The Chartered Institute of
Public Finance & Accountancy

East Sussex County Council

External Assurance Review

May 2026

A Report by:

The Chartered Institute of Public Finance and Accountancy

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1 Executive Summary

1.1 Summary of Findings, Issues, Evidence and Analysis

The review is focused primarily on providing assurance on the financial position and governance arrangements of East Sussex County Council (the council), assessing whether the council has appropriate arrangements for financial management in place and whether the request for Government support in the form of Exceptional Financial Support (EFS) in 2026-27 is warranted.

East Sussex County Council is in a highly fragile position in respect of its financial sustainability with an imbalance between its funding and demand challenges. Reserves are at a low level, and the council is reliant upon Exceptional Financial Support to balance the 2026-27 budget. This reliance is set to continue beyond 2026-27 and Local Government Reorganisation (LGR).

EFS of £70 million has been approved in-principle for 2026-27, the first year for which the council has sought EFS. The budgeted use of EFS in 2026-27 is £55.631 million with the remaining £14.369 million being held as a contingency.

There are sound and well-established financial management arrangements and a good understanding of the financial challenges the council faces across the organisation. The council has delivered over £150 million of savings since 2010, demonstrating sustained financial discipline and the willingness to take some tough and politically unattractive decisions. This has meant the council is lean and has low cost services and functions.

The recent election has seen a considerable change in political leadership, with a significant number of new councillors and the loss of very experienced councillors. Given the financial challenges, coupled with the impending Local Government Reorganisation, this represents a risk to future financial sustainability.

East Sussex has inherent demographic and infrastructure challenges with 26.64% of its population aged over 65 compared to the England average of 19%. This is accompanied by high levels of mental health need, benefit dependency and multimorbidity together with higher levels of deprivation than nearest neighbour comparators. Relatively poor infrastructure and links to London, coupled with over 75% of the landscape designated as protected, cause workforce and growth challenges, with the lack of large employers and subsequent business rate growth.

The delivery of both Adult Social Care and Children's Services within budget has proven most difficult in this challenging environment. The 2026-27 budget also reflects a re-basing of the Adult Social Care and Children's Services budgets, with net growth in the Adult Social Care budget of £54.823 million (19.16%) to £340.980 million and net growth in the Children's Services (including schools) budget of £25.992 million (16.2%) to £186.466 million compared to 2025-26. The council also embraces innovation and best practice in delivery of these services.

There is confidence that the council will be able to contain spending within its spending envelope in 2026-27 as a consequence of EFS though this will not obviate the need for EFS in future years, with a council estimated need for EFS in 2027-28 of £74.173 million.

1.2 Key Risks / Findings and Recommendations

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations.

Key risk	**Risk rating (see details in Annex 2)**	**Recommendation (including Timeline)**
On the quality of financial management and processes		
1. Failure to implement effective integrated forecasting tools to improve the quality of forecasting and monitoring of the Children's Services budget.	**Medium 4**	1. Ensure the roll out of Fabric and Power BI together with strengthened data analytics capability achieves the objective of improving the quality and accuracy of forecasting of the Children's Services budget in 2026-27. As soon as possible.
2. Failure to optimise the potential benefits of the investment in Oracle.	**Low 2**	2. Undertake a post-implementation review of benefits realisation for completed phases (and phase 3 when it is completed) against the original business case, identifying any further enhancements to optimise the return on investment. Now until 31 March 2027.
On financial sustainability and risk		
3. The council will not be able to contain spending on Adult Social Care and Children's Services within the 2026-27 budget resulting in greater utilisation of EFS than planned.	**High 9**	3. Ensure focus on budgetary control and on timely high-quality forecasting, particularly in relation to Adult Social Care and Children's Services (see Key Risk / Recommendation 1). As soon as possible.
4. There is a continuing need for EFS in 2027-28 and beyond.	**High 9**	4. Seek to minimise the need for EFS through a continuing focus on levers available to the council including efficiency savings, transformation, income generation and review of service levels. Now and ongoing.

Key risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
5. Failure to deliver the savings target in 2026-27 adds further pressure on the extent to which the council relies on EFS in 2026-27.	**Medium 4**	5. Closely monitor the achievement of savings targets in 2026-27 and identify remedial actions where specific targets are not being achieved. Now and ongoing.
6. Identified savings in future years, 2027-28 and beyond, fail to provide assurance that the council is doing all it can to constrain spending.	**High 6**	6. Review the potential for future savings. Now and ongoing.
7. The council is unable to manage identified budget pressures through its own resources, including reserves, without increased exposure to financial risk, resulting in a continued reliance on EFS post-LGR.	**High 9**	7. In combination with Key Risk/Recommendation 4, review and update medium-term financial projections to identify the potential for managing budget pressures from the council's own resources and minimise the quantum of EFS required. 30 September 2026 and ongoing.
8. Borrowing to fund EFS will become a burden, reducing flexibility in the use of revenue resource, especially if EFS continues into 2027-28 and beyond.	**Medium 4**	8. Monitor and report on interest paid and MRP in relation to borrowing for EFS and as a proportion of the total of interest paid and MRP on external borrowing in quarterly budget monitoring reports so the impact of borrowing to fund EFS is transparent and explicit. This should include projections in the medium-term to understand the trajectory. 31 December 2026 and ongoing.
On service reform, delivery and transformation		
9. More widespread use of benchmarking data is not in use to identify areas of high cost and potential savings opportunities	**Medium 4**	9. Review benchmarking data to inform budget decisions and savings targets 30 September 2026.
On governance, culture and leadership		
10. Loss of focus from members on addressing the financial challenge following the local election given 72% of members are new to the council.	**High 9**	10. Continue to deliver a comprehensive Members induction and on-going briefing programme. Now and ongoing.

Key risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
11. New minority administration causes changes and delays in decision-making process.	High 6	11. Review progress / impact and take necessary steps to maintain pace. Now and ongoing.
12. Failing to maintain the positive working relationships and culture between Members and officers.	Medium 3	12. Implement structured, regular joint briefings and informal forums between senior officers and the new administration to ensure open lines of communication, transparency, and a shared understanding of operational challenges. Now and ongoing.

2. Introduction

2.1 Background

The council formally requested Exceptional Financial Support (EFS) from the Ministry of Housing, Communities and Local Government (MHCLG) for 2026-27 of £70 million, which has been provided in-principle. The budgeted use of EFS in 2026-27 is £55.631 million with the remaining £14.369 million being held as a contingency.

CIPFA previously undertook a Financial Resilience Review of the council in August 2025, in advance of the council's expectation of needing to request EFS for the first time.

2.2 Requirement

As a result of receiving Exceptional Financial Support (EFS), MHCLG will be seeking some deeper assurance around the plans included in the business case for the 2026-27 financial year. In line with that expectation, CIPFA adopted the approach of looking to provide an assessment of the council's financial resilience, financial management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for improvement.

The details of the requirement, the four key themes of the investigation and the approach that was followed are described in Annex 1.

3 Areas Reviewed

3.1 Review Area 1: Quality of financial management and financial processes

An assessment of the local authority's financial management and management of risk.

East Sussex has well established, well understood and sound financial management approaches and processes, supported by a stable finance team led by a Section 151 Officer with significant experience, corporate knowledge and respect across the council. Finance is very much integrated as core to strategic and operational management through the council's Reconciling Policy, Performance and Resources (RPPR) framework.

> ***a) The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.***

Key findings and analysis

East Sussex's governance and financial management framework is well established and structurally aligned with expected local government practice, with clear committee arrangements, defined schemes of delegation and established governance processes.

The council's Reconciling Policy, Performance and Resources (RPPR) framework for decision making provides a robust foundation for financial management in East Sussex. As we stated in the CIPFA Financial Resilience Review, dated August 2025: "*The RPPR framework is a longstanding, well understood approach that brings finance, policy and performance together which reinforces the interdependencies and trade-offs that need to be considered*".

