

Report to:	Cabinet
Date:	16 December 2025
By:	Chief Executive
Title of report:	Reconciling Policy, Performance and Resources (RPPR) – update on planning for 2026/27 and beyond
Purpose of report:	To update Members on the latest policy context and Medium Term Financial Plan.

RECOMMENDATIONS:

Cabinet is recommended to:

- i. note the updated policy context as set out in paragraph 2;**
 - ii. note the updated Medium Term Financial Plan as set out in paragraph 3 and Appendix 1;**
 - iii. note the further savings proposals set out in Appendix 2;**
 - iv. note the reserves summary set out in paragraph 3;**
 - v. note ongoing engagement with MHCLG in relation to Exceptional Financial Support as set out in paragraph 4; and**
 - vi. agree to undertake further lobbying of Government for sustainable funding to meet the needs of the residents of East Sussex.**
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1. Background

1.1 In November, Cabinet considered an update on budget and service planning for 2026/27 and beyond, through our integrated Reconciling Policy, Performance and Resources (RPPR) process. The report set out the considerable uncertainty at that time, particularly the significant further information awaited on Government funding intentions. In light of the detail expected during November from the local government finance policy statement and the national Budget, Cabinet agreed to receive an additional report on our planning outlook in December. This report provides Members with the latest position, taking account of the new information now available, as we move towards final budget and Council Plan proposals for consideration in the new year.

1.2 As well as the updated national context, we also have greater insight into how the wide range of national and local challenges impacting on the Council's services are translating into actual demand and cost pressures in year. The Quarter 2 2025/26 monitoring report earlier on this agenda illustrates the vital support our services provide to East Sussex residents, businesses and communities and the significant achievements in the first half of the current year. It reinforces how the County Council's annual budget of almost £580m net (over £1.1bn gross) has a wide ranging impact on lives and livelihoods in the county and is focused, through evidence based RPPR planning, on delivering both local and national priorities. It is also clear that we continue to experience sustained higher demand for services, more complex needs amongst those seeking support, and increased costs,

particularly in children's services and adult social care, beyond our best estimates at the time of planning for the current year. Although we have made progress in managing demand and costs, and reducing the projected year-end overspend, these pressures mean that the expenditure needed to deliver services continues to outstrip the resources available.

1.3 We know that the make-up of the population and economy in East Sussex result in national pressures being felt especially acutely here. Recently updated national analysis of deprivation across a range of indicators starkly illustrates the economic and social challenges in significant parts of the county which contribute to a heightened demand for support. Combined with an older population at levels which won't be seen in England for 20 years, and limitations on the local economy, the level of need in East Sussex is significantly different from the wider south east region. This is a context which needs to be properly reflected in both the quantum and the allocation of national funding if vital services are to be sustained for the county's residents now and in the future.

1.4 Despite the clear evidence of increasing need for support from statutory services, recent funding announcements from Government offered no positive news for East Sussex. The national Budget Statement provided no new funding for local government and confirmed additional pressures which will add to our costs. The outcome of the Fair Funding Review 2.0 set out a revised approach to allocating national funding which largely fails to recognise the key factors which are impacting on the demand for and cost of services in the county, or our limited ability to raise income locally to fund the essential support our communities need. Our clear asks of Government have not been responded to and as a result we currently expect to lose funding in future years, worsening the already significant budget gap we face, with further implications for local people.

1.5 We also still await much needed reforms in key areas such as Special Educational Needs and Disabilities (SEND) and Adult Social Care. Until there is sustainable reform in these and other key areas where the demand for support is outpacing the resources available, or substantial additional national funding, we will continue to see a gap between what we need to support residents and the resources available to us.

1.6 Through our ongoing cycle of RPPR planning, we continue to take account of the evolving policy and financial context. The updated Council Plan for 2026/27 and beyond will ensure we direct the resources we have as effectively as possible on delivery of our evidence-based priorities for the county:

- Driving sustainable economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves; and
- Making best use of resources, now and for the future - the test applied to all activities to ensure sustainability of our resources, both in terms of money and the environment.

1.7 This report provides our updated assessment of the financial position, the significant additional information now received on final funding reform plans and the national Budget announcements, and the next steps in work towards a balanced budget for the coming year. As requested by Cabinet in November, this includes outlining further savings proposals and the impacts we expect these would have, both financially and on residents, staff and communities. It also provides an overview of further significant national and local developments since the November report which we need to take into account in our planning, and our proposed approach to further lobbying of Government.

