

**BUDGETARY OUTLOOK 2017-18 TO 2019-20 - UPDATE**

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**1. EXECUTIVE SUMMARY**

- 1.1 A report on the budgetary outlook 2017-18 to 2019-20 was presented to the Policy and Resources Committee on 18 August 2016. This report provides Members with a further update to the position and contains detail on the assumptions that have been updated.
- 1.2 The report also includes a timetable for the 2017-18 budget preparation process.
- 1.3 The estimate of Scottish Government funding has been updated to reflect a worsening position than originally anticipated. The Fraser of Allander Institute published its first annual briefing on the Scottish Budget on 13 September 2016 and this contained an independent analysis on the issues facing Scotland. It predicts the average reduction in funding for “unprotected” public services such as Local Government could be in the range of between 2.6% to 4.5% annually between now and 2020-21.
- 1.4 The Council’s loans charges budget has been reviewed and a prudent ongoing reduction of £0.250m built into the estimates.
- 1.5 In respect of Services Choices, consultants have now presented their findings on the longer term redesign of the catering and cleaning service and savings estimates have been updated to reflect their advice. A Full Business Case (FBC) for the Leisure Trust option has now been prepared by Ernst and Young. The business case suggests full year savings of £0.541m (£0.700m original estimate) and for 2017-18 implementation would be from October 2017 and these changes have been updated within the outlook.
- 1.6 The cost of implementing the Living Wage has now been updated and the worst case scenario has been increased by £0.110m.
- 1.7 A detailed review of the assumption in respect of pensions auto enrolment has been undertaken. The assumption has been changed to reflect the cost using the most up to date list of staff who are within the auto enrolment category as well as reflecting auto enrolment from October 2017 rather than April 2017.
- 1.8 The Scottish Government has given a commitment that legislation would be introduced to allow Councils to end the Council Tax discount on second homes from April 2017, this could generate an additional £0.380m for the Council.

- 1.9 The outlook now includes a saving for one of the innovation ideas brought forward by staff in respect of a print management solution for the Council. This should generate savings of around £0.140m by 2018-19.
- 1.10 The funding gap estimated over the three year period 2017-18 to 2019-20 has been revised to be between £18.2m and £39.9m with a gap of between £4.0m and £13.1m in 2017-18.
- 1.11 Members are asked:
- to note the updated estimated budgetary outlook position 2017-18 to 2019-20.
  - To note the 2017-18 budget timetable.

**BUDGETARY OUTLOOK 2017-18 TO 2019-20**

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**2. INTRODUCTION**

2.1 A report on the budgetary outlook 2017-18 to 2019-20 was presented to the Policy and Resources Committee on 18 August 2016. This report provides Members with a further update to the position and contains detail on the assumptions that have been updated.

2.2 The report also includes a timetable for the 2017-18 budget preparation process.

**3. RECOMMENDATIONS**

3.1 Members to note the updated estimated budgetary outlook position 2017-18 to 2019-20.

3.2 Members are asked to note the 2017-18 budget timetable.

**4. DETAIL****4.1 Background**

4.1.1 A budgetary outlook report was presented to the Policy and Resources Committee on 18 August 2016. The funding gap estimated over the three year period 2017-18 to 2019-20 was between £16.9m and £33.9m with a gap of between £3.4m and £10.5m in 2017-18.

4.1.2 In December 2015, the Scottish Government announced a one year budget covering 2016-17 with the expectation that the new Scottish Government would announce a three year budget 2017-18 to 2019-20 later in 2016. We are now advised that the Scottish Government intend setting only a one year budget for 2017-18 and information will not be received until after the Chancellor's Autumn Statement. The Autumn Statement has now been confirmed as 23 November and it is anticipated that the Scottish Draft Budget will be announced three weeks after this date, however, we cannot rule out that there could be a delay until into January.

4.1.3 Any budget outlook is based on a number of assumptions. Since producing the outlook presented to Policy and Resources Committee on 18 August, further information has been received that leads to a change to the following assumptions:

- Scottish Government funding estimate
- Estimate of Loans Charges budget required

- Catering and Cleaning Service Choices Savings
- Leisure Trust Service Choices Savings
- Living Wage cost
- Pensions Auto Enrolment.