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

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

The Internal Audit Annual Report and Opinion 2024-25, considered by Audit Committee on 4 July 2025 and by Cabinet on 15 July 2025, stated *"… the Chief Internal Auditor can provide substantial assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2024 to 31 March 2025*". An opinion of substantial assurance was also given in 2021-22. In 2022-23 and 2023-24 an opinion of reasonable assurance was given by the Chief Internal Auditor. There is an experienced and established internal audit team that is respected by both members and officers.

The CIPFA Financial Resilience Review, dated August 2025, recommended that *"… the council should reaffirm the focus of members through scrutiny to ensure appropriate challenge of and support for key financial and service decisions*". The council has responded to this recommendation positively, including in the following ways:

- Members have been supported to review their work programme priorities, training needs and approach to utilising pre-meetings to develop a questioning strategy at away-days in September and October 2025.

- At the Committees' RPPR Boards in December 2025 Members scrutinised draft Portfolio Plans and savings proposals as well as the latest information on the financial outlook following the MHCLG Local Government Finance Policy Statement and Fair Funding Review 2.0 (FFR 2.0) outcome and the Autumn Budget Statement.

- Additional guidance was also agreed by the Governance Committee in October 2025 in relation to the scrutiny call-in process.

- The RPPR Boards reviewed a self-assessment against the CIPFA Local Authority efficiency toolkit and agreed specific comments to be highlighted to Cabinet to inform recommendations on the 2026-27 Budget and Council Plan.

In light of the outcome of the council election in May 2026, training will be provided to incoming members covering the RPPR process, including the financial position, Council Plan and performance monitoring, and the role and practice of scrutiny.

The accounting policies applied by the council in preparing and presenting its financial statements confirm that the authority complies with local government accounting codes and international financial reporting standards. The Annual Governance Statement and the risk register set out the financial challenges and action being taken to address them.

In their Auditor's Annual Report for the year ending 31 March 2025, dated November 2025, the external auditor stated: "The council has strong arrangements in place to monitor and assess risk and gain assurance over internal controls, including fraud prevention".

The external auditor updated the Audit Committee on 13 February 2026, with regard to the audit of the Statement of Accounts 2024-25, highlighting that the work was substantially complete and the external auditor expected to issue an unqualified audit opinion.

Overall, based on the evidence considered as part of this review, financial management in East Sussex, including financial management governance processes and the management of risk, remain strong and effective.

Risks and Recommendations

- None identified

b) *The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.*

Key findings and analysis

The Reconciling Policy, Performance and Resources (RPPR) framework is effectively used to drive the budget monitoring and budget setting processes. There is a risk matrix template to identify the frequency of monitoring required for each cost centre. There are regular meetings between the Chief Finance Officer (CFO), who is the S.151 Officer, and Heads of Finance to consider budget setting, in-year monitoring and year-end processes. There is also regular engagement with Directors of Adults and Children's Services to discuss recovery plans, demand management and overspending in high risk areas.

The Finance team is relatively stable and experienced, drawing particular strength from the current CFO. The CFO has significant corporate knowledge, understanding and respect across the council. Feedback on the finance business partner support from Directorates is positive though there is an awareness that more needs to be done to ensure that the pro-active finance business partnering approach is fully embedded.

The CIPFA Financial Resilience Review, dated August 2025, stated that: "*Day to day relationships with service departments appear strong and a confidence was expressed in the finance team's ability to model, analyse and support services and undertake scenario modelling, although there are weaknesses in Children's Services that require spreadsheet analysis due to system limitations in the current Liquid logic system. The team has been bolstered in some areas with a focus on Looked After Children through a new Finance Manager. Despite this, there are risks with significant knowledge held by key individuals*".

In the Financial Resilience Review, dated August 2025, we recommended: "*The council should strengthen its data and analytics capability in Children's Services, moving away from fragmented systems and spreadsheets towards integrated forecasting tools*". In response the council has stated: "*Additional Children's Services' digital priorities for 2026-27 include the roll out of Fabric and Power BI for more effective reporting, and data sharing internally and with partners so as to meet upcoming national and legislative expectations*". The 2026-27 Children's Services Portfolio Plan includes the Data and Dashboards project to implement new ways of using better data (Fabric and Power BI), supporting decision-making, preventative and targeted interventions, and use of resources.

The council undertakes an annual assessment of its position against the CIPFA Financial Management Code which shows a high level of compliance which was supported by the CIPFA Financial Resilience review in August 2025. The assessment against the CIPFA Financial Management Code is reported to the Audit Committee.

As we stated in the Financial Resilience Review, dated August 2025: "*The implementation of Oracle has been led by Finance with support from a dedicated specialist developer and finance 'super users' trained to lead on Oracle 'guided learning' and development. Business partners provide support to Oracle developers*". In September 2021, the Audit Committee established the Audit Committee Oracle Sub Group to provide oversight of the Oracle implementation. The phasing out of SAP and the introduction of Oracle is being managed in three phases:

- Phase 1 EPM (Enterprise Performance Management)
- Phase 2 Finance (with dependant HR processes), Procurement, Recruitment and Helpdesk modules
- Phase 3 Payroll and all remaining HR processes including Employee and Manager self-service

Phase 1 and 2 are live and the go-live date for phase 3 is scheduled for November 2026 according to the Oracle Implementation Update – Phase 3 to the Audit Committee Oracle Sub Group on 20 March 2026.

The council needs to ensure that it maximises the benefits and efficiencies of the new Oracle finance system.

In conclusion, based on the evidence provided to us during this review, the council has sufficient and appropriate capacity and capability commensurate with the complexity of its current circumstances.

Risks and Recommendations

Key risk	Risk rating	Recommendation
1. Failure to implement effective integrated forecasting tools to improve the quality of forecasting and monitoring of the Children's Services budget.	**Medium 4**	1. Ensure the roll out of Fabric and Power BI together with strengthened data analytics capability achieves the objective of improving the quality and accuracy of forecasting of the Children's Services budget in 2026-27.
2. Failure to optimise the potential benefits of the investment in Oracle.	**Low 2**	2. Undertake a post-implementation review of benefits realisation for completed phases (and phase 3 when it is completed) against the original business case, identifying any further enhancements to optimise the return on investment.

c) The local authority's approach to financial risk management including identification, management and treatment of risk.

Key findings and analysis

The Financial Resilience Review, dated August 2025, stated: "*The council has a comprehensive and structured approach to risk management, embedded across its governance and operational frameworks.*" The council uses a formal Risk Management

Framework that outlines its policy and strategy for identifying, assessing, and managing risks. It also stated that the framework supports the council's four priority outcomes:

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

In their Auditor's Annual Report for the year ending 31 March 2025, dated November 2025, the external auditor stated: "*It (the council) maintains a comprehensive Risk Management Framework, this was updated in October 2024 and therefore is suitably up to date. It clearly defines policy, strategy, roles, and processes with regards to risk. The Strategic Risk Register is maintained and reviewed quarterly by the Corporate Management Team (CMT), and reported publicly to Cabinet and Audit Committee, achieving transparency and accountability. The register effectively links risks to strategic objectives and proposes further actions where residual risks remain high*".

Risk management is integrated into the council's Annual Governance Statement, which aligns with the CIPFA/SOLACE framework for good governance. The Local Code of Corporate Governance ensures that risk management is part of decision-making, resource allocation, and performance monitoring and the RPPR process ensures strategic alignment of risk with planning and budgeting.

The Financial Resilience review, dated August 2025, recommended: "The council should continually re-assess its risk appetite and triggers for decision making on divestment, business cases and further savings plans".

In response the council has stated that: "*Risk appetite continues to be actively reaffirmed through ongoing updates to service and corporate risk registers as part of the council's established risk management arrangements. These updates ensure that risks are being assessed and managed in line with the agreed risk appetite, with clear escalation routes where risks approach or exceed tolerance levels*".

To reinforce this approach, targeted risk management training was delivered by Zurich Municipal on 12 March 2026 to risk holders across the organisation. The session covered key aspects of effective risk management, including the articulation and practical application of risk appetite, risk scoring and the role of risk registers in supporting informed decision-making.

