

BUDGETARY OUTLOOK 2017-18 TO 2019-20 - UPDATE

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 with an update on 27 October 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 estimated employee cost increases have been updated to reflect the updated staffing establishment. For 2017-18, there is a saving on the departmental base of £0.586m, the main reason relates to a year on year decrease in school roll related teacher entitlements. The Council require to maintain the pupil/teacher ratio level in line with the 2015 census return to the Scottish Government and there remains sufficient budget provision to do so. This is offset by increases to the costed pay inflation and increments for 2017-18 and there is a small reduction to the basic pay estimate for the living wage for our own employees. Overall, for 2017-18, the costed establishment is £0.119m more than estimated for the best case and £0.032m less than estimated for the worst case.
- 1.3 As part of the Service Review process in 2011-12, there was a saving approved for Education of £0.109m, to be achieved from the creation of an Arts, Culture and Music Fund managed by an external social enterprise. The decision to implement this saving was subsequently reversed and the Education service was not provided with an additional budget allocation to accommodate this shortfall in savings. No recurring saving has been identified to date. Members could consider removing this saving target from the base budget for 2017-18 by offsetting the base budget reduction (which is mainly within Education) by this amount. This would increase the budget gap reported by a further £0.109m.
- 1.4 The non-pay inflation assumptions for 2017-18 have been reviewed by Strategic Finance in conjunction with budget holders. The position remains that only unavoidable/inescapable inflation has been included for 2017-18. The costed inflation for 2017-18 has been revised to be between £0.590m and £1.533m. The difference is in respect of applying the Scottish Living Wage inflationary increase for commissioned services.
- 1.5 There are currently ongoing negotiations for additional integration funding in order to pay for the full year effect of the living wage (funding was only provided to implement from 1 October last year), the inflation of the Living Wage from £8.25 to £8.45, clarity over the 25% provider contribution and also sleepovers. The best case scenario assumes that sufficient funding will be provided to cover the inflation and the worst case assumes that no

additional funding will be provided. It is highly likely that an element of funding will be agreed and therefore the worst case position will not happen, however, the quantum of funding is still to be determined.

- 1.6 The previous non-pay inflation assumed inflation of between £0.750m and £1.000m, therefore this update results in a reduction to the best case scenario of £0.160m but an increase to the worst case scenario of £0.533m.
- 1.7 A review of the cost and demand pressures was carried out during October and November and the new cost pressures or amended cost pressures identified for 2017-18 amount to around £1.8m. These include pressures in respect of the Waste PPP contract, Criminal Justice, Sleepovers, Enterprise Agreement and others. A list of the new pressures are included within Appendix 3.
- 1.8 As Head of Strategic Finance and Section 95 Officer, it is my responsibility to advise Members of the potential cost and demand pressures, however, it is a matter for Members to determine which cost and demand pressures they approve taking into consideration their priorities. To aid Members, cost and demand pressures have been categorised into those that have arisen due to:
- Increased cost/growth to deliver the current level of service including local priorities/changes (Local);
 - National policy or legislative changes (National); and
 - New policy initiatives/priorities/manifesto commitments of the Scottish Government (Scottish Government).
- 1.9 The total cost and demand pressures within the various categories are summarised in the table below, with detail provided within Appendix 4.

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Local	556	2,987	4,642	1,338	4,369	6,624
National	1,525	1,601	1,677	2,123	2,199	2,275
Scottish Government	0	400	400	1,910	3,045	3,366
Total Cost and Demand Pressures	2,081	4,988	6,719	5,371	9,613	12,265

- 1.10 The original saving estimated in connection with moving to 3 weekly rubbish collection for 2017-18 and 2018-19 was £0.548m. It has now been estimated that the likely saving will be £0.504m, a reduction of £0.044m, due to recurring costs not previously anticipated in respect of access to landfill sites outwith opening hours. The department will look for opportunities to meet the reduction in saving, but it is included in the revised budgetary outlook at this stage.
- 1.11 In respect of the Council Tax base growth, in the previous budget outlook

this was assumed to be 0.25%. This position has been reviewed and a more realistic assumption would be a growth rate of 0.5%. This would yield around £0.100m additional Council Tax income each year.

- 1.12 There is also a minor change to the Council Tax funding as a result of applying the growth percentage to a revised base position.
- 1.13 One of the options to assist in balancing the budget is the setting of an efficiency savings target for 2017-18 and officers have been working to a 2% target and this was reported to Council on 24 November 2016. The savings identified amount to a full year saving of £1.403m with £1.377m deliverable in 2017-18.
- 1.14 The funding gap estimated over the three year period 2017-18 to 2019-20 has been revised to be between £19.3m and £42.1m, with a gap of between £4.3m and £13.9m in 2017-18.
- 1.15 Members are asked to note the updated estimated budgetary outlook position 2017-18 to 2019-20.

BUDGETARY OUTLOOK 2017-18 TO 2019-20

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 with an update on 27 October 2016. This report provides Members with a further update to the position and contains detail on the assumptions that have been updated.

3. RECOMMENDATIONS

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

4. DETAIL**4.1 Background**

- 4.1.1 A budgetary outlook report was presented to the Policy and Resources Committee on 18 August 2016 with a further update on 27 October 2016. The funding gap estimated over the three year period 2017-18 to 2019-20 was between £18.2m and £39.9m with a gap of between £4.0m and £13.1m in 2017-18.