2. Policy context update

2.1 The key areas in which there have been developments since the last report to Cabinet in November are detailed below.

2.2 **National economic context** – The latest national economic forecasts continue to paint a challenging picture. Inflation, as measured by the Consumer Prices Index (CPI), remains above the Bank of England's 2% target, standing at 3.6% in the 12 months to October 2025, a slight fall from the 3.8% rate reported in the previous three months. Latest figures from the Office for Budget Responsibility (OBR), published in November alongside the Budget, increased next year's forecast rate from 2.1% to 2.5% but maintained its 2% estimate for 2027 and the following two years. Taking account of inflation remaining above target, and in anticipation of the national Budget, the Bank of England held interest rates steady again in November, the rate now standing at 4% since August 2025. Analysts have predicted a potential reduction in December or early next year. The OBR has increased its 1% economic growth forecast for this year to 1.5% and expects Gross Domestic Product (GDP) to grow by 1.5 per cent on average over the five year forecast due to lower underlying productivity growth, 0.3 percentage points slower than projected in March.

2.3 **National Budget** – On 26 November the Chancellor delivered the Autumn Budget Statement which focused on reducing NHS waiting times, the cost of living and the national debt, including through a continued focus on the Government's overarching aim of driving economic growth. The Budget contained a range of changes to taxation to raise additional revenue for the Treasury in light of ongoing economic challenges, notably the introduction of a high value property Council Tax surcharge and a new mileage-based charge on electric and plug-in hybrid cars from 2028, together with an extension to the freezing of tax thresholds. For public services, the Budget set out a further £4.9bn of efficiencies by 2031 including through an ongoing focus on value for money and reducing fraud and waste. £250m is expected to be saved through the abolition of Police and Crime Commissioners and a potential reduction in the number of councillors through local government reorganisation.

2.4 The Budget also confirmed that the National Living Wage will increase by 4.1% from April 2026 for people aged over 21, with a larger increase of 8.5% for those aged 18-20 as part of movement towards a single adult rate. This level of increase will have impacts in the care sector. Further detail on the measures within the Budget is set out in section 3.

2.5 **Local government funding** – A Finance Policy Statement published by the Ministry of Housing, Communities and Local Government (MHCLG) on 20 November set out Government's overall funding intentions for local government for the next three years through the first multi-year settlement in a decade. This included final planned reforms to the formulae used to allocate national funding to individual councils through its Fair Funding Review 2.0, following consultation with the sector earlier in the year. Detailed allocations for individual councils will not be published until the provisional Local Government Financial Settlement later in December, but modelling indicates that the reforms will see significant shifts in how resources are allocated to different areas based on updated assessments of need and local resources, impacting negatively on ESCC. The policy statement also confirmed the Government's intentions in relation to funding simplification and consolidation of grants, business rates reform and the continuation of the 2025/26 Recovery Grant, from which ESCC received nothing. Analysis of the potential impact of the statement and funding review for ESCC's financial position is set out in section 3.

2.6 The updated funding formulae take account of the revised English Indices of Deprivation (IoD) 2025, published by MHCLG ahead of the policy statement. The 2025 version of the IoD is based on a revised range of indicators and an improved methodology

from the 2019 version. This new approach, which better recognises the impact of factors such as housing costs, means that Hastings is ranked the 3rd most deprived lower tier authority area in the country based on the Index of Multiple Deprivation (IMD). There are also significant levels of deprivation in parts of Bexhill, Eastbourne, Hailsham and Rye. However, the diverse nature of the county, which includes large areas which are less deprived, means that our overall position has not changed significantly. The IoD 2025 is significant in both our local understanding of need, and for potential access to resources. However, the impact on new funding formulae under the Fair Funding Review 2.0 is limited. The IMD is included as an indication of need in the Foundation Formula element but allocations are driven more by population size.

2.7 Devolution and local government reorganisation – On 19 November, MHCLG launched a consultation on proposals for local government reorganisation in East Sussex, Brighton and Hove and West Sussex. The four proposals under consideration are the One East Sussex proposal for a new single unitary council on the current ESCC footprint, Brighton and Hove City Council's proposal for five unitary authorities across the whole of Sussex and two proposals in West Sussex – a single unitary authority and two unitaries covering the north and south of the county. Consultation is open until 11 January. We are encouraging local people and organisations to respond to help shape the future arrangements for local government, and the County Council's own proposed response in support of the One East Sussex proposal is set out elsewhere on this agenda for consideration. A final Government decision on future structures is expected in the spring of 2026. In the meantime we continue to progress, with district and borough council partners, our local planning for reorganisation and the challenges and opportunities it presents. In October it was announced that Government intends Surrey County Council and all Surrey district and borough councils to be replaced by two new unitary authorities covering the east and west of the county from April 2027. The reorganisation of local government in Surrey has implications for Orbis shared services. We continue to work with Orbis partners to agree the future direction for services to best meet the needs of current and future organisations.