Based on the evidence provided as part of this review, in our view the council has a strong and effective approach to risk management.

Risks and Recommendations

- None identified

3.2 Review Area 2: Financial Sustainability and Risk

An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (with a view on the sustainability, Value for Money and risk exposure of the local authority in this space). The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

East Sussex County Council is in a highly fragile position in respect of its financial sustainability with an imbalance between its funding and demand challenges. Reserves are at a low level, and the council was reliant upon Exceptional Financial Support to balance the 2026-27 budget. This reliance is projected by the council to continue beyond 2026-27 and into the post-LGR period.

a) The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

Key findings and analysis

In the Financial Resilience Review, dated August 2025, we stated: "*The drivers of financial fragility in the council relate primarily to adults and children's services and whilst not untypical of other county councils, are more acute and accelerating. 75% of the council's budget is spent on supporting social care and provision covers around 10% of the population which creates a real strain on other services*".

In their Auditor's Annual Report for the year ending 31 March 2025, dated November 2025, the external auditor stated: "*We continue to observe a weakness in arrangements to secure financial sustainability at the council. Service budgets overspent against their 2024-25 budget by £21.9m, mainly due to ongoing pressures in Children's Services and Adult Social Care*".

In their Auditor's Annual Report, the external auditor made a related Key Recommendation (KR1) stating: "*The council should continue to seek to be financially sustainable in the medium to longer term by continuing to raise the challenges faced in all appropriate forums, including with MHCLG. Savings plans should continue to be developed, to identify savings, via efficiency, and/or changes in services, to ensure the cost profile of the council is as a lean as it can be, whilst providing the statutory services required. Conversations should continue on suitable funding for demand led services alongside national local government reform, as being discussed at a national level*".

The Council Monitoring Report – end of year 2024-25 to Cabinet on 24 June 2025 identified that in 2024-25:

- Children's Services overspent by £13.6 million (down from the £15.4 million forecast at Q3) with the main areas of overspend being Early Help and Social Care and Home to School Transport:

- The Early Help and Social Care overspend of £12.4 million (down from the £13.1 million forecast at Q3) was stated to be mainly due to staffing costs within Localities, pressures around agency placements and Children's Homes within Looked After Children, although there was a reduction in net costs at Lansdowne Secure Unit due to increased income from recharging other local authorities for placements.

- The Home to School Transport overspend of £3.8 million (down from the £4.2 million forecast at Q3) was stated to be due to growth in numbers of pupils and unit costs for transport that have far outstripped what was estimated during the budget setting process.

- The overspend for Adult Social Care in 2024-25 was £10.0 million (up from the £9.9 million forecast at Q3) which it was stated largely relates to the Independent Sector (where the overspend was £12.4 million) and that this was due to a combination of factors, primarily being increasing complexity of need and pressures arising from demand and demographic growth returning to pre-pandemic levels. There was an underspend in Directly Provided Services of £2.4 million due to staffing vacancies which reflects the impact of savings consultations and underlying difficulties in recruitment.

The Provisional Q4 Outturn for 2025-26 identifies an overspend in 2025-26 on services of £20.242 million, with an overspend on Adult Social Care of £9.975 million and an overspend of £10.120 million on Children's Services. There was also an overspend of £0.691 million in Communities, Economy & Transport.

We presume the Council Monitoring Report – end of year 2025-26 (likely to be in June 2026) will set out in more detail the components and key drivers of these overspends, noting this will be to a new Cabinet led by a different administration as a consequence of the May 2026 local government elections. However, it is assumed the overspends in Adult Social Care and Children's Services in 2025-26 are largely driven by the same cost drivers as in 2024-25 and that these are the underlying drivers of financial fragility and risk.

The Reconciling Policy, Performance and Resources (RPPR): Draft Council Plan 2026-27, Revenue Budget and Capital Programme report to Cabinet on 27 January 2026 states: "*The provisional Local Government Finance Settlement for 2026-27 marks the first multi-year settlement for many years. While the move towards longer-term certainty is welcome, the level of funding provided remains insufficient to meet the needs of East Sussex residents. The settlement does not address the structural gap created by rising demand for statutory services, particularly in social care. Without a significant increase in the overall quantum of funding or fundamental reforms to statutory services at a national level, the council's financial position will remain extremely challenging*".

It also states: "*In the absence of further funding or major statutory reforms, it is anticipated that further EFS will be required in 2027-28 to enable the council to set a balanced budget*" and that "*Local government reorganisation, expected to take effect from 2028-29, is not anticipated to resolve the underlying financial issues facing the council. While structural changes may deliver efficiencies over the longer term, they will not address the immediate funding gap or the growing demand for services. As such, even with reorganisation, significant financial challenges are expected to continue beyond the current MTFP period*".

In our Financial Resilience Review, dated August 2025, we stated "Despite proactive management and interventions, rising demand, inflationary care costs, and increased acuity of need continue to place unsustainable pressure on revenue budgets. The council has been forced to make difficult prioritisation decisions and is actively seeking savings options to deliver medium-term financial stability".

Since then, in the face of a significant overspend in 2025-26, the council has had to seek EFS in order to set a balanced budget in 2026-27. The EFS agreed in principle for 2026-27 is £70 million, though the budgeted use of EFS in 2026-27 is £55.631 million with the remaining £14.369 million being held as a contingency.

There is a view, as is expressed in the Reconciling Policy, Performance and Resources (RPPR): Draft Council Plan 2026-27, Revenue Budget and Capital Programme report to Cabinet on 27 January 2026, that the council will be unable to successfully manage or significantly control the drivers of financial fragility in Adult Social Care and Children's Services. This is a sentiment shared by interviewees during the course of our work. So that issues do not materialise, there is the sense that there will be a continuing need for EFS into the medium-term and beyond the implementation of LGR in April 2028.

In our view, avoiding EFS in future is an extremely challenging proposition given the cost drivers of financial fragility in East Sussex. However, it is important the council is able to demonstrate to all stakeholders that it is taking appropriate actions to minimise the reliance on EFS over time.

Risks and Recommendations

Key risk	Risk rating	Recommendation
3. The council will not be able to contain spending on Adult Social Care and Children's Services within the 2026-27 budget resulting in greater utilisation of EFS than planned.	**High 9**	3. Ensure focus on budgetary control and on timely high-quality forecasting, particularly in relation to Adult Social Care and Children's Services (see Key Risk / Recommendation 1).
4. There is a continuing need for EFS in 2027-28 and beyond.	**High 9**	4. Seek to minimise the need for EFS through a continuing focus on levers available to the council including efficiency savings, transformation, income generation and review of service levels.

b) An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back

Key findings and analysis

In the Financial Resilience Review, dated August 2025, we stated "The council has delivered over £140 million of savings since 2010, demonstrating sustained financial discipline and the willingness to take some tough and politically unattractive decisions". We also stated: "This has meant the council is lean and has low cost services and functions".

In their Auditor's Annual Report for the year ending 31 March 2025, dated November 2025, the external auditor stated: "Although the council's delivery of its savings target has improved since prior year (from 37% to 59%), its savings target for 2025-26 is ambitious at £16.190 million – including £13.5 million of newly identified savings required to balance the budget. This is significantly higher than actual savings achieved in prior years (£1.063 million in 2024-25) and so adds to existing financial pressures and the weakness identified. In setting its 2025-26 budget and MTFP, the council has also undertaken a review of discretionary services, back office functions and income generation opportunities to achieve a balanced position. All services were requested to identify savings, Adult Services were able to identify the majority of these, seeking to address a particular area of challenge". We understand the council delivered a significant proportion of these savings but this is yet to be formally reported.

The Reconciling Policy, Performance and Resources (RPPR): Draft Council Plan 2026-27, Revenue Budget and Capital Programme report to Cabinet on 27 January 2026, states: "We have done everything possible over the past decade and a half to live within our means, including making tough decisions to deliver over £156 million in savings and service reductions since 2010. On top of this we have implemented strict spending controls, with senior management approval required for recruitment and all significant purchasing, and worked hard to transform services".