- 4.1.2 The Scottish Government have advised that they will only be announcing a 1 year budget with individual Council allocations expected on 15 December 2016, following the Chancellor's Autumn Statement on 23 November 2016.

- 4.1.3 Any budget outlook is based on a number of assumptions. Since producing the latest budget outlook update presented to Policy and Resources Committee on 27 October, Strategic Finance have been working with services in order to firm up the employee costs, non-pay inflation and cost and demand pressures; updates are included within this report in relation to these areas. There is also an update in relation to recurring savings in respect of the three weekly bin collection saving option and the Council tax estimated yield. The 2% efficiency savings identified for 2017-18 and reported to Council on 24 November 2016 have also been factored into the revised outlook.

4.2 Employee Costs

- 4.2.1 Strategic Finance have populated salary templates with details of the staff establishment for 2017-18 and where necessary liaised with budget holders to confirm their staff. The templates calculate the next years pay bill, including superannuation and national insurance contributions. The cost of

the employees from the template is compared to the previous year and reasons for differences explained.

4.2.2 In terms of the level of employee budgets for 2017-18, the expectation would be that the budget would reflect the 2016-17 budget plus any increase due to incremental progression, inflation and any other unavoidable employee cost increases less previously approved employee budget savings. For 2017-18 there is an overall saving on the departmental base of £0.586m. The main reason for this reduction is in relation to a year on year decrease in school roll related teacher entitlements. The Council require to maintain the pupil/teacher ratio level in line with the 2015 census return to the Scottish Government and there remains sufficient budget provision to do so. There are other small fluctuations related to employee turnover.

4.2.3 The table below compares the costed establishment for 2017-18 to the estimates within the budget outlook, still assuming a 1% pay award for best case and a 1.5% pay award for worst case.

	Budget Outlook Estimate Best Case	Budget Outlook Estimate Worst Case	Costed Employee Changes 2017-18	(Increase) / Decrease to Budget Gap Best Case	(Increase) / Decrease to Budget Gap Worst Case
	£000	£000	£000	£000	£000
Pay Award	1,000	1,500	1,348-2,022	(348)	(522)
Increments	350	700	780	(430)	(80)
Basic Pay Living Wage Increase	200	200	127-152	73	48
Change to Employee Base	0	0	(586)	586	586
TOTAL	1,550	2,400	1,669-2,368	(119)	32

4.2.4 For 2017-18, the costed establishment is £0.119m more than estimated for the best case and £0.032m less than estimated for the worst case.

4.2.5 In terms of estimating additional costs through to 2019-20, it would be prudent to increase the pay award estimate in line with what is noted above. In terms of increments, from 2018-19 onwards, a best and worst case scenario is assumed on the basis that many employees will be at the top of the spinal column point scale for their grade. No assumption will be made for changes to the employee base in future years. The changes are summarised below:

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Current Budget Outlook Estimates:						
Pay Award	1,000	2,000	3,000	1,500	3,000	4,500
Increments	350	700	1,050	700	1,400	2,100
Living Wage	200	400	600	200	400	600
Total	1,550	3,100	4,650	2,400	4,800	7,200
Revised Budget Outlook Estimates:						
Pay Award	1,348	2,696	4,044	2,022	4,044	6,066
Increments	780	1,130	1,480	780	1,560	2,340
Living Wage	127	254	381	152	304	456
Base Adj	(586)	(586)	(586)	(586)	(586)	(586)
Total	1,669	3,494	5,319	2,368	5,322	8,276
Change (Increase) / Decrease	(119)	(394)	(669)	32	(522)	(1,076)

4.2.6 As part of the Service Review process in 2011-12, there was a saving approved for Education of £0.109m, to be achieved from the creation of an Arts, Culture and Music Fund managed by an external social enterprise. The decision to implement this saving was subsequently reversed and the Education service was not provided with an additional budget allocation to accommodate this shortfall in savings. No recurring saving has been identified to date. Members could consider removing this saving target from the base budget for 2017-18 by offsetting the base budget reduction (which is mainly within Education) by this amount. This would increase the budget gap reported by a further £0.109m.

4.3 Non-Pay Inflation

4.3.1 Over the last few years, the Council have only included non-pay inflation within the budget where it was deemed to be unavoidable or inescapable.

4.3.2 In the current budget outlook the cost of unavoidable/inescapable non-pay inflation was estimated to be within the range of £0.750m to £1.000m per annum.

4.3.3 The inflation assumptions for 2017-18 have been reviewed by Strategic Finance in conjunction with budget holders. The position remains that only unavoidable/inescapable inflation has been included for 2017-18 and a list of inflation assumptions has been drafted on that basis and included within Appendix 1.

4.3.4 The table below summarises the inflationary cost by department and notes the key inflations.

Department	Best Case Inflation 2017-18 £000	Worst Case Inflation 2017-18 £000	Key Inflations
Council Wide	165	165	Utility Costs
Community Services	34	34	Subsidies and SLAs
Customer Services	125	125	Catering and Transport fuel costs
Development and Infrastructure	150	150	Landfill Tax and Waste PPP
Integration Services	116	1,059	Living Wage
Total	590	1,533	