2.8 The Devolution and Community Empowerment Bill continues to progress through the parliamentary process and the Government's intention remains that the Bill receives Royal Assent by April 2026. The Government has announced that Mayors and potentially other local leaders, subject to consultation, will be given the option to introduce a visitor levy on overnight visitor accommodation in their area to fund further investment in local growth. The Government has also recently announced some changes they are minded to make to the legislation required to establish the new Mayoral Combined County Authorities in Devolution Priority Programme areas. These are expected to be laid in parliament imminently for a period of scrutiny. As previously reported to Cabinet, this Statutory Instrument will contain a core set of powers to enable the Combined County Authority to become established, with the majority of the powers to be conferred set out in the Devolution Bill.

2.9 Children's services – The Autumn Budget lifted the two-child limit for universal credit and tax credit as part of the Government's approach to addressing child poverty. This was followed by the publication of a national Child Poverty Strategy, which is intended to target the structural and root causes of child poverty across the country and lift 550,000 children out of relative low income by 2030. The strategy brings together a range of existing measures including the roll out of Family Hubs, extended access to childcare and free school meals, with additional steps, particularly to support children living in temporary accommodation. These include a new legal duty for councils to notify schools, health visitors, and GPs when a child is placed in temporary accommodation in order to deliver a more joined up approach to support children experiencing homelessness. This duty will be delivered through an amendment to the Children's Wellbeing and Schools Bill which is reaching its final stages in parliament and is expected to receive Royal Assent in the coming

weeks. This legislation to reform children's social care and education will have significant implications for local services and further detail is expected in supplementary legislation and statutory guidance in the coming months.

2.10 Details of planned reforms to the SEND system are still awaited in a Schools White Paper due in 2026. The Budget confirmed that Government will set out substantial plans for reform early in the new year to deliver a sustainable system and that SEND will in future be funded through central Government, with further detail to be set out in the upcoming Local Government Finance Settlement.

2.11 **Adult social care and health** – The finance policy statement indicated that the Department for Health and Social Care will be launching a new publication alongside the provisional settlement that sets adult social care priorities and expectations for local authorities from 2026/27. This will include details of an adult social care 'notional allocation' for each local authority from 2026/27 to 2028/29. These notional allocations are intended to be used as a reference point to support local authority budget setting and, in conjunction with adult social care priorities, to inform collective decisions about adult social care spending. The government recognises that actual spending decisions will also be influenced by local context, priorities and demands and will work with authorities to support the transition into these new accountability arrangements.

2.12 **Migration** – In November the Government published a policy paper outlining reforms to the asylum system. The measures aim to limit the rights that asylum seekers receive on arrival to reduce incoming numbers; to increase removals, including through tightening the appeals system; and to support controlled refugee sponsorship as a safe and legal route to the country. The shift away from the use of asylum hotels forms part of these changes. The Home Office has indicated it intends to temporarily house some people seeking asylum at Crowborough military training camp for up to a year, as part of its programme of developing alternatives to hotel accommodation. Essential services will be provided on site by the Home Office to reduce the impact on local services. Services supplied by local partners in East Sussex, including the County Council, are very limited but may include safeguarding, public health inspection, NHS health checks and basic welfare support provided by voluntary organisations. ESCC is working with the Home Office, Wealden DC (the lead local agency), Sussex Police, and other local partners to support the safety and wellbeing of local residents and of the future occupants of Crowborough Training Camp.

2.13 We will continue to factor the latest developments in our operating context into planning for 2026/27 and beyond as further detail on these and other issues emerges.

3. Medium Term Financial Plan

MHCLG Finance Policy Statement and Fair Funding Review 2.0

3.1 On 20 November, MHCLG published a finance policy statement setting out its intentions for local government funding for the years 2026/27 – 2028/29 through a multi-year funding settlement. The statement came alongside Government's response to consultation on the Fair Funding Review (FFR) 2.0 and final plans for revised allocation formulae.