It further stated: "After many years of service reductions, transformation and efficiencies, and with ongoing growth in demand for support, there is very limited opportunity to make further savings whilst still meeting our statutory duties and basic operating requirements. There will also be considerable demands on the organisation over the coming year to deliver major national reforms".

For 2026-27, new savings of £3.051 million have been identified which, together with previously identified savings of £3.279 million, results in a reduced savings target in 2026-27 (compared to 2025-26) totalling £6.330 million. The savings targets identified for 2027-28 (£1.683 million) and 2028-29 (£0.008 million) represent further reductions in the quantum of savings that the council is currently targeting (noting the council will cease to exist from April 2028).

The council has historically demonstrated the ability to deliver savings over a long period of time, though it has under-delivered in some years (as is referred to by the external auditor above). The savings targets for 2026-27 appear modest but the position of the council is that the scope for significant savings is now limited without reductions in services below a minimum level of service that is acceptable to the council.

The savings that have been achieved and the controls in place over spending and recruitment, together with consideration across all departments of opportunities to maximise income on a regular basis, demonstrate the council's commitment to controlling costs and endeavouring to remain within its spending envelope.

With the additional facility of EFS in 2026-27, the first year of EFS in East Sussex, there is confidence that the council will be able to contain spending within its spending envelope though this will not obviate the need for EFS in future years.

The added and as yet unknown factor is what approach the new administration might take and what decisions might be made to further control or reduce expenditure in 2026-27.

Risks and Recommendations

Key risk	Risk rating	Recommendation
5. Failure to deliver the savings target in 2026-27 adds further pressure on the extent to which the council relies on EFS in 2026-27.	**Medium 4**	5. Closely monitor the achievement of savings targets in 2026-27 and identify remedial actions where specific targets are not being achieved.
6. Identified savings in future years, 2027-28 and beyond, fail to provide assurance that the council is doing all it can to constrain spending.	**High 6**	6. Review the potential for future savings.

c) An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

Key findings and analysis

The £21.9 million overspend in 2024-25 was met from the Financial Management Reserve, £14.3 million of this was planned within the 2024-25 budget, with unplanned usage of £7.6 million. Based on the Provisional Q4 Outturn for 2025-26, a total of £21.111 million of reserves will be required to bridge the gap between spending and funding, £11.449 million of which was planned (budgeted) and £9.662 million unplanned.

The table below, from the Reconciling Policy, Performance and Resources (RPPR): Draft Council Plan 2026-27, Revenue Budget and Capital Programme report to Cabinet on 27 January 2026, sets out estimated reserve levels at 1 April 2026 (prior to finalisation of the use of reserves to balance 2025-26) and 1 April 2030.

Reserves Balance (£m)	Balance at 1 Apr 2025 £m	Estimated balance at 1 Apr 2026 £m	Estimated balance at 1 Apr 2030 £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
Subtotal named service reserves	**36.6**	**18.4**	**10.9**
Strategic Reserves			
Priority Outcomes and Transformation	5.2	4.4	1.9
Financial Management	11.3	6.1	3.3
Subtotal strategic reserves	**16.5**	**10.5**	**5.2**
Total Earmarked Reserves	**78.6**	**50.1**	**36.0**
General Fund Balance	*10.0*	*10.0*	*10.0*
TOTAL RESERVES	**88.6**	**60.1**	**46.0**

This demonstrates a continuing significant reduction in reserves in the medium-term, mostly through reductions in service and strategic ear-marked reserves but do not assume any further reserves will be used for budget stabilisation.

The Reconciling Policy, Performance and Resources (RPPR): Draft Council Plan 2026-27, Revenue Budget and Capital Programme report to Cabinet on 27 January 2026, states: "In recent years, the use of reserves to cover budget deficits and overspends, means the council has had to abandon its usual approach of maintaining reserves to help future proof Council services from unforeseen risks. The forecast balance of £10.5 million remaining in strategic reserves at 1 April 2026 is the only flexibility the council will have left to mitigate in year pressures or volatile expenditure".

There is also a General Fund (unallocated reserve) balance of £10.0 million plus a general contingency within the base revenue budget equal to £6.7 million for 2026-27, to cushion the impact of unexpected events and emergencies in-year.

The Reconciling Policy, Performance and Resources (RPPR): Draft Council Plan 2026-27, Revenue Budget and Capital Programme report to Cabinet on 27 January 2026, also stated in relation to the 2026-27 budget: "Given the current financial position and the significant depletion of service and strategic reserves, the CFO considers the remaining reserves to be at the absolute minimum level required to safeguard the council against unforeseen risks and volatility. Any further draw on reserves to support the planned revenue budget would compromise the adequacy of reserves and leave the council exposed to an unacceptable level of financial risk".

As we stated in our Financial Resilience Review, dated August 2025: "*The council has been using its reserves to manage its financial position in the short-term. The use of reserves should only be used for a limited time to manage the financial position and as part of a wider plan to deliver a sustainable balanced financial position. The CIPFA Financial Management code makes the point that reserves should be used to mitigate the impact of financial shocks and to manage implementation of sustainable change savings. They should not be used to plug recurring deficits*".

Prior to applying for EFS, the council was making an unsustainable use of reserves to "plug recurring deficits". It is clear that the council's reserves position is now more fragile and that this practice can no longer continue.

The Medium Term Financial Plan (MTFP), reported to full Council on 10 February 2026, identifies a budget gap in 2027-28 of £18.543 million (cumulative £74.173 million), increasing to £36.893 million in 2028-29 (cumulative £111.066 million), the year in which the new LGR structure will be in place. The opportunities for the council to manage identified budget pressures through its own resources is limited and restricted, without recourse to reserves, to efficiency savings, transformation, income generation and the review of service levels (see Key Risk/Recommendation 4).

Risks and Recommendations

Key risk	Risk rating	Recommendation
7. The council is unable to manage identified budget pressures through its own resources, including reserves, without increased exposure to financial risk, resulting in a continued reliance on EFS post-LGR.	**High 9**	7. In combination with Key Risk/Recommendation 4, review and update medium-term financial projections to identify the potential for managing budget pressures from the council's own resources and minimise the quantum of EFS required.

d) An assessment of how the council expects to finance capitalisation (i.e. through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach.

Key findings and analysis

£70 million EFS for 2026-27 has been approved in-principle, with £55.631 million included in the 2026-27 budget and the remaining £14.369 million being held as a contingency.

The whole of the EFS utilised will be funded through external borrowing. Capital receipts will continue to be used to reduce borrowing on the council's 10-year Capital Programme, which the council describes as a basic need driven programme. A statement which is supported by our review of the capital programme.

Since this is the first year of EFS in East Sussex, there is no historical data on the revenue impact of borrowing for EFS. The table below, from the council's submission for EFS, sets out the estimated costs related to borrowing to fund EFS of £70 million.

	Forecast MRP costs (£ million)	**Forecast interest costs of borrowing** (£ million)
2026-27	0	1.833
2027-28	2.881	3.666
2028-29	2.939	3.666

The first year of charging MRP will be 2027-28, hence the nil cost in 2026-27. Estimated interest of £1.833 million in 2026-27 is sustainable. Based on these forecasts, the estimated cost of borrowing (MRP plus interest) in 2027-28 is substantial but sustainable. Utilisation below the £70 million agreed in-principle, as is planned, will further reduce these costs.

However, should the council continue to need to resort to EFS to balance its budget in 2027-28 and beyond then borrowing to fund EFS will become an increasing burden on the general fund and become less and less sustainable, especially if the scale of future EFS requests is similar to the EFS approved in-principle (or utilised) for 2026-27.