- 4.3.5 The non-pay inflation agreed for 2016-17 was £0.505m, this was lower than in previous years as there was no allowance for utility cost inflation recognising that this would not be sustainable into the future. The increase between 2016-17 and 2017-18 has been driven by reintroducing an increase to utility costs, accounting for the impact of BREXIT which has seen an increase in food and consumables lately and the inflationary element of the Scottish Living Wage increase (for worst case), offset by non-provision of NDR inflation for one year, due to inflation in 2016-17 being less than anticipated therefore leaving surplus base budget.
- 4.3.6 In respect of the Scottish Living Wage for commissioned providers, this is the only inflation assumption that has estimated a best and worst case position. There are currently ongoing negotiations for additional integration funding in order to pay for the full year effect of the Scottish Living Wage (funding was only provided to implement from 1 October last year), the inflation of the Scottish Living Wage from £8.25 to £8.45, clarity over the 25% provider contribution and also sleepovers. The best case scenario assumes that sufficient funding will be provided to cover the inflation and the worst case assumes that no additional funding will be provided. It is highly likely that an element of funding will be agreed and therefore the worst case position will not happen, however, the quantum of funding is still to be determined.
- 4.3.7 In terms of estimating non-pay inflation for future years, the estimates currently within the budget outlook of between £0.750m and £1.000m per annum will remain. The table below summarises the changes to the current outlook.

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Current Estimate	750	1,500	2,250	1,000	2,000	3,000
Revised Estimate	590	1,340	2,090	1,533	2,533	3,533
Change (Increase) / Decrease	160	160	160	(533)	(533)	(533)

4.3.8 In respect of growth and inflation, future economic forecasts were published in early November by two of the most respected bodies working in this field, the Bank of England (BoE) and the National Institute for Economic and Social Research (NIESR). On inflation, both bodies have raised their forecasts, driven by the fall in sterling. For the NIESR this peaks at around 4% in late 2017, then rapidly falls post 2018, whereas for the BoE the increase is less dramatic, staying below 3%, but is maintained at a heightened level through to at least 2019. It should be noted that the NIESR forecast an even bigger rise for RPI, to above 5% in 2017. The differences between the two sets of forecasts highlights how key assumptions made by economists can affect the final outcomes using different forecasting models. However, while the scale of impact differs the underlying trends are similar.

4.3.9 The continued position of budgeting for only unavoidable/inescapable inflation needs to be considered in light of the future inflation forecasts as it is becoming increasingly difficult for services to continue to maintain current service levels with no general inflationary rises.

4.4 Cost and Demand Pressures

4.4.1 Strategic Finance have liaised with services throughout the year via the regular budget monitoring engagement meetings to identify the cost and demand pressures already included within the current budgetary outlook. A list of these are included within Appendix 2 and are summarised in 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
Previously Agreed Cost and Demand Pressures	(35)	0	100	(35)	0	100
Apprenticeship Levy	0	0	0	679	679	679
NDR Revaluation	50	50	50	175	175	175
Payment Card Industry Compliance	34	35	36	34	35	36

SW Adult Care Growth	600	1,200	1,800	1,200	2,400	3,600
SW Younger Adults	300	600	900	300	600	900
SW Living Wage Commissioned Provider's – full year effect	0	0	0	1,410	1,410	1,410
SW Carer's Act	0	400	400	0	400	400
SW Continuing Care	0	0	0	500	1,235	1,556
New Schools Running Cost in previous budgetary outlook	651	680	709	651	680	709
Changes to New Schools ASP Payment	(1,043)	134	454	(1,043)	134	454
Adjustment to New School NDR Profile	(267)	0	0	(267)	0	0
Total	290	3,099	4,449	3,604	7,748	10,019

4.4.2 An additional review of the cost and demand pressures was carried out during October and November and further cost and demand pressures have been identified for consideration. There were also two changes to the cost and demand pressures previously identified:

- Apprenticeship Levy updated to reflect that there is now no possibility of Local Government being exempt from this levy and also updating the current estimate based on the newly costed employee establishment (an increase of £0.010m).
- Housing Benefit Admin Grant where the pressure has decreased.

A list of the new pressures and changes to existing ones are included within Appendix 3 and are summarised in 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
Insurance Contract	88	88	88	88	88	88
Change to Apprenticeship Levy	689	689	689	10	10	10
Change to HB Admin Grant	0	(100)	(25)	0	(100)	(25)
Enterprise Licence Agreement	157	157	157	157	157	157

Catering & Cleaning Management Post	56	0	0	56	0	0
Argyll and Isles Tourism Cooperative	0	0	0	50	50	50
Landfill Tax Tonnage Increase	44	44	44	44	44	44
Island Recyclate	45	45	45	45	45	45
Commercial Refuse	57	57	57	57	57	57
Waste PPP Contract	159	159	159	159	159	159
Waste PPP Financial Model	0	254	560	0	254	560
Sleepovers – Adult Care Commissioned Services	380	380	380	380	380	380
Sleepovers – Children and Family own units	116	116	116	116	116	116
Criminal Justice Services	0	0	0	132	132	132
Un-accompanied Young asylum seekers	0	0	0	473	473	473
Total	1,791	1,889	2,270	1,767	1,865	2,246

4.4.3 The total cost and demand pressures now required in the budget outlook are noted below:

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Current Outlook	290	3,099	4,449	3,604	7,748	10,019
New Cost and Demand Pressures	1,791	1,889	2,270	1,767	1,865	2,246
Total Cost and Demand Pressures	2,081	4,988	6,719	5,371	9,613	12,265

4.4.4 As Head of Strategic Finance and Section 95 Officer, it is my responsibility to advise Members of the potential cost and demand pressures, however, it

is a matter for Members to determine which cost and demand pressures they approve taking into consideration their priorities. As previously mentioned within the inflation paragraphs there are currently ongoing negotiations for additional integration funding in order to pay for the full year effect of the Scottish living wage to adult care workers and the cost of sleepovers. The best case scenario assumes that sufficient funding will be provided to cover this in total and the worst case assumes that no additional funding will be provided. It is highly likely that funding will be agreed and therefore the worst case position will not happen, however, the quantum of funding is still to be determined.