- 4.1.4 I have also built in another two estimates into the outlook in relation to:
- Removing the 10% discount on second homes (would require Council approval)
  - A saving in relation to the print management innovation proposal that is being taken forward.

## 4.2 Scottish Government Funding Estimate

4.2.1 Over the last few weeks, there has been some talk that Scottish Local Authorities should prepare for a cut in 2017-18 of the similar magnitude to 2016-17. On 13 September 2016, the Fraser of Allander Institute (FAI) published its first annual briefing on the Scottish Budget. They report that the financial outlook looks just as, if not more, challenging than we have had in the last few years.

4.2.2 Based on updated information within the FAI report, the average reduction in funding for “unprotected” public services such as Local Government could be in the range of between 2.6% to 4.5% annually between now and 2020-21.

4.2.3 The assumption in respect of the floor adjustment has also been reviewed and it is suggested that a reduction in the range of between 0.7% to 1.0% would be sufficient.

4.2.4 The revised percentage changes to the Scottish Government funding are summarised in the following table:

	Best Case			Worst Case		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
% Change All Scotland	-2.6%	-2.6%	-2.6%	-4.5%	-4.5%	-4.5%
% Floor Adjustment ABC	-0.7%	-0.7%	-0.7%	-1.0%	-1.0%	-1.0%
Total % Change	-3.3%	-3.3%	-3.3%	-5.5%	-5.5%	-5.5%
Estimated Change to SG Funding £000	-6,473	-6,260	-6,053	-10,789	-10,196	-9,635
Estimated SG Funding	189,689	183,429	177,376	185,373	175,177	165,542

4.2.5 The table below presents the change to the previous assumptions as reported to the Policy and Resources Committee on 18 August 2016:

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Previous Estimated SG Funding	191,454	184,753	179,210	189,492	180,207	172,278
Revised Estimated SG Funding	189,689	183,429	177,376	185,373	175,177	165,542
Change	(1,765)	(1,324)	(1,834)	(4,119)	(5,030)	(6,736)

### 4.3 Estimate of Loans Charges Budget

4.3.1 A review of the Council's loans charges budget has been undertaken. Over the last three years, the loans charges budget has been underspent due to the factors noted below:

- Borrowing is below the capital financing requirement due to the approach taken to minimise surplus cash on deposit in order to avoid overdue exposure to investment/credit worthiness risk resulting in a net saving between investing and borrowing rates.
- The return on investments has been consistently above the average expected return.
- Old borrowing maturing with a significantly higher interest rate than is now currently available for borrowing.

4.3.2 In assessing whether any saving on the ongoing budget can be made, a prudent reduction would be by £0.250m at this stage. As cash balances are used for the significant capital projects that have been approved within the capital plan, there will be a need for the Council to borrow additional money. This will also reduce the monetary return on investments that we are currently achieving. There is also still uncertainty around Brexit and the implications for treasury. The position will be kept under review and assumptions updated if the position changes.

### 4.4 Catering and Cleaning Service Choices Savings

4.4.1 At the Council meeting on 11 February 2016, Members were asked to make a decision on all Service Choices policy options that were subject to public consultation irrespective of whether the saving was due to be delivered in 2016-17, 2017-18 or beyond. This was to assist in planning beyond 2016-17 and to allow for preparation time particularly in areas where significant redesign of services to deliver longer term savings was proposed.

4.4.2 The savings options included longer term redesign options for catering and cleaning and the service have engaged the services of FMS Consultancy who are experienced consultants in this field. A thorough review has been carried out and summary points from the review are noted below:

- No easy wins in terms of generating extra revenues or reducing catering and cleaning costs.

- Number of specific factors/constraints affecting Argyll and Bute.
- Opportunities for income generation.
- Current cleaning standards at the lower end of acceptable.
- Financial targets of around 17% may be available in two phases.
- Savings Phase 1 by March 2018 circa £331k then Phase 2 to 2021 circa £446k.