3.2 Key headlines from the policy statement and FFR 2.0 for ESCC are set out below:

- **Retention of the Recovery Grant:** The £600m Recovery Grant announced in the 2025/26 Settlement will now be retained for three years as a separate grant to be allocated outside of the Settlement Funding Assessment. ESCC received no Recovery Grant in 2025/26. The decision to retain this grant, which was originally intended as a

stopgap to protect deprived councils in advance of the FFR 2.0, undermines the review's stated objectives of fairness and transparency.

- **Area Cost Adjustment (ACA):** The remoteness uplift now applies only to the Adult Social Care Relative Needs Formula (RNF) and has been removed from other ACAs. Authorities benefiting from the remoteness adjustments in other RNF as set out in the original proposals will face substantial reductions in the final plans.
- **Resources Deduction:** The Government has confirmed that there will be full equalisation of Council Tax income, with an assumption of a 100% collection rate, both of which ESCC strongly opposed as neither realistically reflects the Council's ability to raise revenue locally. However, the projected taxbase growth will be excluded from the deduction, allowing retention of gains from future housing growth.
- **Adult Social Care (ASC) RNF:** An over-85 population metric (or at least a more sophisticated approach that reflects the numbers of the very elderly) remains omitted from the ASC RNF, disadvantaging counties like ESCC with much older than average populations.
- **Labour Cost Adjustment:** The government has retained the use of median wages as a proxy for labour costs, which ESCC has argued against as local average wages (which are lower than average in East Sussex) are unrelated to the costs of retaining social care staff.
- **Home to School Transport.** The distance cap has been increased from 20 to 50 miles, benefiting rural counties like ESCC.
- **Other Relative Need Formulae Updates:** The updated Index of Multiple Deprivation has shifted deprivation weighting toward outer London and counties due to the inclusion of housing costs. Population projections will be based on 2022 data, leaving potential inaccuracies due to the COVID-era Census. The non-resident population weighting has been reduced in Foundation Formula with overnight and/or foreign visitors excluded entirely.
- **Business Rates Reset (2026)** - The system will be updated to reflect current needs and fairness, introducing new baseline funding levels for all councils.
- **Consolidation of Grant Funding** - Over thirty grants will be streamlined into five major grants of £47bn over three years. Four consolidated grants will provide £21.5bn, including allocations for children, crisis resilience, homelessness, and public health. The remaining £25.3bn will roll into the Revenue Support Grant. Consolidated grants will be subject to the new allocation formulae, so there is no guarantee that existing levels of grant funding will be protected.

3.3 We continue to analyse the potential impact of the policy statement and FFR 2.0 for ESCC's Medium Term Financial Plan (MTFP). The majority of Government decisions impact negatively on our likely allocations, although an exact forecast is not possible due to the limited information provided. In particular, the precise quantum of settlement funding remains unknown, meaning detailed allocations will not be known until the provisional settlement due in the week commencing 15 December. Previously, our modelling of the potential impact of the FFR 2.0 indicated a potential loss of funding in the region of £18m over 3 years. There is nothing to suggest that the latest announcements will see a material improvement in this assumption.

Autumn Budget Statement

3.4 On 26 November the Chancellor delivered the Autumn Budget Statement. As noted above, the Budget came in the context of ongoing challenges in the economy and public finances and contained a series of measures aimed at raising additional revenue and promoting economic growth.

3.5 Key announcements in the Budget with implications for ESCC are set out below:

- **SEND Deficits** - Future SEND costs will be managed within the overall government departmental expenditure levels (DELs) once the Statutory Override ends at the end of 2027/28. From this point the government will not expect local authorities to fund future special educational needs costs from general funds. However, they will need to recognise the existing deficits on their balance sheet, reducing levels of usable reserves. ESCC is currently projecting a SEND deficit of £20m by the end of 2025/26. The government will set out further details on its plans to support local authorities with historic and accruing deficits and conditions for accessing such support through the Local Government Finance Settlement.
- **Council Tax** - A new High Value Council Tax Surcharge will be introduced from April 2028, when owners (not occupiers) of properties valued over £2m will have to pay an annual surcharge of £2,500, rising to £7,500 for properties over £5m, uprated by CPI annually. The revenue will not be available to local authorities but retained by central government, with billing authorities compensated for the administration costs of collection.
- **Business Rates** - From April 2026, there will be two new lower multipliers for retail, hospitality, and leisure properties below £500,000. Business rate income losses will be offset via compensatory Section 31 grant funding. High-value multiplier adjustments will be clawed back through grants credited to collection funds. None of the proposals for Business Rates will impact local authority core spending power.
- **Health and Social Care** - Plans for 250 new NHS Neighbourhood Health Centres, with 120 operational by 2030, will be delivered via public-private partnerships. In addition, the government will be putting £300m of new capital investment into NHS technology.
- **Transport** - Investment of £2bn annually for local roads by 2029/30 and a new electric vehicle mileage-based duty implemented from April 2028. The government will also commit £1.3bn additional funding for the Electric Car Grant and £200m for chargepoint infrastructure and capability.
- **Environment and Energy** - Household energy bills are to fall by £150 on average from April 2026 via the removal of green levies; The Warm Home Discount will be expanded.