4.4.5 To aid Members, the cost and demand pressures have been categorised into those that have arisen due to:

- Increased cost/growth to deliver the current level of service including local priorities/changes (Local);
- National policy or legislative changes (National); and
- New policy initiatives/priorities/manifesto commitments of the Scottish Government (Scottish Government).

4.4.6 The total cost and demand pressures within the various categories are summarised in the table below, with detail provided within Appendix 4.

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Local	556	2,987	4,642	1,338	4,369	6,624
National	1,525	1,601	1,677	2,123	2,199	2,275
Scottish Government	0	400	400	1,910	3,045	3,366
Total Cost and Demand Pressures	2,081	4,988	6,719	5,371	9,613	12,265

4.5 Update to Service Choices Savings

4.5.1 The budgetary outlooks presented in August and October included changes to the Service Choices savings agreed for both the Leisure Trust and the redesign of catering and cleaning services. A further change to savings achievable from 2017-18 onwards has now been identified in respect of the rubbish collection saving.

4.5.2 The original saving estimated in connection with moving to 3 weekly rubbish collection for 2017-18 and 2018-19 was £0.548m. It has now been estimated that the likely saving will be £0.504m, a reduction of £0.044m, due to recurring costs not previously anticipated in respect of access to landfill sites outwith opening hours. The department will look for opportunities to meet the reduction in saving, but it is included in the revised budgetary outlook at this stage.

4.6 Update to Council Tax

- 4.6.1 There are two updates within Council Tax. One relates to a review of the Council Tax base growth and the other is a minor presentational issue, which has a small financial impact.
- 4.6.2 In respect of the Council Tax base growth, in the previous budget outlook this was assumed to be 0.25%. This position has been reviewed and a more realistic assumption would be a growth rate of 0.5%. This would yield around £0.100m additional Council Tax income each year.
- 4.6.3 The second update relates to the presentation of two savings agreed as part of the 2016-17 which impacted on Council Tax:
- CSS03h – Apply landlord penalties where applicable £0.034m
 - CSS02i – Retrieve the cost of administering the double charge Council Tax from income raised £0.080m.
- 4.6.4 In the previous budgetary outlook, the base budget had been reduced for these savings (as was the case with all other service choices savings) but in terms of presentation what should have happened is that the Council Tax income line should have been increased instead. This is a presentational change to the 2016-17 base budget and increases the Council Tax income base by £0.114m and also the base budget by the equivalent amount.
- 4.6.5 The financial impact of this change is that the percentage increase for growth and also the estimated 3% capped increase is also applied to the additional £0.114m Council Tax, giving a small increase of £0.004m in 2017-18 rising to £0.008m in 2018-19 and £0.012m in 2019-20.
- 4.6.6 The changes to the Council Tax figure within the budget outlook are summarised below:

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Additional 0.25% Growth	103	213	331	103	213	331
Presentational Change	4	8	12	4	8	12
Total Change	107	221	343	107	221	343

4.7 Efficiency Savings Identified for 2017-18

- 4.7.1 One of the options to assist in balancing the budget is the setting of an efficiency savings target for 2017-18 and officers have been working to a 2% target and this was reported to Council on 24 November 2016.
- 4.7.2 The savings identified amount to a full year saving of £1.403m with £1.377m deliverable in 2017-18.

- 4.7.3 It was difficult for Education to meet the 2% efficiency savings target as a large element of their target is linked to teacher expenditure and due to the Scottish Government teacher number commitment it was not possible to identify efficiency savings at that level. The service will continue to look for other possible alternative savings that are efficiency in nature.
- 4.7.4 It may be possible to pass on a 2% efficiency savings target for Social Work Services onto the IJB but this may be influenced by any conditions attached to the settlement and it would also require Member approval.
- 4.7.5 At this stage only the savings already identified and reported to Council have been included into both the best and worst case scenarios.

4.8 Summary of Revised Estimated Funding Gap

- 4.8.1 The table below summarises the revised estimated funding gap, with further detail provided in Appendix 5 and 6.

	Best Case			Worst Case		
	2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Funding Surplus / (Gap) per previous report	(4,050)	(11,369)	(18,235)	(13,156)	(27,222)	(39,931)
Changes to employee costs	(119)	(394)	(669)	32	(522)	(1,076)
Changes to Inflation	160	160	160	(533)	(533)	(533)
Changes to Cost and Demand Pressures	(1,791)	(1,889)	(2,270)	(1,767)	(1,865)	(2,246)
Changes to Service Choices Savings	0	(44)	(44)	0	(44)	(44)
Changes to Council Tax Income	107	221	343	107	221	343
Efficiency Savings for 2017-18	1,377	1,403	1,403	1,377	1,403	1,403
Revised Funding Surplus / (Gap) Cumulative	(4,316)	(11,912)	(19,312)	(13,940)	(28,562)	(42,084)
Funding Surplus / (Gap) In-Year	(4,316)	(7,596)	(7,400)	(13,940)	(14,622)	(13,522)

4.8.2 The funding gap estimated over the three year period 2017-18 to 2019-20 has been revised to be between £19.3m and £42.1m, with a gap of between £4.3m and £13.9m in 2017-18.