4.4.3 There is an impact on the original estimated savings and the changes up to 2019-20 are noted below. The impact is the same for both the best and worst case scenarios.

	2017-18 £000	2018-19 £000	2019-20 £000
FS01A-C - Long term redesign of catering service.	0	560	560
FS01D - Build up and develop catering service for events and functions.	40	40	40
FS02A-B - Long term redesign of cleaning service.	0	255	255
<b>Total Original Estimate of Savings:</b>	<b>40</b>	<b>855</b>	<b>855</b>
Revised Estimate of Savings	0	331	331
<b>Shortfall / Delayed Saving</b>	<b>40</b>	<b>524</b>	<b>524</b>

#### 4.5 Leisure Trust Service Choices Savings

4.5.1 Within the budgetary outlook report presented to Policy and Resources Committee on 18 August 2016, the Leisure Trust saving for 2017-18, originally estimated to be £0.700m full year, had been reduced to £0.350m representing a half year saving due to the anticipated delay in implementing this saving.

4.5.2 A Full Business Case (FBC) for the Leisure Trust option has now been prepared by Ernst and Young. The business case suggest full year NDR and VAT savings of £0.636m offset by recurring costs of £0.095m resulting in a net saving of £0.541m full year. The 6 month saving for 2017-18 has been reduced to £0.270m.

4.5.3 The change to the budgetary outlook is noted within the table below. The impact is the same for both the best and worst case scenarios.

	2017-18 £000	2018-19 £000	2019-20 £000
Leisure Trust Original Saving	700	700	700
Reduced as per Budgetary Outlook 18 August 2016	(350)	0	0
<b>Revised Saving 18 August 2016</b>	<b>350</b>	<b>700</b>	<b>700</b>
Revised Estimate of Savings	270	541	541
<b>Saving Shortfall</b>	<b>80</b>	<b>159</b>	<b>159</b>

## 4.6 Update to Living Wage Cost

- 4.6.1 As part of agreeing the budget to transfer to the IJB, an estimate of the likely Living Wage cost was required as we were not able to reduce the Social Work budget by more than the share of the second £125m after allowing for the cost of uprating of staff to the Living Wage. The cost of the Living Wage implementation from 1 October 2016 was estimated to be £1.3m.
- 4.6.2 The Argyll and Bute Health and Social Care Partnership have been working with the Adult Care Providers who employ care workers and the financial assessment of the cost of applying the Living Wage from 1 October 2016 has been revised to £1.410m and the IJB will be contacting the Council looking for additional funding to meet this shortfall in 2016-17.
- 4.6.3 In terms of the budgetary outlook, the best case scenario, was to assume that the full year effect of the Living Wage in 2017-18 would be met by Scottish Government and the worst case scenario was that a further half year would be required at a cost of £1.3m. The worst case scenario has now been adjusted to £1.410m.

## 4.7 Pensions Auto Enrolment

- 4.7.1 Auto enrolment will require the Council to automatically enrol staff into the pension scheme. This has been underway for new staff and a small number of other qualifying existing staff, however, existing staff who are not members of the pension scheme do not need to be auto enrolled until 2017.
- 4.7.2 A detailed review of the assumption has been undertaken and there are changes that have a positive financial effect on the budgetary outlook.
- The previous estimate assumed that staff would be auto enrolled from the beginning of the financial year, however, it has been confirmed that auto enrolment will not take place until October 2017.
  - The previous best and worst case estimate was based on all staff not already in the scheme being auto enrolled. However, only staff earning over £10,000 will be auto enrolled and some staff within this group have already opted out of the scheme. A detailed list of staff has now been used to calculate the estimate. Like before, I have assumed that 60% of staff auto enrolled would remain in the scheme for the best case scenario and 100% would remain in the scheme for the worst case scenario.
- 4.7.3 The change to the original estimated cost is noted within the table below.

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Original	840	840	840	1,400	1,400	1,400

Estimated Cost						
Revised Estimated Cost	205	410	410	341	682	682
<b>Change to previous budgetary outlook</b>	<b>635</b>	<b>430</b>	<b>430</b>	<b>1,059</b>	<b>718</b>	<b>718</b>

## 4.8 Council Tax Income

4.8.1 The Scottish Government published a document entitled “A Plan for Scotland” on 6 September 2015. Included within the document was a commitment that legislation would be introduced to allow councils to end the Council Tax discount for second homes from April 2017. This has now been laid before Parliament.

