)	Temporary Funding ²	Part of reported variance ³	Total	Note Ref
Planned savings – BSD Property	-	80	80	
	-	-	-	
	-	-	-	
Total	0	80	80	

¹ Where agreed savings are reasonably unable to be achieved other permanent savings are required to be identified and approved via quarterly monitoring.

² Temporary funding will only replace a slipped or unachieved saving for one year; the saving will still need to be made in future years (or be replaced with something else).

³ The slipped or unachieved saving will form part of the department's overall variance - it will either increase an overspend or decrease an underspend. The saving will still need to be made in future years (or be replaced with something else).

Revenue Budget 2025/26 (£'000)

Divisions	Planned Gross	Planned Income	Planned Net	Projected Gross	Projected Income	Projected Net	(Over)/ under spend Gross	(Over)/ under spend Income	(Over)/ under spend Net	Note ref
Finance and Bus Admin	11,665	(5,697)	5,968	11,725	(5,468)	6,257	(60)	(229)	(289)	ii
HR & OD	3,667	(1,108)	2,559	3,667	(1,108)	2,559	-	-	-	
IT & Digital	14,062	(4,155)	9,907	13,805	(4,197)	9,608	257	42	299	iii
Procurement	-	-	-	-	-	-	-	-	-	
Property	29,688	(20,290)	9,398	29,932	(20,508)	9,424	(244)	218	(26)	iv
Oracle	2,548	(2,153)	395	3,365	(2,970)	395	(817)	817	-	
Contribution to Orbis	3,946	-	3,946	3,946	-	3,946	-	-	-	
TOTAL BSD	65,576	(33,403)	32,173	66,440	(34,251)	32,189	(864)	848	(16)	v

Capital programme 2025/26 (£'000)

Approved project	Budget : total project all years	Projected: total project all years	Budget 2025/26	Actual to date Q3	Projected 2025/26	Variation (Over) / under 2025/26 budget	Variation analysis: (Over) / under spend	Variation analysis: Slippage to future year	Variation analysis: Spend in advance	Note ref
IT & Digital - Utilising Automation	24	24	24	24	24	-	-	-	-	
IT&D Strategy Implementation	71,234	71,234	4,144	2,847	3,869	275	-	275	-	vi
IT&D Strategy Implementation (ORACLE)	26,513	26,513	7,710	5,269	7,710	-	-	-	-	
Capital Building Improvements (Corporate)	45,482	45,482	4,400	1,538	3,900	500	-	500	-	vii
Capital Building Improvements (Schools)	40,401	40,401	4,800	3,593	4,800	-	-	-	-	
Disabled Children's Accommodation	24	24	14	19	19	(5)	(5)	-	-	
Schools Basic Need	61,874	61,874	664	508	664	-	-	-	-	
Special Educational Needs & Disabilities Provision	3,673	3,673	2,659	799	2,697	(38)	-	-	(38)	
Special Educational Needs & Disabilities Provision - Acre Wood Academy	17,120	17,120	6,621	2,641	4,933	1,688	-	1,688	-	viii
Westfield Lane	17	17	17	8	17	-	-	-	-	
Youth Investment Fund	7,003	7,003	1,745	2,253	1,745	-	-	-	-	
Hollington Youth Centre	3,037	3,037	2,992	1,264	2,264	728	-	728	-	ix
Total BSD Gross	276,378	276,378	35,790	20,763	32,642	3,148	(5)	3,191	(38)	x