5. CONCLUSION

5.1 The funding gap estimated over the three year period 2017-18 to 2019-20 has been revised to be between £19.3m and £42.1m, with a gap of between £4.3m and £13.9m in 2017-18.

6. IMPLICATIONS

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|-----|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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

1 December 2016

APPENDICES:

Appendix 1 – Non Pay Inflation Estimates

Appendix 2 – Cost and Demand Pressures included in previous Budget Outlook

Appendix 3 – New Cost and Demand Pressures Identified

Appendix 4 – All Cost and Demand Pressures with category added

Appendix 5 – Budgetary Outlook 2017-18 to 2019-20 Best Case Scenario

Appendix 6 – Budgetary Outlook 2017-18 to 2019-20 Worst Case Scenario

Department	Service	Inflation Category	Basis of Inflation	17-18 Inflation %	Best Case Inflation 2017-18 £000	Best Case Inflation 2017-18 £000
Council Wide	Council Wide	Utilities - Heating Oils and Solid Fuel	Prices are unknown as supplies are not purchased in advance. Oil costs are at an all time low and are starting to increase, forecasts by the World Bank for 2017 for costs to increase by about 25%.	15.00%	146	146
Council Wide	Council Wide	Utilities - Water	Forecasted RPI rate as at Q1 2017.	3.00%	19	19
Council Wide Total					165	165
Community Services	Community and Culture	Community Pool Subsidies	Forecasted RPI rate as at Q1 2017.	3.00%	18	18
Community Services	Community and Culture	Events and Festivals	Service Level Agreements for Major Events & Festivals	2.50%	2	2
Community Services	Education	Pre-Primary Partner Provider Uplift	Inflationary increase agreed as per service choices	1.00%	14	14
Community Services Total					34	34
Customer Services	Facility Services	Catering Purchases and Milk	Inflationary increase in line with 16-17 increase. Food costs increasing and unsure of impact of Brexit, potato prices risen significantly which has a material impact.	5.00%	75	75
Customer Services	Facility Services	School and Public Transport Contract Fuel Uplifts	Inflation to fuel element of transport contracts, fuel prices have increased by this amount since the start of 2016-17. Only the fuel element of the contracts would be affected by this uplift.	3.30%	50	50
Customer Services Total					125	125
Development and Infrastructure	Roads and Amenities	Landfill Tax	Published predicted landfill taxes from Scottish Government	2.30%	63	63
Development and Infrastructure	Roads and Amenities	Waste PPP Contract	85% of RPIX between Aug 15 and Aug 16	1.64%	87	87
Development and Infrastructure Total					150	150
Integration Services	Adult Care	Care at Home Services Affected by Scottish Living Wage	Inflationary increase in line with the increase in the Scottish Living Wage from £8.25 to £8.45 per hour from April 2017 adjusted for likely impact on providers employee element of costs only. This equates to 83% of the cost and this percentage has been applied to the full inflationary rate of 2.4%.	2.00%	0	454

Department	Service	Inflation Category	Basis of Inflation	17-18 Inflation %	Best Case Inflation 2017-18 £000	Best Case Inflation 2017-18 £000
Integration Services	Adult Care	Care Home Services Affected by Scottish Living Wage	Inflationary increase in line with the increase in the Scottish Living Wage from £8.25 to £8.45 per hour from April 2017 adjusted for likely impact on providers employee costs. This equates to 68% of the total provider costs. This percentage has been applied to the full inflationary rate of 2.4%.	1.60%	0	219
Integration Services	Adult Care	Staffing Recharges	Inflationary increase to cover the estimated cost of increments and pay inflation for posts in NHS funded by the Council using an estimate derived from information provided by colleagues in NHS Highland Finance.	4.77%	40	40
Integration Services	Adult Care	Commissioned Sleepover Services - Scottish Living Wage	The requirement to bring the rates for sleepovers up from £7.20 per hour to £8.45 per hour from April 2017 to fulfill Scottish Government commitment on Adult Social Care Services	17.43%	0	269
Integration Services	Adult Care	Catering purchases and prepared meals in care homes, day centres, meals on wheels and lunch clubs.	Inflationary increase in line with 16-17 increase. Food costs increasing and unsure of impact of Brexit, potato prices risen significantly which has a material impact.	5.00%	11	11
Integration Services	Adult Care	Purchase and maintenance of OT Equipment	Inflationary increase based on RPI at October 2016 to reflect increased cost of buying specialist equipment to support people at home.	2.00%	5	5
Integration Services	Children and Families	Catering purchases and prepared meals in children's houses and hostels.	Inflationary increase in line with 16-17 increase. Food costs increasing and unsure of impact of Brexit, potato prices risen significantly which has a material impact.	5.00%	6	6