4.8.2 The discount currently available to Councils ranges from between 10% to 50% and our Council has applied a 10% discount. The additional income from the 10% to 50% discount is retained locally and must be spent for the provision of new-build affordable social housing to meet locally determined priorities. This income is transferred to our Strategic Housing Fund.

4.8.3 It is unclear at this stage as to whether the additional income from removing the 10% discount would also have to be routed towards affordable housing, although in a statement made by Finance Secretary Derek MacKay he mentions the additional money could be used by Councils to “invest in local public services”. It is therefore assumed there is flexibility if we chose to remove the 10% discount.

4.8.3 Removing the 10% discount could raise an additional £0.382m in Council Tax income. Council approval would be required to remove the discount but on the basis of the additional revenue this would generate, the assumption within the updated budgetary outlook is that Members would agree to the removal.

## 4.9 Innovation Proposals

4.9.1 The Council agreed to create an Innovation Fund of £0.100m in 2015. This fund was to provide support to services in developing business cases in regard to innovative ideas that are considered to be feasible for development as projects to deliver innovation, income generation, efficiencies and wider benefit to the communities of Argyll and Bute and growth in the economy and population.

4.9.2 One of the proposals that is progressing is in relation to a print management solution for the Council and it is estimated savings of around £0.140m could be achieved from 2018-19 onwards.

4.9.3 As further proposals with quantifiable savings come forward, the budget

outlook will be updated.

#### 4.10 Summary of Revised Estimated Funding Gap

4.10.1 The table below summarises the revised estimated funding gap, with further detail provided in Appendix 1 and 2.

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
<b>Funding Surplus / (Gap) Cumulative</b>	<b>(3,430)</b>	<b>(10,562)</b>	<b>(16,918)</b>	<b>(10,496)</b>	<b>(22,887)</b>	<b>(33,890)</b>
Changes to SG Estimated Funding	(1,765)	(1,324)	(1,834)	(4,119)	(5,030)	(6,736)
Reduction to Loans Charges Estimate	250	250	250	250	250	250
Changes to Catering and Cleaning Savings	(40)	(524)	(524)	(40)	(524)	(524)
Changes to Leisure Trust Savings	(80)	(159)	(159)	(80)	(159)	(159)
Update to Living Wage Cost	0	0	0	(110)	(110)	(110)
Changes to Pensions Auto Enrolment estimate	635	430	430	1,059	718	718
Additional CT Income from removing 10% discount second homes	380	380	380	380	380	380
Innovation Proposal Saving	0	140	140	0	140	140
<b>Revised Funding Surplus / (Gap) Cumulative</b>	<b>(4,050)</b>	<b>(11,369)</b>	<b>(18,235)</b>	<b>(13,156)</b>	<b>(27,222)</b>	<b>(39,931)</b>
<b>Funding Surplus / (Gap) In-Year</b>	<b>(4,040)</b>	<b>(7,319)</b>	<b>(6,866)</b>	<b>(13,156)</b>	<b>(14,066)</b>	<b>(12,709)</b>

4.8.2 The funding gap estimated over the three year period 2017-18 to 2019-20

has been revised to between £18.2m and £39.9m.

- 4.8.3 In terms of delivering savings to this magnitude, there are some budget areas that are classed as non-controllable, where there is little flexibility to influence the costs. These include, payments to Joint Boards, loans charges, historic pensions costs, NPDO and waste PPP contract costs, audit fee and bank charges. If the Scottish Government also protect Education and Social Care costs at current budget levels, then the remaining budget available for savings to be applied to is £65.2m. To deliver savings of between £18.2m and £39.9m would see a reduction to the remaining services of between 27.9% and 61.2%.

#### 4.9 2017-18 Budget Timetable

- 4.9.1 The table below outlines a timetable for key dates between now and the Council budget setting meeting in February 2017.