Risks and Recommendations

Key risk	Risk rating	Recommendation
8. Borrowing to fund EFS will become a burden, reducing flexibility in the use of revenue resource, especially if EFS continues into 2027-28 and beyond.	**Medium 4**	8. Monitor and report on interest paid and MRP in relation to borrowing for EFS and as a proportion of the total of interest paid and MRP on external borrowing in Quarterly budget monitoring reports so the impact of borrowing to fund EFS is transparent and explicit. This should include projections in the medium-term to understand the trajectory.

e) An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

Key findings and analysis

In our Financial Resilience Review, dated August 2025, we stated "*Significant asset rationalisation has already been achieved with a 40% reduction in the corporate estate footprint. Savings of £1 million have been made from estate changes*". We also stated "*The ability to generate significant capital receipts, however, is limited due to the lack of surplus assets.*"

Existing planned disposals are factored into the programme but are in the low millions. In the absence of significant disposal opportunities, it is even more important that the council focuses on potential underutilised land and assets. Members are appropriately engaged through briefings and working groups. Smaller asset disposals are delegated to the Chief Operating Officer under delegated authority from the lead member.

The major asset is County Hall which is significant but carries relatively little value and opportunity. At the time of writing our Financial Resilience Review, dated August 2025, County Hall had two wings of five that were empty. This remains the case. Decisions on the best use of County Hall have been protracted and have required significant engagement due to complex stakeholder involvement including residents and the national park.

The Reconciling Policy, Performance and Resources (RPPR): Draft Council Plan 2026-27, Revenue Budget and Capital Programme report to Cabinet on 27 January 2026, states: "*Given ESCC's limited asset base, it is anticipated that the whole capitalisation will need to be financed by borrowing, with any future capital receipts continuing to be used to reduce the borrowing requirement in the council's 10-year capital programme, in line with the council's capital and treasury management strategies*".

There seems little opportunity to generate significant capital receipts from asset disposal in order to fund capitalisation under EFS and capital receipts that are generated are used to reduce borrowing on the capital programme (which means there is a zero-sum effect on choosing to use capital receipts to fund EFS or to use them to reduce borrowing on the capital programme).

The future of County Hall is a key decision though this is now likely to be interwoven with decisions related to LGR.

Risks and Recommendations

- None identified

f) A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regards to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

Key findings and analysis

The council has a limited commercial investment portfolio with very limited income or debt exposure. The value of Investment Property (properties that are used solely to earn rentals and/or for capital appreciation) as at 31 March 2025, per the 2024-25 Statement of Accounts, was £11.245 million, generating an annual net income of £0.466 million in 2024-25.

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

The council is compliant with the CIPFA prudential code in terms of the reporting requirements and prudential indicators including liability benchmarking and borrowing limits and boundaries. The council is also compliant with the CIPFA Treasury Management Code. The MRP Policy Statement for 2026-27 was approved by full Council on 10 February 2026 and is compliant with statutory guidance. MUFG Pension & Market Services (a member of Mitsubishi UFJ Financial Group, Inc) are the council’s treasury management advisors.

Risks and Recommendations

- None identified

3.3 Review Area 3: Service Reform, Delivery and Transformation

An examination of high cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice.

East Sussex has inherent demographic and infrastructure challenges. 26.64% of its population is aged over 65 compared to the England average of approximately 19%. This is accompanied by high levels of mental health need, benefit dependency and multimorbidity together with higher levels of deprivation than nearest neighbour comparators. Relatively poor infrastructure and links to London coupled with over 75% of the landscape designated as a protected cause workforce and growth challenges, with the lack of large employers and subsequent business rate growth.

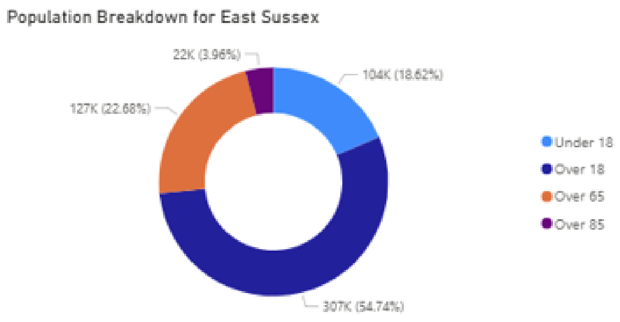
The delivery of both Adult Social Care and Children's Services within budget has proven most difficult in this challenging environment. However, the council is innovative and focused in its delivery of these services, reflecting current best practice in respective 2026-27 Portfolio Plans.

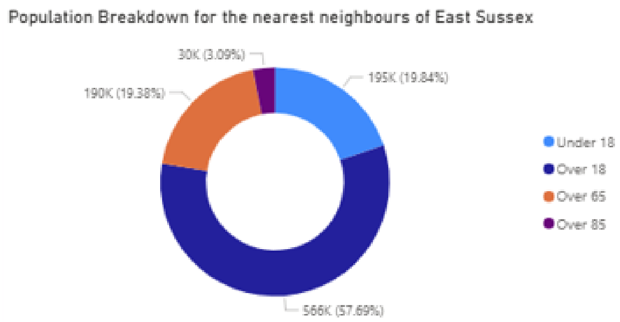
a) The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

Key findings and analysis

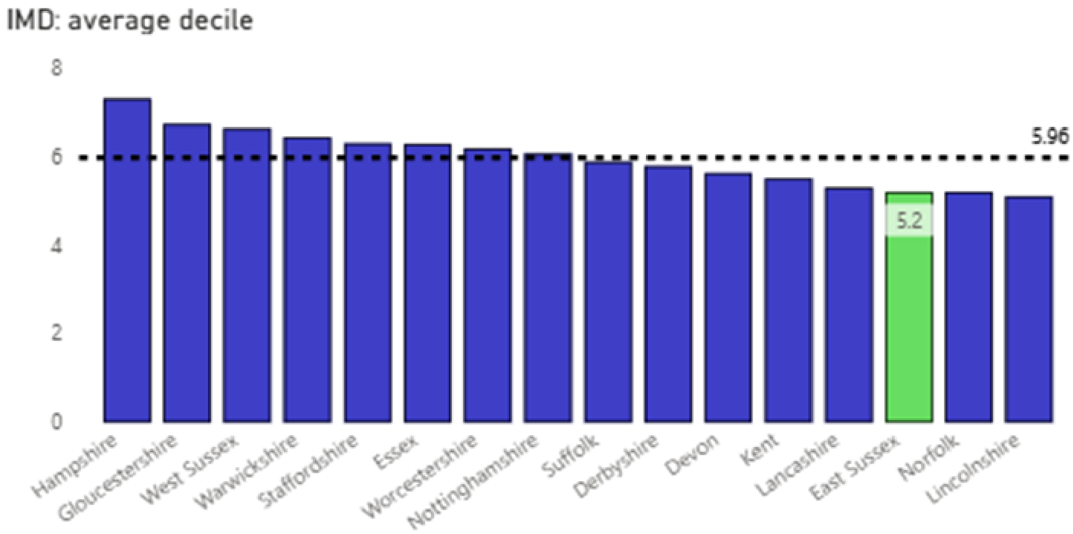
East Sussex has the lowest population (561,000 in 2024) in comparison to its nearest neighbours, its statistically most similar authorities identified using CIPFA's Nearest Neighbours model based on socio-economic, geographic and demographic characteristics. East Sussex has a slightly lower Index of Multiple Deprivation (IMD) score than both its nearest neighbours and England, indicating relatively higher levels of deprivation overall, but not at the extreme end.

However, as is shown below, East Sussex has a higher proportion of its population aged over 65 than its nearest neighbours (22.68% vs. 19.38%) and a higher proportion aged 85 and over (3.96% vs. 3.09%); meaning 26.64% of the population is over 65 compared to 22.47% for nearest neighbours.





East Sussex has a lower Index of Multiple Deprivation (IMD) score than both its nearest neighbours and England, indicating relatively higher levels of deprivation overall.