Department	Service	Inflation Category	Basis of Inflation	17-18 Inflation %	Best Case Inflation 2017-18 £000	Best Case Inflation 2017-18 £000
Integration Services	Children and Families	Care Home Services Affected by National Living Wage	Inflationary increase in line with the estimated increase in the National Living Wage reflecting the Government policy to increase it from £7.20 to £9.00 per hour over 4 years from 2016 to 2020. The rate will increase from £7.20 per hour to £7.50 per hour from 1 April 2017, an increase of 4.2%. As it is estimated that 68% of the providers' costs relate to staffing costs, the 4.2% is multiplied by 68% to more accurately reflect the impact on charges of an increase in staffing costs.	2.86%	32	32
Integration Services	Children and Families	Care at Home Services Affected by National Living Wage	Inflationary increase in line with the estimated increase in the National Living Wage reflecting the Government policy to increase it from £7.20 to £9.00 per hour over 4 years from 2016 to 2020. The rate will increase from £7.20 per hour to £7.50 per hour from 1 April 2017, an increase of 4.2%. As it is estimated that 83% of the providers' costs relate to staffing costs, the 4.2% is multiplied by 83% to more accurately reflect the impact on charges of an increase in staffing costs.	3.49%	16	16
Integration Services	Children and Families	Care at Home Services Affected by Scottish Living Wage	Inflationary increase in line with the increase in the Scottish Living Wage from £8.25 to £8.45 per hour from April 2017 adjusted for likely impact on providers.	2.00%	0	1
Integration Services	Children and Families	Adoption Allowances	Inflationary increase based on RPI at October 2016 to reflect increase in allowances for adoptive parents which were frozen in 2016/17.	2.00%	2	2
Integration Services	Children and Families	Fostering Allowances	Inflationary increase based on RPI at October 2016 to reflect increase in fee element of allowances for foster carers which were frozen in 2016/17. Please note that the fee element is equivalent to approximately 28.5% of the total allowance, therefore 28.5% of 2% = 0.57% has been applied to the base.	0.57%	4	4
Integration Services Total					116	1,059
Grand Total					590	1,533

**COST AND DEMAND PRESSURES 2017-18 to 2019-20
ALREADY INCLUDED WITHIN CURRENT BUDGET OUTLOOK**

APPENDIX 2

Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
			2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Previously Agreed (February 2014) Cost and Demand Pressures:								
Community Services	Education	Education Painting - end of four year programme	0	(150)	(150)	0	(150)	(150)
Customer Services	Customer and Support Services	Broadband Pathfinder Inflationary Increase	10	20	30	10	20	30
Customer Services	Customer and Support Services	Universal Credit - HB Admin Grant	55	230	230	55	230	230
Development and Infrastructure	Planning and Regulatory Services	Local Plan Enquiry	0	0	90	0	0	90
Development and Infrastructure	Planning and Regulatory Services	Reduction to Building Warrant Fees	(50)	(50)	(50)	(50)	(50)	(50)
Development and Infrastructure	Economic Development	Argyll and the Isles Tourism Cooperative - end of matched funding	(50)	(50)	(50)	(50)	(50)	(50)
New Cost and Demand Pressures included within Budget Outlook:								
Council Wide	Council Wide	From April 2017 an apprenticeship levy is being applied to larger employers with a paybill in excess of £3m. The levy will be set at 0.5% of an employer's paybill. COSLA are currently seeking exemption from this levy for local authorities in Scotland and the Local Government Association in England have also called for English local authorities to be exempt from the apprenticeship levy.	0	0	0	679	679	679

**COST AND DEMAND PRESSURES 2017-18 to 2019-20
ALREADY INCLUDED WITHIN CURRENT BUDGET OUTLOOK**

APPENDIX 2

Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
			2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Council Wide	Council Wide	The next NDR revaluation is due to take place in 2017. The last revaluation gave rise to a cost pressure of £0.175m as the value of public sector assets went up more than assets generally. Finance Circular 6/2016 published on 6 July 2016 advises of a downward change to the decapitalisation rates for the 2017 revaluation. Whilst this could be seen as positive we have been advised that although some property values may reduce schools may go up by more than average as large tranches of the commercial market have seen large slumps in rental values which are reflected in much reduced values for these subjects. In addition the values of schools and other subjects valued with reference to construction costs contain a significant element of sit value and it is quite possible that increases in land values, could, at least partly, offset any reduction arising from decapitalisation rate changes. It is therefore very difficult to predict what might be required.	50	50	50	175	175	175
Customer Services	Customer and Support Services	Compliance with the Payment Card Industry Data Security Standards (PCI DSS) is mandatory for all organisations which accept payments from customers using payment cards such as Visa, Mastercard etc. The Council is currently not PCI DSS compliant and there is risk of a data breach which would have both a financial and reputational impact. If the Council does not address PCI DSS compliance, there is a significant risk that we would not be permitted to collect electronic card payments in future except through our internet payment facility. There is an upfront capital cost for implementing the new software required and an ongoing revenue cost of £0.034 per annum which would increase in line with inflation. The capital cost can be accommodated from within the ICT Capital Programme.	34	35	36	34	35	36

**COST AND DEMAND PRESSURES 2017-18 to 2019-20
ALREADY INCLUDED WITHIN CURRENT BUDGET OUTLOOK**

APPENDIX 2

Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
			2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Integration Services	Adult Care	Historically, the Council has included a demand pressure for increasing demand for services for older people based on 3% of the total budget for homecare and purchased residential care. This percentage is based on demographic projection data suggesting a 3% year-on-year increase in the number of people aged 65 and over in Argyll. However, service data suggests that the increase in cost is around 6%, reflecting not only the increase in the number of older people but also the increasingly complex care needs of the oldest residents and changes in how they are looked after resulting from the shift in the balance of care away from care home provision to support at home. At 3%, the demand pressure is approximately £600k per annum, increasing to £1.2m at 6%.	600	1,200	1,800	1,200	2,400	3,600
Integration Services	Adult Care	Between 2012-13 and 2015-16, the spend on supported living services for disabled younger adults (adults aged 18 to 64) increased by 12%, equivalent to approximately £1.000m. Assuming that inflation accounts for around 3% of this, the remaining 9% averaged across the three financial years suggests an annual increase of 3%, equivalent to £0.300m. The key reasons for this increase is that older disabled people are living longer and they require more complex support as they age and their carers, typically elderly parents, are no longer able to support their disabled children as they themselves become frailer with age. Added to this, is new demand from young people transferring from children's services whose costs historically would have been offset by attrition amongst the older service users; as the attrition has reduced, the financial impact on the service is compounded as it is squeezed from both ends of the age spectrum.	300	600	900	300	600	900