	Key Date
Policy and Resources Committee: <ul style="list-style-type: none"> <li>Note revised budgetary outlook 2017-18 to 2019-20</li> <li>Note 2017-18 budget timetable</li> </ul>	27 October 2016
Strategic Finance/Services confirm salary establishment, inflation and cost and demand pressures to inform updated Budgetary Outlook paper due at P&R in December	31 October 2016
Budget Seminar for All Members	Dates to be agreed between November and January
Chancellor's Autumn Statement	23 November 2016
Council Meeting: <ul style="list-style-type: none"> <li>Budget public consultation to be approved</li> <li>Management/Operational Savings identified by Officers for 2017-18 to be advised to Council.</li> </ul>	24 November 2016
Budget public consultation	28 November 2016 – 9 January 2017
Statutory Trade Union Consultation (if required – dependant on options within budget consultation)	tbc (assume starts on 28 November for 45 days, completed by mid-January – subject to agreement with TUs to include the Christmas and New year break in the 45 day statutory period.)
SG Settlement Announcement	15 December 2016

Policy and Resources Committee: • Updated Budgetary Outlook report considered (prior to financial settlement figures)	15 December 2016
Budget public consultation closes	9 January 2017
Analysis of Budget public consultation responses begins	10 January 2017
Council Meeting: • Updated budgetary Outlook following financial settlement	26 January 2017
Budget Pack completed	6 February 2017
Budget Pack published	9 February 2017
P&R Meeting	16 February 2017
Council Budget Meeting	23 February 2017

## 5. CONCLUSION

- 5.1 The funding gap estimated over the three year period 2017-18 to 2019-20 has been revised to be between £18.2m and £39.9m with a gap of between £4.0m and £13.1m in 2017-18.
- 5.2 The budget outlook and the underlying assumptions will continue to be monitored and a further update brought to the Policy and Resources Committee in December 2016.
- 5.3 The budget timetable outlines the key dates up to the Council budget setting meeting in February 2017.

## 6. IMPLICATIONS

- 6.1 Policy – Sets out the budgetary outlook that provides the financial envelope for policy decisions.
- 6.2 Financial - Sets best and worst case scenarios in respect of the budgetary outlook. Consideration will need to be given as to the budget strategy to balance the budget.
- 6.3 Legal - None directly from this report but Council will need to balance the budget.
- 6.4 HR - None directly from this report but there is a strong link between HR and budgets.
- 6.5 Equalities - None directly from this report but any proposals to address the forecast funding gap will need to consider equalities.
- 6.6 Risk - None directly from this report but any proposals to address the forecast funding gap will need to consider risk.
- 6.7 Customer Service - None directly from this report but any proposals to address the forecast funding gap will need to consider customer service.