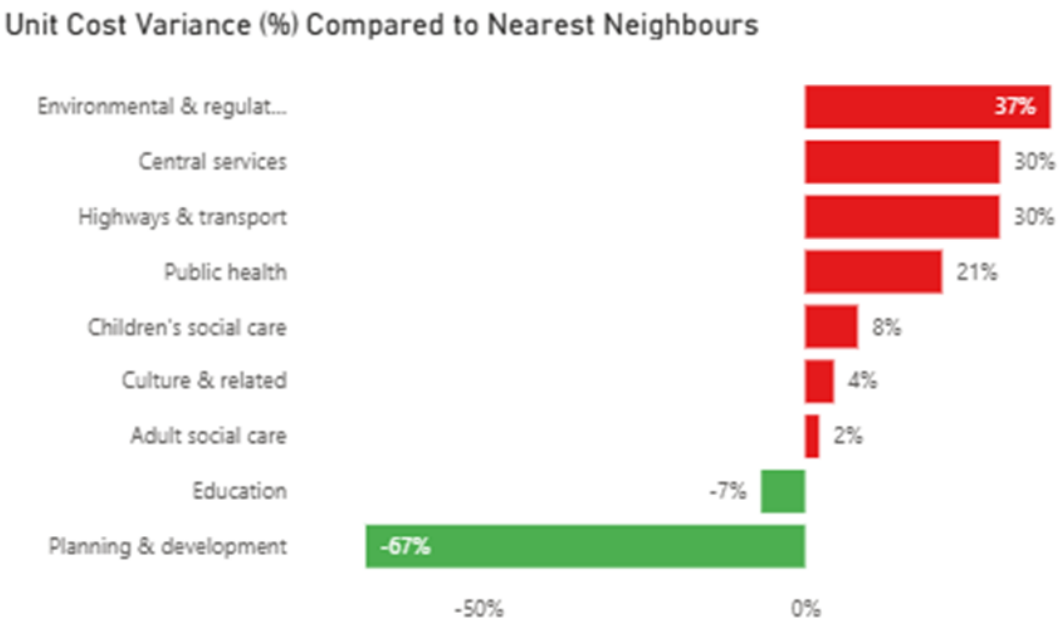


The IMD also identifies that East Sussex is more deprived across a number of key indicators including:

- Barriers to housing and services
- Employment
- Education, skills and training
- Health deprivation and disability
- Income

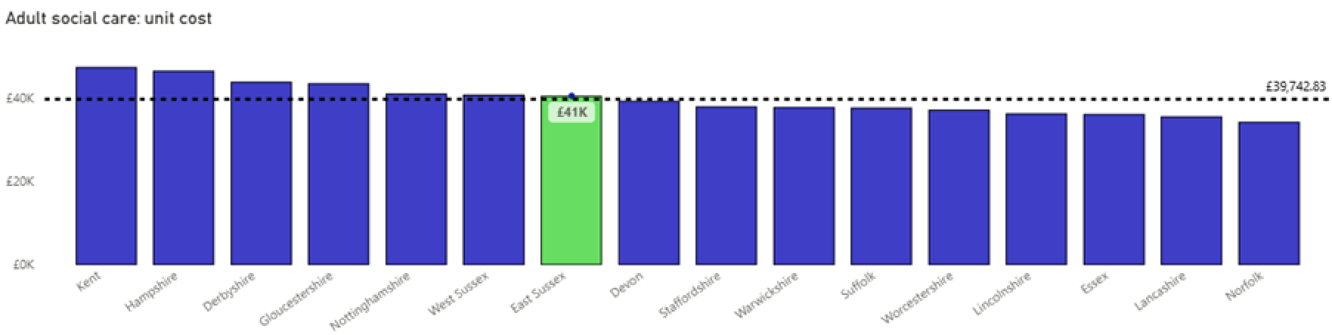
However, living environment is slightly stronger relative to nearest neighbours and crime is very similar to nearest neighbours and England. Overall, the authority sits in the lower quartile of its comparator group, indicating a relatively unfavourable socio-economic position.

The diagram below illustrates unit cost variances between East Sussex and its nearest neighbours.

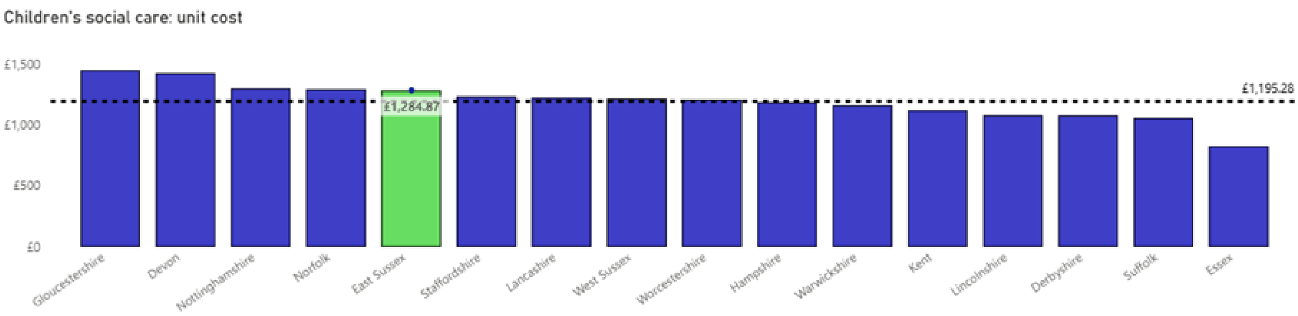


This analysis is based on 2024-25 Revenue Outturn returns (excluding COVID-19 lines), which are the most up to date values available. Thus it does not reflect movements that may have occurred in 2025-26.

Unit costs in relation to Adult Social Care are only slightly above the average for nearest neighbours as is illustrated below.



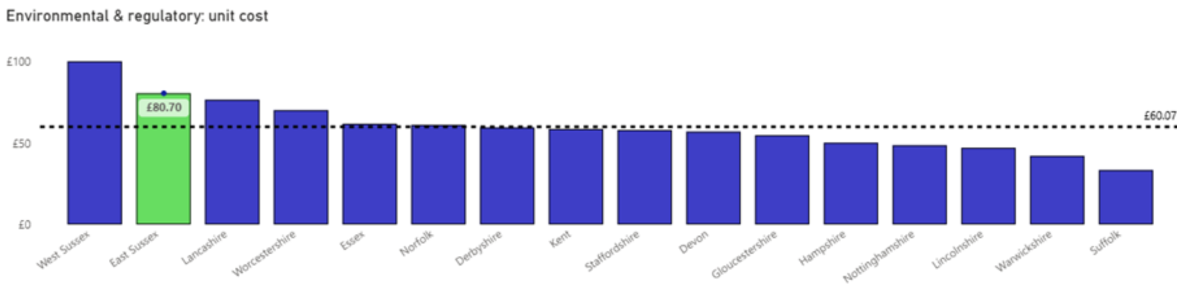
In respect of Children's Services, unit costs in East Sussex are above average but not significantly out of line with many nearest neighbours.



In our review of the council's EFS submission in January 2026 we stated: "In 2024-25 East Sussex Council spent slightly more per hour (£27) on external homecare than nearest neighbour (£26) councils and more on the weekly unit costs of adult residential care (9% higher) and nursing care (27% higher) for working age adults than their nearest neighbours. Unit costs for older adults were lower than nearest neighbours. In 2023-24 the unit costs for looked after children, residential care (37% higher) and children's social work were higher than nearest neighbour averages. Unit costs for fostering were lower than nearest neighbour averages”.

Thus, whilst Adult Social Care and Children’s services are financially challenging and there are variations of lower and higher costs within the overall unit costs illustrated above, overall unit costs for these services are not significantly different than nearest neighbours.

In contrast, based on this data, unit costs in relation to environmental and regulatory services, highways and transport and central services unit costs in East Sussex are significantly higher than the nearest neighbour average. Unit cost data in relation to environmental and regulatory services is illustrated below.