**COST AND DEMAND PRESSURES 2017-18 to 2019-20
ALREADY INCLUDED WITHIN CURRENT BUDGET OUTLOOK**

APPENDIX 2

Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
			2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Integration Services	Adult Care	For 2016-17, the Deputy First Minister announced the creation of a new £250m Scotland wide Integration Fund to support the integration of Health and Social Care services to ensure improved outcomes for Social Care. A condition of the funding was for partnerships to work with local care providers to ensure that social care workers are paid the Scottish Living Wage of £8.25 per hour from 1 October 2016, a cost of approx £1.410m for 2016-17 (half year). It is unclear whether the Scottish Government will provide additional funding in 2017-18 to meet the full year cost of the uplifts.	0	0	0	1,410	1,410	1,410
Integration Services	Social Work (Adult Care and Children and Families)	Carers Act: The Carers Act, commencing on 1 April 2018, will introduce new statutory duties in relation to the assessment and provision of support to unpaid and young carers and the people they care for. Although most of the new duties have been decided, discussion is ongoing in relation to the charging of looked after people for replacement care, that is the care provided to replace the input which an absent unpaid carer would normally provide. Although the Scottish Government has advised that sufficient funding will be provided to deliver the new statutory duties, the availability of free replacement care is highly likely to increase demand for support, leading to significant pressure on Social Work budgets. An early assessment of the potential implications for Argyll and Bute of the new Act, assuming that replacement care is provided free, suggests a potential demand pressure of £0.400m from 2018-19.	0	400	400	0	400	400

**COST AND DEMAND PRESSURES 2017-18 to 2019-20
ALREADY INCLUDED WITHIN CURRENT BUDGET OUTLOOK**

APPENDIX 2

Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
			2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Integration Services	Children and Families	Continuing Care: Part 11 of the Children and Young People (Scotland) Act 2014 introduced new provisions requiring Social Work to continue to provide accommodation for Looked After and Accommodated Children (LAAC) born after 1 April 1999 from their 16th birthday until they reach 21 years if the child chooses to remain in their current or equivalent alternative accommodation. An assessment of the young people currently in care who would be eligible to continue to be accommodated in the next few years suggests a year-on-year increase in the cost to Social Work of £0.500m in 2017-18 and additional £0.735m in 2018-19 and a further £0.321m in 2019-20. These figures assume that 90% of the eligible young people will choose to continue in their current accommodation but do not take account of any additional eligible children accommodated over the assessment period.	0	0	0	500	1,235	1,556
Customer Services	Executive Director	Profile of the annual service payment (previously referred to as unitary charge) in respect of the new schools. As the financial close was completed later than anticipated, the first year's pressure is a negative figure as the previously estimated pressure is not required.	(659)	814	1,163	(659)	814	1,163
TOTAL			290	3,099	4,449	3,604	7,748	10,019

NEW COST AND DEMAND PRESSURES 2017-18 to 2019-20 (INCLUDING CHANGES TO PREVIOUS)

APPENDIX 3

Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
			2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Council Wide	Council Wide	Insurance Contract. Increase required to ensure the costs of the current contract can be contained within budget. The contract was to be renewed in October 2016, however due to no compliant bidders submitting tenders the current contract has been extended. There will be a tender re-submitted to cover 2017-18 to 2019-20, cannot quantify the financial impact of the re-tendering exercise and whether this will increase or reduce the cost.	88	88	88	88	88	88
Council Wide	Council Wide	From April 2017 an apprenticeship levy is being applied to larger employers with a paybill in excess of £3m. The levy will be set at 0.5% of an employer's paybill. COSLA were seeking exemption from this levy for local authorities in Scotland but is now become known that local government will not be exempt, therefore, the best case scenario needs to reflect the 0.5% levy also.	689	689	689	10	10	10
Customer Services	Customer and Support Services	Universal Credit - HB Admin Grant - reduction to previously agreed cost and demand pressure	0	(100)	(25)	0	(100)	(25)
Customer Services	Customer and Support Services	Enterprise Licence agreement. This is a like for like replacement of the current MS licensing, the current cost is £200k and the replacement will cost £357k. The service are investigating alternatives but this is becoming more and more complex and they are not in a position to say that costs will be contained. It is also possible that these prices will go up because of the fall in sterling against the dollar.	157	157	157	157	157	157
Customer Services	Facility Services	Catering and Cleaning - additional management post approved as part of the longer term re-design of catering and cleaning services, as per business case. Savings to offset costs of additional post will not be delivered until 2018-19 onwards.	56	0	0	56	0	0

NEW COST AND DEMAND PRESSURES 2017-18 to 2019-20 (INCLUDING CHANGES TO PREVIOUS)