**Policy Lead for Finance: Councillor Dick Walsh**

**Kirsty Flanagan, Head of Strategic Finance**

**13 October 2016**

**APPENDICES:**

Appendix 1 – Budgetary Outlook 2017-18 to 2019-20 Best Case Scenario

Appendix 2 – Budgetary Outlook 2017-18 to 2019-20 Worst Case Scenario

BUDGETARY OUTLOOK 2017-18 TO 2019-20

APPENDIX 1

BEST CASE SCENARIO

P&R - 27 OCTOBER 2016

	2016-17	2017-18	2018-19	2019-20	Comments
	£000s	£000s	£000s	£000s	
<b>Income</b>					
Scottish Government Grant	196,162	189,689	183,429	177,376	Best Case Assumptions -2.6% plus -0.7% floor all years
Council Tax	41,200	42,539	43,922	45,349	Assumes 0.25% growth per annum in the tax base plus 3% CT increase
Council Tax - removal of 10% discount second homes		380	380	380	
Use Of Reserves	580				
<b>Projected Income Total</b>	<b>237,942</b>	<b>232,608</b>	<b>227,731</b>	<b>223,105</b>	
<b>Expenditure</b>					
Base Budget (Approved Budget 2016-17):	238,004	238,004	238,004	238,004	Adjusted for DHPs £54k announced end of Feb.
<b>Base Budget Adjustments:</b>					
Broadband Pathfinder (one-off set up costs in 2016-17)		-580	-580	-580	Decision as part of budget agreed February 2016
Unitary Charge Budget (one-off saving in 2016-17)		500	500	500	Decision as part of budget agreed February 2016
Loan Charges - historic debt profile		-1,000	-2,000	-3,000	Updated loan charges profile
Reduction to Loans Charges following review		-250	-250	-250	
<b>Employee Costs:</b>					
Pay Award		1,000	2,000	3,000	Assume 1% per annum
Increments		350	700	1,050	Estimate of £350k per annum
Estimation of Auto enrolment in LGPS		205	410	410	Extra employer contributions arising from auto enrolment - assumes only 60% of staff auto enrolled in the scheme will remain in the scheme - auto enrolled from 1 October 2017.
Living Wage		200	400	600	Estimated cost
Non-Pay Inflation		750	1,500	2,250	Assumed £750k per annum.
<b>Cost and Demand Pressures:</b>					
Previously Agreed Cost and Demand Pressures		-35	0	100	Adjustments to cost pressures previously agreed by Council
New Cost Pressure - Apprenticeship Levy		0	0	0	Assume Local Government will be exempt
New Cost Pressure - NDR Revaluation		50	50	50	Estimate Best Case
New Cost Pressure Payment Card Industry Compliance		34	35	36	Estimate including inflationary element each year
SW - Adult Care Growth		600	1,200	1,800	Assumes 3% Growth
SW - Younger Adults		300	600	900	Assumes 3% Growth
SW - Living Wage		0	0	0	Assumes Scottish Government fund the full year effect of Living Wage
SW - Carers Act		0	400	400	One-off demand pressure as a result of new duties commencing 1 April 2018
SW - Continuing Care		0	0	0	Assumes fully funded by Scottish Government
New Schools Revenue Impact (previously included in budgetary outlook) - Unitary Charge and NDR		651	680	709	Estimates of unitary charge and NDR in previous budgetary outlook
New Schools Unitary Charges as a result of ESA10 and profiling of payments		-1,043	134	454	Based on Scottish Government Schedule
New Schools - Saving in NDR previously estimated		-267	0	0	Saving due to schools not been occupied until February 2018
<b>Changes to Income:</b>					
Fees and Charges		-360	-720	-1,080	General 3% Increase Year on Year
Investment in Hub Co - estimated return				-50	Estimated interest for 25 years from 2019-20
<b>Savings agreed February 2016:</b>					
Management/Operational Savings adjustment to Profile		101	30	30	Adjustments to profile of management/operational savings
Service Choices savings		-3,022	-4,536	-4,536	As agreed as part of Budget February 2016
Reduction/Delay in Leisure Trust Savings		430	159	159	As per Full Business Case
Reduction/Delay in Catering and Cleaning Savings		40	524	524	Savings in two phases - additional £446k estimated by 2021
<b>Other Savings Assumptions:</b>					
Transformation Savings:					
Print Management Solution		0	-140	-140	
Asset Investment Fund					Too early to estimate
<b>Projected Expenditure Total</b>	<b>238,004</b>	<b>236,658</b>	<b>239,100</b>	<b>241,340</b>	
<b>Projected Funding Surplus/(Gap)</b>	<b>-62</b>	<b>-4,050</b>	<b>-11,369</b>	<b>-18,235</b>	
<b>Year on Year Funding Gap</b>	<b>-62</b>	<b>-4,050</b>	<b>-7,319</b>	<b>-6,866</b>	There is a funding gap in the current year as the funding has been adjusted by -£68k to reflect the error in respect of the floor.