In our Financial Resilience Review, dated August 2025, we stated, in relation to Children’s Services: “The council is benchmarking against other councils with a recent visit to Essex who have similar challenges with demography and coastal deprivation and rates of Looked After Children.

This demonstrates the council recognises the important of benchmarking data. More use of such data should focus on areas of higher average spend than nearest neighbours in order to identify potential savings that can reduce the reliance on EFS.

Risks and Recommendations

Key risk	Risk rating	Recommendation
9. More widespread use of benchmarking data is not in use to identify areas of high cost and potential savings opportunities.	**Medium 4**	9. Review use of benchmarking data to inform budget decisions and savings targets.

b) Assessment of the extent to which the council’s service delivery model in areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.

Key findings and analysis

Historically, Adult Social Care and Children's Services have been the areas of high demand and financial pressure, resulting in budget overspends.

In our Financial Resilience Review, dated August 2025, we stated: "The council demonstrates an unusually wide and deep commitment to innovation in Adult Social Care. It has moved from exploration to implementation in many areas and has embedded best practice models in ways that suit its local demography, geography and pressures. While some areas like predictive analytics are still in development, the system is building resilience through proactive leadership, Voluntary Community and Social Enterprise (VCSE) partnerships, technology, and prevention-based commissioning".

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

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

We also commented that: "East Sussex's governance structures and transformation board reflect best practice in implementing these principles".

The Adult Social Care and Health Portfolio Plan 2026-27 to 2028-29, dated March 2026, sets out the council's comprehensive plans in relation to adult social care. Children's Services 2026 - Innovation & Change sets out the Family First Programme (FFP), East Sussex's whole-system reform of Early Help, Family Help and Child Protection to ensure children remain safe within their families and communities wherever possible. This includes:

- Strengthening Level 2 earlier intervention
- Integrating Early Help and Social Care into a single Family Help offer and integrated Family Help teams
- Establishing a Multi-Agency Child Protection Team (MACPT) to ensure child protection is decisive, expert-informed, and collaborative, ensuring improved outcomes for children
- Embedding a Family Network and kinship-first approach from first contact through to permanence

It also sets out service innovation in Children's Services together with digital innovations included in the 2026-27 Children's Services Portfolio Plan set out blow.

Exploring the benefits of new technologies and artificial intelligence to enhance service delivery and capacity.	Automation of admin (transcription) to increase practitioner capacity - Copilot	Adoption of AI tools in frontline practice – Beam Notes
Developing more accessible methods for people to use our services and update their information, and improving our information, advice and guidance offer.	Shift to self-service, digital-first access	Focus on accessibility and user experience and demand management through digital channels
Transitioning teams onto a single system and developing secure portals for schools, settings and parents.	Investment in modern, integrated digital platforms	Secure data sharing with partners and users: Family View
Data and Dashboards project to implement new ways of using better data (Fabric and Power Bi) Supporting decision-making, preventative and targeted interventions, and use of resources	Use of data to drive early intervention and prevention	Embedding data into operational decision-making

Overall, East Sussex reflects current best practice. The 2026-27 budget also reflects a re-basing of the Adult Social Care and Children's Services budgets, with net growth in the Adult Social Care budget of £54.823 million (19.16%) to £340.980 million and net growth in the Children's Services (including schools) budget of £25.992 million (16.2%) to £186.466 million compared to 2025-26.

Risks and Recommendations

- None identified

c) Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

Key findings and analysis

As we have set out in sub-section b) above, the council is pursuing a wide range of initiatives to transform delivery in Adult Social Care and in Children's Services as reflected in relevant service strategies and plans.

Risks and Recommendations

- None identified

d) A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

Key findings and analysis

The council's priorities as set out in the Council Plan are illustrated below.

The Reconciling Policy, Performance and Resources (RPPR) framework links these priorities to outcomes and available resources. It is core to how the council operates.

Service plans such as the Adult Social Care and Health Portfolio Plan 2026-27 to 2028-29 and Children's Services 2026 - Innovation & Change demonstrate the link to these priorities in how services are delivered, with financial sustainability a key thread through the priority outcome of 'making best use of resources now and for the future'.

The external auditors reported in the Auditor's Annual Report for the year ending 31 March 2025 (dated November 2025) that: "The council continues to effectively monitor non-financial performance alongside financial performance, in a fully integrated manner."

In our opinion, based on the evidence provided to us, there is strong alignment between the council's strategic priorities and service planning, with financial sustainability being core to practices and cultures across the council.

Risks and Recommendations

- None identified

e) A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Key findings and analysis

In the Auditor's Annual Report for the year ending 31 March 2025, dated November 2025, the external auditor stated: "The council works with a wide range of partners across public, private, and voluntary, community and social enterprise sectors. Key public sector partners include NHS organisations, Police, Fire Service, and local district and borough councils. A central partnership register is maintained as part of the corporate Reconciling Policy, Performance and Resources business planning process, while individual departments maintain their own registers for engagement purposes”.

In our Financial Resilience Review, dated August 2025, we recommended: “The council should address procurement and contract management capacity through a review of the Orbis arrangements, ensuring value for money and stronger in-house oversight”.

The Orbis shared services partnership was established in 2015, originally covering Surrey County Council (SCC) and East Sussex County Council (ESCC), with Brighton & Hove City Council (BHCC) joining later in 2016. Originally incorporating several services, in 2021 the partnership was reduced to the current service offering of Internal Audit, IT & Digital, Procurement, Insurance and Treasury Management.

It was reported to CMT on 17 December 2025 that: “The independent reviews of the Orbis IT & Digital, Procurement and Internal Audit functions have concluded that given the significant changes to the operating context, the current models no longer meet the current and emerging requirements of the council (including known and potential future changes due to LGR)”. The reviews recommended:

- A sovereign operating model for the IT & Digital function
- A sovereign operating model for the Procurement function, reporting into the s151 officer
- A shared service model with Bright and Hove for the Internal Audit function
- Maintaining existing arrangements for the Treasury Management and Insurance centres of expertise but with a separate sharing agreement if necessary.
- Working with the District and Borough Councils and front-line services to shape what the future Internal Audit, Procurement and IT & Digital services would look like, factoring in their respective capabilities and LGR opportunities.

The council demonstrates, through its approach to partnership working (in Adult Social Care and Children’s Services) and the decision to withdraw from Orbis, a flexible and pragmatic approach to how services are delivered.

Risks and Recommendations

- None identified

3.4 Review Area 4: Governance, Culture and Leadership

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

Our overall assessment of governance, culture and leadership in East Sussex is positive. Historically, the council has demonstrated sustained financial discipline and a willingness to take some tough and politically unattractive decisions in order to achieve significant savings since 2010. There is strong alignment between strategic priorities, strategies and plans. The council has benefited from stable political and senior officer leadership and is also open and responsive to external challenge and constructive criticism. However, the recent local election in May 2026 has seen a considerable change in political leadership, with a significant number of new councillors and the loss of many experienced councillors.

a) The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

Key findings and analysis

East Sussex's governance framework is well established and compliant, with clear schemes of delegation, defined committee structures and formal scrutiny arrangements. The Annual Governance Statement, Audit Committee reporting and external governance review indicate a good structural understanding of governance across the authority, with appropriate roles for Cabinet, Scrutiny and Audit. There is an effective Portfolio holder decision making process which helps reduce the volume of reports to Cabinet. The quality of individual reports is generally sound, with relevant technical detail and alignment to decision-making requirements.

The Audit Committee regularly reviews the council's exposure to strategic risks along with a focus on internal systems and processes. No weaknesses have been reported in the Annual Internal Audit opinion, and the service is compliant with the Public Sector Internal Audit Standards.

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

The Governance Committee on 21 October 2025 recommended changes to the Budget and Policy Framework Procedure Rules were updated in respect of the process for tabling amendments to the Cabinet's Budget proposals which were approved by Council on 2 December 2025. Members are now required to submit budget proposals in writing to the S151 Officer and Monitoring Officer 3 clear working days in advance of the budget setting meeting. Proposals would then require S151 Officer approval prior to circulation to Members ahead of the budget meeting. Any proposals received less than 3 clear working days before the meeting would not be accepted and therefore not considered at the meeting, unless agreed by the Chief Finance Officer. As with questions from the public, which are also circulated after the publication of the council papers, budget amendments would be published as a supplement to the agenda.