Medium Term Financial Plan

3.6 Although we now have more information on Government's funding intentions, detailed allocations for ESCC will not be clear until we receive the provisional Local Government Settlement for 2026/27 later in December. Planning for 2026/27 and beyond therefore remains highly challenging and based on modelling both of national plans and local projected costs and income, including the impact of ongoing growth in demand.

3.7 At this point, the MTFP has been updated for local factors. The modelled impact of the FFR 2.0 has not been added to the MTFP. The impact of funding reform remains a best estimate until detailed council allocations are published. Transitional protections limit the estimated £18m loss of grant funding to one third of the total loss over each of the next three years, so the estimated loss in 2026/27 is £6m.

3.8 The MTFP presented in November's report to Cabinet estimated a deficit budget position by 2028/29 of £88.3m. The impact of recent updates is summarised in the table below:

Medium Term Financial Plan	2026/27 £m	2027/28 £m	2028/29* £m
Council 11 February 2025 DEFICIT	25.916	18.731	0.000
Carry Forward of 2025/26 Deficit	11.449	-	-
Annual Budget Deficit after Carry Forward	37.365	18.731	0.000
Annual Budget Deficit after updates, before new proposed savings	54.198	12.712	27.090
Cumulative Budget Deficit after updates, before new proposed savings	54.198	66.910	94.000

*Notional due to LGR

3.9 As shown above ESCC is projected to face a deficit of £54.2m for 2026/27, and £94.0m at the end of the MTFP period, subject to the impact of the provisional financial settlement and final funding allocations yet to come.

3.10 As reported earlier on the agenda, the Council is projecting an overspend for 2025/26 of £12.2m at Quarter 2, which will require a further draw on strategic reserves, albeit at a lower level than projected at Q1. The latest projected reserve balances as at 1 April 2029 are set out in the table below. This position reflects the additional draw to balance 2025/26 based on the Quarter 2 forecast, which remains significant, but is prior to any draw on balances required to set a balanced budget for 2026/27.

Reserves Balances	Balance 01-Apr-25 £m	Estimated 01-Apr-26 £m	Estimated 01-Apr-29 £m
Earmarked Reserves:			
Held on behalf of others or statutorily ringfenced	25.5	21.2	19.9
Named Service Reserves			
Waste Reserve	19.8	14.7	7.4
Capital Programme Reserve	9.1	-	-
Insurance Reserve	7.7	3.7	3.5
Local Government Reorganisation Reserve	-	-	-
Subtotal named service reserves	36.6	18.4	10.9
Strategic Reserves			
Priority Outcomes and Transformation	5.2	4.4	3.7
Financial Management	11.3	6.1	5.0
Subtotal strategic reserves	16.5	10.5	8.7
Total Earmarked Reserves	78.6	50.1	39.5
General Fund Balance	10.0	10.0	10.0
TOTAL RESERVES	88.6	60.1	49.5

3.11 The projected level of strategic reserves of £10.5m as of 1 April 2026 means that the Council will have insufficient scope to use reserves to address the budget deficit or any emergent pressure, without further action over and above current steps.

3.12 We continue to minimise day to day spend in year through a range of robust measures to contain costs, including stringent spending and recruitment controls on top of our existing robust governance and financial management systems as endorsed by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its financial assurance review. Whilst important in maintaining discipline and minimising the need to draw on reserves to cover in year overspends, these measures will have limited impact in the context of the overall deficit and ongoing pressures on services.