**WORST CASE SCENARIO**

P&amp;R - 27 OCTOBER 2016

	2016-17 £000s	2017-18 £000s	2018-19 £000s	2019-20 £000s	Comments
<b>Income</b>					
Scottish Government Grant	196,162	185,373	175,177	165,542	Worst Case Assumptions -4.5% plus -1.0% floor all years
Council Tax	41,200	42,539	43,922	45,349	Assumes 0.25% growth per annum in the tax base plus 3% CT increase
Council Tax - removal of 10% discount second homes		380	380	380	
Use Of Reserves	580				
<b>Projected Income Total</b>	<b>237,942</b>	<b>228,292</b>	<b>219,479</b>	<b>211,271</b>	
<b>Expenditure</b>					
Base Budget (Approved Budget 2016-17):	238,004	238,004	238,004	238,004	Adjusted for DHPs £54k announced end of Feb.
<b>Base Budget Adjustments:</b>					
Broadband Pathfinder (one-off set up costs in 2016-17)		-580	-580	-580	Decision as part of budget agreed February 2016
Unitary Charge Budget (one-off saving in 2016-17)		500	500	500	Decision as part of budget agreed February 2016
Loan Charges - historic debt profile		-1,000	-2,000	-3,000	Updated loan charges profile
Reduction to Loans Charges following review		-250	-250	-250	
<b>Employee Costs:</b>					
Pay Award		1,500	3,000	4,500	Assume 1.5% per annum
Increments		700	1,400	2,100	Estimate of £700k per annum
Estimation of Auto enrolment in LGPS		341	682	682	Extra employer contributions arising from auto enrolment - assumes 100% of staff auto enrolled in the scheme will remain in the scheme - auto enrolled from 1 October 2017.
Living Wage		200	400	600	Estimated cost
Non-Pay Inflation		1,000	2,000	3,000	Assumed £1mk per annum.
<b>Cost and Demand Pressures:</b>					
Previously Agreed Cost and Demand Pressures		-35	0	100	Adjustments to cost pressures previously agreed by Council
New Cost Pressure - Apprenticeship Levy		679	679	679	Based on 0.5% of direct pay costs
New Cost Pressure - NDR Revaluation		175	175	175	Estimate based on last revaluation
New Cost Pressure Payment Card Industry Compliance		34	35	36	Estimate including inflationary element each year
SW - Adult Care Growth		1,200	2,400	3,600	Assumes 6% Growth
SW - Younger Adults		300	600	900	Assumes 3% Growth
SW - Living Wage		1,410	1,410	1,410	Full year effect of Living Wage - not funded by SG
SW - Carers Act		0	400	400	One-off demand pressure as a result of new duties commencing 1 April 2018
SW - Continuing Care		500	1,235	1,556	Cost pressure as a result of new duties
New Schools Revenue Impact (previously included in budgetary outlook) - Unitary Charge and NDR		651	680	709	Estimates of unitary charge and NDR in previous budgetary outlook
New Schools Unitary Charges as a result of ESA10 and profiling of payments		-1,043	134	454	Based on Scottish Government Schedule
New Schools - Saving in NDR previously estimated		-267	0	0	Saving due to schools not been occupied until February 2018
<b>Changes to Income:</b>					
Fees and Charges		-120	-240	-360	General 3% Increase Year on Year
Investment in Hub Co - estimated return				-50	Estimated Interest for 25 years from 2019-20
<b>Savings agreed February 2016:</b>					
Management/Operational Savings adjustment to Profile		101	30	30	Adjustments to profile of management/operational savings
Service Choices savings		-3,022	-4,536	-4,536	As agreed as part of Budget February 2016
Reduction/Delay in Leisure Trust Savings		430	159	159	As per Full Business Case
Reduction/Delay in Catering and Cleaning Savings		40	524	524	Savings in two phases - additional £446k estimated by 2021
<b>Other Savings Assumptions:</b>					
Transformation Savings:					
Print Management Solution		0	-140	-140	
Asset Investment Fund					Too early to estimate
<b>Projected Expenditure Total</b>	<b>238,004</b>	<b>241,448</b>	<b>246,701</b>	<b>251,202</b>	
<b>Projected Funding Surplus/(Gap)</b>	<b>-62</b>	<b>-13,156</b>	<b>-27,222</b>	<b>-39,931</b>	
<b>Year on Year Funding Gap</b>	<b>-62</b>	<b>-13,156</b>	<b>-14,066</b>	<b>-12,709</b>	There is a funding gap in the current year as the funding has been adjusted by -£68k to reflect the error in respect of the floor.