In their Auditor's Annual Report for the year ending 31 March 2025, dated November 2025, the external auditor found no significant weaknesses in arrangements identified, no new improvement recommendations raised, and prior year improvement recommendation addressed and closed. It stated: "The council has refreshed its Risk Management Framework in the year and reviewed the format of its Strategic Risk Register, effectively addressing our prior year improvement recommendation. Orbis continues to effectively support the council through its regular Internal Audit updates and reviews. 61 reviews were delivered in year, although some have been deferred to 2025-26 to provide necessary resource to support the implementation of the Oracle System. No significant gaps in assurance have occurred as a result. Budget setting and monitoring continues to be a comprehensive, well-scrutinised, and collaborative process at all levels of the organisation, and is a particular strength. The council has also collaborated and communicated well externally with other local district councils and the public to develop its proposal for Local Government Reorganisation, supported by detailed financial modelling, option appraisal and clear implementation road map."

In conclusion, based on the evidence provided as part of this review, governance arrangements in East Sussex have historically been strong and effective.

Risks and Recommendations

- None identified

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

Key findings and analysis

East Sussex has established and embedded governance arrangements with a clear culture of financial discipline and risk awareness. The RPPR (Reconciling Policy, Performance and Resources) framework is strongly embedded across the council and provides a recognised mechanism for linking decision-making, policy and resources. This framework helps ensure that there is a clear 'golden thread' running through the decision-making and the direction of travel, with financial planning and policy priorities aligned through the Medium-Term Financial Plan. The approach is outcome-focused, linking available resources to service priorities in a transparent way.

This demonstrates, in our opinion, a performance driven strategic direction in East Sussex that is embedded throughout the council and is aligned to key strategy documents.

Risks and Recommendations

- None identified

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

Key findings and analysis

The CIPFA Financial Resilience Review, dated August 2025, stated: "*Council leadership is widely viewed as effective, with strong officer-member relationships that are mature and constructive. Members are considered to have a good grasp of the financial and service pressures, and there is evidence of mutual respect between officers and members in decision-making*".

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

It also noted that the Members are experienced and supportive and bring learning back to the council, many through their peer roles. The elections in May 2026 have resulted in significant changes with 36 out of 50 members being newly elected to the council and has resulted in a minority Reform administration in what has historically been a Conservative led council.

Given the significant ongoing financial sustainability challenges, it will be important that members are quickly trained and become familiar with the scale of the financial challenge and the difficult decisions required to address it. The well-established discipline of using the RPPR framework and maintaining focus, particularly given the impending changes from Local Government Reorganisation with elections to the new council in May 2027, will be critical.

Risks and Recommendations

Key risk	Risk rating	Recommendation
10. Loss of focus from members on addressing the financial challenge following the local election given 72% of members are new to the council.	High 9	10. Continue to deliver a comprehensive Members induction and on-going briefing programme. Now and ongoing.
11. New minority administration causes changes and delays in decision-making process.	High 6	11. Review progress / impact and take necessary steps to maintain pace. Now and ongoing.

d) A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Key findings and analysis

East Sussex demonstrates a generally positive and stable working culture, with constructive relationships between Members and officers and a collaborative ethos across senior leadership. The significant changes in the number of new members following the election present a potential risk.

The RPPR process provides the necessary framework and discipline to identify early warnings.

The council has shown a willingness to seek advice and support, valuing external challenge and constructive criticism when it is considered this can add value in helping the council transform and move towards a financially sustainable future, such as a CIPFA Financial Resilience Review and Peer Review.

Risks and Recommendations

Key risk	Risk rating	Recommendation
12. Failing to maintain the positive working relationships and culture between Members and officers.	Medium 3	12. Implement structured, regular joint briefings and informal forums between senior officers and the new administration to ensure open lines of communication, transparency, and a shared

Key risk	Risk rating	Recommendation
		understanding of operational challenges.

Annex

A1 Required Analysis and Method

Areas for Investigation

1. **Quality of financial management and financial processes**

   An assessment of the local authority's financial management and management of risk., covering:

   a. The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

   b. The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

   c. The local authority's approach to financial risk management including identification, management and treatment of risk.

2. **Financial sustainability and risk**

   An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (with a view on the sustainability, Value for Money and risk exposure of the local authority in this space). Specific factors have included:

   a. The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

   b. An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back.

   c. An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

   d. An assessment of how the council expects to finance capitalisation (i.e. through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach,

   e. An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

   f. A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regard to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

3. Service delivery, reform, and transformation

An examination of high-cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice. The specific factors examined have included:

a. The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

b. Assessment of the extent to which the council's service delivery model particularly in [NAMED] areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.

c. Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

d. A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

e. A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Additional points for service specific issues in this authority have also been examined, as required.

4. Governance, culture, and leadership

An assessment of the local authority's approach to ensuring robust overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the local authority is operating in line with the Nolan Principles and in a way to secure continuous improvement. Factors that have been investigated include:

a. The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

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

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

d. A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Methodology

In our approach, we were mindful of the four broad areas for review, and the specific areas of focus, as set out above.

The approach taken comprised the following elements:

Desktop analysis

MHCLG provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed a significant number of documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Annex 3. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness. These are based on analysis undertaken by CIPFA using published data such as the Revenue Account (RA) and Revenue Outturn (RO) forms. Service performance data has been extracted from a wider range of sources including the council's own surveys of residents and staff, and work undertaken by LG Futures.

Interviews

The bulk of the fieldwork comprised of interviews. These provided the invaluable triangulation of our analysis. Council officers, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. Council officers at senior and junior levels, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Annex 4.

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

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

CIPFA's review team consisted of an experienced finance consultant and relevant technical expertise.

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

Report Structure

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

The information and data within this report are accurate as at the time of the initial data gathering and interviews that took place in April and May 2026, and unless otherwise stated reflect the position at that time.

A2 Risk Assessment – Method

Likelihood:

- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50/50
- Probable – most likely will happen.

Impact:

- Marginal – some minor, possible minor operating difficulties largely contained within the council, some awareness / action may be required by members.
- Moderate – notable financial and operational impact/ losses / costs operating impacts hitting services for some of the community, a significant issue for members to deal with
- Critical – major operating impact/ financial losses / costs requiring subsequent intervention by MHCLG or other 3rd parties, reaches national press interest, major political embarrassment for members.

A3 Documents Reviewed

External Auditors Annual Report year ending 31 March 2025

Treasury Management Strategy 2026-27

Reconciling Policy, Performance and Resources (RPPR) reports

Draft Council Plan 2026-27

Medium Term Financial Plan (MTFP) Update – 2026-27 to 2028-29

Revenue Budget and Capital Programme 2026-27

2025-26 Outturn for Council Plan, Revenue Budget and Savings Delivery

Statement of Accounts for 2024-25

Annual Governance Statement 2024-25

Local Code of Corporate Governance for 2025-26.

Workforce Dashboard Report to CMT

Internal Audit Annual Report and Opinion 2024-25

CIPFA FM Code Self-Assessment

ORBIS Shared Service Review reports

Member Training and Development Annual Report

A4 Staff Interviewed

Chief Executive

Director, CET

Chief Operating Officer

Director, ASC

Director, CSD

Director, Public Health

Deputy Chief Executive (Monitoring Officer)

Chief Finance Officer (S.151)

Deputy Chief Finance Officer (Deputy S.151)

Head of Finance: ASC

Head of Finance: CSD

Head of Finance: CET

Finance Manager: Treasury

Assistant Director of HR&OD

Member Services Manager

Chief Digital Information Officer

Head of Performance, Research & Intelligence

Scrutiny Officer

Head of Internal Audit

Grant Thornton (External Audit)

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