4. 2026/27 budget – next steps

4.1 As we work towards being in a position to meet the Council's legal duty to set a balanced budget for the coming year in February, very few options remain. While recognising the limited potential for further savings and the potential impacts on service delivery, Cabinet requested in November that officers bring forward further savings proposals as part of work to address the substantial projected deficit. Recent announcements have not removed the need to pursue further reductions as part of the approach to bridging our funding gap. Departments have undertaken work to assess how any further savings could be delivered, identifying a total potential additional saving of £3.1m for 2026/27. This is in addition to the £18.0m for 2025/26-2027/28 already identified when the current year's budget was set by Council in February.

4.2 The impact of the new proposals is set out in the table below. These proposals relate to all departments, and impact on both frontline and supporting services across the Council. More detail on the approach taken and potential impacts is provided in section 5:

Department	Proposed additional savings (£m)			
	2026/27	2027/28	2028/29	Total
Adult Social Care and Health	1.454	0.183		1.637
Business Services	0.355	0.132		0.487
Children's Services	0.526	0.024	0.008	0.558
Communities, Economy and Transport	0.636	0.125		0.761
Governance Services	0.080			0.080
Total	3.051	0.464	0.008	3.523

4.3 The impact on the MTFP, should these additional savings proposals be delivered in full, is set out in the table below. A detailed MTFP after updates and proposed savings is shown at Appendix 1.

Medium Term Financial Plan	2026/27	2027/28	2028/29*
	£m	£m	£m
Annual Budget Deficit after updates, before New Proposed Savings	54.198	12.712	27.090
Total New Proposed Savings	(3.051)	(0.464)	(0.008)
Annual Budget Deficit after Updates and New Proposed Savings	51.147	12.248	27.082
Cumulative Budget Deficit after Updates and New Proposed Savings	51.147	63.395	90.477

*Notional due to LGR

4.4 As illustrated in the table above, even if the further savings are delivered in full, ESCC will face a deficit of £51.1m for 2026/27, and £90.5m at the end of the MTFP period, subject to the impact of the Local Government Finance Settlement.

4.5 Given the substantial projected deficit, and the limited scope for further savings or use of reserves, there remains no realistic path to setting a balanced budget without additional support from Government. As reported in November, the Council is preparing to request Exceptional Financial Support (EFS) and has begun discussion with Government officials to understand the options which may be available. It is important to reiterate that EFS is not 'free' money to the Council as it would involve either borrowing to fund revenue (day to day service) costs and/or increasing Council Tax by an additional amount above the referendum limit which is already factored into the MTFP.

4.6 The Finance Policy Statement recognised that the FFR 2.0 will present challenges for some local authorities and confirmed that the process for obtaining EFS for 2026/27 will be similar to previous years, with a final decision on EFS applications expected alongside the final Local Government Financial Settlement in February. We await further detail.

5. Savings

5.1 The 2025/26 balanced budget and MTFP agreed by Council in February already includes planned savings of £18.0m across the three years. These savings, combined with those already delivered, mean we have identified over £156m in service reductions and efficiencies since 2010. The scope to find more savings and efficiencies is very small given the lean nature of the organisation after a decade and a half of savings and the high proportion of our budget now directed to delivering or supporting statutory services and duties, many of which are experiencing growth in demand.

5.2 In light of the serious financial position, all departments have undertaken work to identify any scope for further reductions and to understand the impacts. Given the difficult decisions already made, and current pressures on services, any additional savings are expected to have further significant impacts on our residents, partners and staff, as well as affecting the organisation's capacity to respond to new demands and transform services. These are not proposals we would wish to make, but at this point there are no desirable options. The approach taken by each service area is outlined below, with the specific proposals set out at Appendix 2.

5.3 Across all departments any opportunities to maximise income are considered on a regular basis. Income generating assets and planned capital receipts are routinely

incorporated into the core budget and the capital programme. We will continue to maximise returns from surplus assets and minimise the costs of office and other accommodation and to review all other sources of income, including reviewing and uplifting fees and charges in line with usual practice.

Adult Social Care and Health

5.4 For Adult Social Care, our priority is to meet our legal duties to provide care and support under the Care Act. To help us to do this, in the context of RPPR, we have identified five priority areas. These priority areas include the community care budget, which is already under pressure as the demand and costs of care increase due to changes in the population, greater complexity of need and increasing financial hardship amongst residents. Other priorities include ensuring we have sufficient frontline workers such as social workers and occupational therapists, retaining a robust financial assessment function to ensure we are funding those most in need, and ensuring we manage the care market to ensure supply and best value. In addition, we have sought to prioritise infrastructure funding for the voluntary, community and social enterprise (VCSE) sector, recognising the huge contribution this sector makes to preventing, reducing and delaying the need for care and support across the county. We have also aimed to protect support for unpaid carers, who play an invaluable role in meeting care and support needs for so many residents, which would otherwise fall on statutory services.

