Appendix 1 – Budget Review

All Assistant Directors have input into a budget review to assess the sustainability of the Council's underlying financial position. The following represent key findings which will be addressed as part of the MTFP and Budget Processes:

Budget Process

Across most areas of the Council there is a consistent desire for a clear, agreed, and transparent budget baseline. Assistant Directors are often unable to confidently articulate what their budget is, how it has changed from prior years, or what assumptions (inflation, growth, savings, income) underpin it. Budgets are described as historic, fragmented, and to date have not formally been signed off, meaning there is no single version of the truth. This creates a fundamental risk to accountability, as services cannot be held to deliver against a baseline they do not fully understand or recognise. The priority is to establish a standardised, organisation wide budget framework, based on simple, accessible summaries for each area, clear year-on-year reconciliation, and a formal sign-off process to confirm ownership and understanding. This will be completed over the summer period.

The budget process will need to incorporate workforce, budget management and income issues (identified below) and this may necessitate a revised in-year budget strategy alongside a more formulaic review of the 2027/28 budget and Medium Term Financial Plan.

Workforce and Staffing

Workforce costs are a major and unstable driver of financial performance, with repeated evidence of reliance on agency staff, recruitment delays, and unresolved structural issues in staffing models. At the same time, savings assumptions are being met through vacancy turnover rather than planned action, creating a false sense of financial control. This combination drives both cost volatility and operational risk, with services either overpaying (via agency) or under resourced, or possibly both. Without intervention, this will continue to undermine both service delivery and financial sustainability. Next steps will require active workforce planning aligned to budget strategy, including reducing agency reliance, improving recruitment timelines, and identifying structural changes to staffing establishments that deliver permanent and sustainable savings.

Budget Management

There are clear difficulties in how budgets are actively managed once set, including unclear cross subsidies, outdated recharge mechanisms, inconsistent use of reserves, and limited visibility of contract and funding risks. Implications may include services subsidising others without explicit agreement, historic cost splits that no longer reflect demand, and reserves being held without a clear deployment strategy. This creates a situation where underlying financial issues are hidden rather than addressed, increasing long term risk. The proposed approach is to move toward active and transparent financial management, where service costs are fully understood, subsidies are explicit and agreed, recharges are regularly reviewed and evidenced, and reserves are strategically planned to support transformation and risk mitigation.

Income

Income assumptions across several services are misaligned with reality, often due to historic targets not being updated for changes in demand, pricing decisions, or external factors. In some cases, decisions or revisions (e.g. fee reductions) have not been fully reflected in budgets, which will create persistent structural deficits. This reduces the credibility of budgets and creates ongoing in year pressures that may not be fully resolved operationally. The necessary approach will be to establish a robust income strategy, where income targets are reset to reflect current conditions, regularly reviewed, and clearly linked to policy decisions, with a structured approach to addressing gaps through pricing, demand management, or service redesign.

Finance Systems

While appropriate and robust financial data exists, it is often not readily accessible or usable by budget holders. The TechOne system is widely seen as difficult to use, leading to heavy reliance on finance teams to produce spreadsheets and interpret information. This is inefficient and introduces human error risk and reduces the capacity of the finance team to advise and add value. Capacity and capability levels vary, and training is not embedded. This limits transparency, slows decision making, and reduces accountability at a service level. The response will be to develop a fit-for-purpose reporting and systems environment, focused on simple dashboards, consistent outputs, and improved usability. Alongside this, a structured training programme would enable budget holders to independently access and interrogate their financial information.

Alignment

Across the organisation, there is evidence that known financial issues are not always being addressed due to communication, capacity, or constrained decision making, possibly linked to timing within the financial cycle. Opportunities to reset budgets earlier in the year are missed, and reporting cycles (e.g. quarter one not reaching committee until months later) reduce the ability to act in a timely way. This results in a reactive rather than proactive approach, with structural issues persisting. There is a clear need for earlier, evidence based decision making, supported by improved forward planning, clearer escalation routes for unresolved issues, and better alignment between financial reporting cycles and strategic decision points. A revised, in year budget strategy would seek to address many of these current issues and create the conditions for stronger alignment in the future.