5.5 This means that the savings proposals set out at Appendix 2 are in the following areas:

- discretionary and non-statutory preventative services;
- achieving greater value and efficiency from our integrated services; and
- support services, back office functions and management.

5.6 Whilst Public Health funding is ringfenced to improve public health outcomes, the deployment of public health budgets is also reviewed as part of the RPPR process, to ensure best use of resources and alignment with Council Plan priorities within the grant conditions. Activity and expenditure are reported to the Office for Health Improvement and Disparities (OHID) as part of the annual financial accounting process and must be certified by the Director of Public Health.

Children's Services

5.7 Children's Services has undertaken a thorough review of all budgets to identify savings that minimise the impact on vulnerable children and families. The process included detailed analysis of statutory responsibilities, service performance, and equality considerations. Savings have been targeted in areas where efficiencies can be achieved without compromising safeguarding or core statutory duties. Services that provide critical support, including child protection, SEND provision, and support for the children we care for, have been protected as much as possible to ensure continuity of care and compliance with legal obligations. We have also protected as far as possible evidence based preventative services that help manage demand for higher cost services.

5.8 Education and Early Help and Social Care services will continue to transform services in response to both the Family First programme and SEND reforms. Early Intervention and Prevention are core expectations of the Families First Programme and the SEND Reforms are expected to mirror those expectations.

Communities, Economy and Transport

5.9 In identifying further savings proposals, the Communities, Economy and Transport department conducted a review of all service areas. We sought to identify opportunities to

enhance efficiency and generate additional income while ensuring that essential services remain intact. However, the proposed savings do include service reductions including reductions to winter gritting routes, a thorough review of staffing levels, and changes to how we engage with local communities about road safety concerns. We have also put forward plans to increase income from developer-related works.

5.10 Throughout this process, we paid attention to those areas that directly impact public safety, accessibility, and our statutory obligations. This includes maintaining core registration services and ensuring minimum standards for highways and waste management. Decisions to safeguard certain functions were informed by the potential impact on vulnerable groups, reputational risks, and the necessity to uphold service quality for our residents and businesses.

5.11 Where changes are proposed, we have considered various mitigation strategies, phased implementation, and consultation with stakeholders to minimise any adverse effects. This approach reflects our commitment to balancing financial sustainability with the continued delivery of vital community services.

Business Services and Governance Services

5.12 Business Services (BSD) and Governance Services (GS) deliver a comprehensive range of support functions critical to the organisation, encompassing Human Resources (HR), Information Technology (IT) and Digital, Cyber Security, Property, Internal Audit, Procurement, Finance, Legal Services, Communications, and corporate governance activities. These central support functions, which ensure the Council complies with a wide range of statutory obligations as well as fulfilling essential business needs, were reduced earlier and more significantly during previous rounds of savings in order to maintain funding for frontline services as far as possible. The savings identified last year will bring the support budgets down to a level whereby further reductions will impact on the support required to deliver services. They will also increase the level of risk and reduce the overall resilience of the organisation.

5.13 In addition, the delivery of savings across all departments, the substantial and complex programme of work required to implement local government reorganisation (LGR) and the need to roll out new technology to replace unsupported systems and achieve longer term efficiencies, requires significant expertise and support from these services. This creates additional demand alongside the usual, and in many cases increasing, service needs of the Council. All support services will be subject to further review as part of LGR and the establishment of a unitary authority.

5.14 Recognising the financial challenges the Council faces, all areas of BSD and GS are under review for potential further savings or efficiencies. However, previous reductions mean these departments already operate with minimal resources and have single points of failure. Additional reductions would affect support for statutory and customer-facing services, increasing risk and decreasing overall organisational resilience. Potential consequences include:

- plant failure in areas such as heating, lighting and lifts;
- IT incidents, including system or WiFi failure;
- cyber security incidents including data loss and significant impact on business continuity;
- challenge to procurement processes;
- inability to provide key information and support to enable the council to continue to function effectively with appropriate levels of governance (e.g. financial information, HR, legal);

- not meeting the communication needs of service departments and risk to the resilience of the Council's online information and services; and
- increase in spend on expensive external resource.

5.15 Given how leanly BSD and GS are run, the extent of previous savings made, and the risks associated with further cuts, the distribution of new savings proposals at Appendix 2 reflects the limited scope for further reductions at this time. The areas proposed for savings result from a focus on:

- income generating opportunities such as rental income and traded services;
- looking hard at the base level of service offer that BSD and GS provide across all their functional areas;
- maximising partnership working and related efficiencies, for example through Orbis and the use of SPACES (Strategic Property Asset Collaboration in East Sussex); and
- opportunities through the successful implementation of Phase 2 of Oracle.

Savings – next steps

5.16 The potential savings in 2026/27 from these new proposals, if agreed, would reduce the projected £54m financial gap, by £3m, reflecting the limited scope for further reductions. Specific identified savings are subject to further consultations and decisions, as well as delivery risks, and even if fully delivered, leave a substantial gap of £51m for 2026/27, subject to any impact from final funding allocations.

5.17 All savings proposals identified will be taken forward through our usual governance, decision making and HR processes. Progressing potential savings will entail consultations, in some cases with the public, and in others with our staff on restructures and potential redundancies. In some instances it has been necessary to begin these processes already in order to be in a position to implement agreed changes ahead of the new financial year and deliver a full year saving to support the budget position. We currently estimate that approximately 150 staff posts (c100 full time equivalent) will be impacted by the additional savings proposals. We will do everything possible to minimise compulsory redundancies, applying our comprehensive redeployment processes and support to retain valued staff within the organisation wherever we can.

5.18 We will continue to do what we can to mitigate the impacts of savings proposals, including working with partners and maximising the efficiency of our services to ensure best use of available resources. This includes increasing our use of digital tools and artificial intelligence (AI) to support productivity in frontline services, helping to absorb some of the increases in demand with our current workforce. In support services, new technology can help offset the reductions in staffing capacity arising from savings to some extent.

5.19 We will also continue to work through the impacts of recent announcements and await further detail and specific allocations through the provisional Local Government Finance Settlement later in December. This will enable us to confirm or amend our assumptions, and clarify the position in relation to specific grants, providing an updated deficit position. In light of this, proposals for setting a balanced budget for 2026/27 can be considered.

6. Engagement, lobbying and communications

6.1 The Government's response to the Fair Funding Review 2.0 consultation did not respond to the concerns we had raised that aspects of the proposals did not accurately reflect the needs in East Sussex and costs of delivering services, or our limited ability to raise income locally. The final proposals indicate that we can still expect a negative overall

impact on our funding when final allocations are published, despite recognition of increased need.

6.2 Ahead of the full financial settlement we have written to local MPs to reiterate our significant concerns about the Council's funding position and the impact on the sustainability of vital services for the county's residents and communities. We continue to seek their further support, and to lobby actively with our local, regional and national partners for:

- funding allocations which properly reflect the needs of East Sussex residents, including the county's older population and communities experiencing high levels of deprivation;
- recognition that there remains a fundamental need for increased overall funding for local government, including to invest in the preventative approaches which are the only way to mitigate increasing need, as well as to achieve the best outcomes for our residents;
- a review of the statutory requirements councils are expected to deliver;
- an urgent need for sustainable and appropriately funded reforms in key areas of increasing demand such as Adult Social Care and SEND; and
- national action on unavoidable costs and market conditions over which we have very limited control locally.

6.3 In tandem with our ongoing lobbying of Government, we will continue to communicate openly and honestly with our residents, partners and staff on our approach to the financial position and the impacts of specific savings proposals, including through RPPR engagement with representatives of our strategic partners, staff, young people and local businesses to inform Members' decisions.

7. Looking ahead

7.1 This report reinforces the substantial challenges we face, including a projected funding gap which means we must seek further savings and service reductions, as well as preparing to request Exceptional Financial Support from Government in order to be in a position to set a balanced budget for the year ahead.

7.2 We will not have certainty on our financial position until we receive detailed funding allocations and can factor these into our planning, alongside other emerging developments which will impact on the environment we will be operating within during the coming year and beyond.

7.3 Our updated analysis will feed into final proposals for the 2026/27 budget and Council Plan to Cabinet in January for consideration, and Council in February for decision.

7.4 Members will continue to be involved in developing plans through Cabinet, County Council, Scrutiny Committees, and specific engagement sessions throughout the 2025/26 RPPR process.

BECKY SHAW
Chief Executive