APPENDIX 3

Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
			2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Development and Infrastructure Services	Economic Development	The provision of this funding would allow the Argyll and the Isles Tourism Cooperative Ltd (AITC) to continue to develop strategic partnership working with VisitScotland, local marketing associations and others with an objective to increase the number of new visitors and create the conditions for tour operators and other businesses to develop new tourism products for Argyll and Bute. This proposal offers the Council the opportunity to deliver on agreed outcomes with the Single Outcome Agreement and the Economic Development Action with specific regards to making the region an attractive place to do business, live and visit	0	0	0	50	50	50
Development and Infrastructure Services	Roads and Amenity	Increased tonnages that impact on the level of landfill tax that requires to be paid. This is based on activity for the first quarter in 2016/17 and the the remaining 3 quarters are estimate on the corresponding period in 2015/16.	44	44	44	44	44	44
Development and Infrastructure Services	Roads and Amenity	The current process for the transferring of recycle from the island is no longer operated via a tendered contract. The cost pressure is based on this years proposed activities and the associated costs.	45	45	45	45	45	45
Development and Infrastructure Services	Roads and Amenity	Commercial Refuse income is monitored through a departmental database and is able forecast the level of income that will be achieved within a financial year. Based on the customer base at the moment there is an anticipated shortfall.	57	57	57	57	57	57
Development and Infrastructure Services	Roads and Amenity	Increased cost associated with waste PPP contract that have not been included in the Waste Financial model. This relates to the banding within the contract and the Council moved between bandings and this has resulted in additional costs.	159	159	159	159	159	159
Development and Infrastructure Services	Roads and Amenity	This cost pressure relates to the Waste PPP Financial model that was developed that forecast costs till 2039/40. There will be a total cost pressure over the period of £9.2m. This just reflects the additional cost within the two financial years.	0	254	560	0	254	560

NEW COST AND DEMAND PRESSURES 2017-18 to 2019-20 (INCLUDING CHANGES TO PREVIOUS)

APPENDIX 3

Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
			2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Integration Services	Adult Care	Due to a combination of the European Working Time Directive and the National Living Wage requirements, care providers commissioned by the HSCP are required to pay their staff at least an average of £7.20 per hour for the hours they work, including those when they are asleep during a sleepover shift. This cost pressure reflects 50% of the full year cost of implementing new cost rates with local providers which will enable them to meet their statutory requirements. The HSCP is working to meet the other half of the cost through a review and redesign of existing sleepover services.	380	380	380	380	380	380
Integration Services	Children and Families	Due to a combination of the European Working Time Directive and the National Living Wage requirements, the HSCP is having to change how it uses sleepovers to deliver overnight services/supervision in it's children's houses and education hostels. New overnight arrangements and rotas will be required to ensure that staff have appropriate breaks between shifts and that they are paid at least the Living Wage for the hours they are classed as working during the night. This cost pressure represents the balance of the estimated costs of introducing new staffing arrangements in the 5 affected units.	116	116	116	116	116	116
Integration Services	Children and Families	West Dunbartonshire Council (WDC) currently deliver Criminal Justice services in the Helensburgh and Lomond area on behalf of the Criminal Justice Partnership and the HSCP and from April 2017 WDC are withdrawing which could create a potential pressure depending on the model of service delivery.	0	0	0	132	132	132
Integration Services	Children and Families	The government has advised that up to 11 unaccompanied young asylum seekers could be moved to Argyll and Bute and there is a lack of clarity around how these children would be supported and funding and what contribution would come from Government.	0	0	0	473	473	473
TOTAL			1,791	1,889	2,270	1,767	1,865	2,246

**COST AND DEMAND PRESSURES 2017-18 to 2019-20
SPLIT BY CATEGORY**

APPENDIX 4

Category	Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
				2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
Local	Community Services	Education	Previously Agreed - Education Painting - end of four year programme	0	(150)	(150)	0	(150)	(150)
Local	Council Wide	Council Wide	Insurance Contract	88	88	88	88	88	88
Local	Customer Services	Customer and Support Services	Previously Agreed - Broadband Pathfinder Inflationary Increase	10	20	30	10	20	30
Local	Customer Services	Executive Director	Profile of the annual service payment (previously referred to as unitary charge) in respect of the new schools.	(659)	814	1,163	(659)	814	1,163
Local	Customer Services	Facility Services	Catering and Cleaning - additional management post for longer-term re-design of services as per business case.	56	0	0	56	0	0
Local	Development and Infrastructure	Economic Development	Previously Agreed - Argyll and the Isles Tourism Cooperative - end of matched funding	(50)	(50)	(50)	(50)	(50)	(50)
Local	Development and Infrastructure Services	Economic Development	Re-instate match funding for Argyll and the Isles Tourism Cooperative.	0	0	0	50	50	50
Local	Development and Infrastructure	Planning and Regulatory Services	Previously Agreed - Local Plan Enquiry	0	0	90	0	0	90
Local	Development and Infrastructure	Planning and Regulatory Services	Previously Agreed - Reduction to Building Warrant Fees	(50)	(50)	(50)	(50)	(50)	(50)
Local	Development and Infrastructure Services	Roads and Amenity	Island Recylate	45	45	45	45	45	45
Local	Development and Infrastructure Services	Roads and Amenity	Commercial Refuse	57	57	57	57	57	57
Local	Development and Infrastructure Services	Roads and Amenity	Waste PPP Contract Banding	159	159	159	159	159	159
Local	Development and Infrastructure Services	Roads and Amenity	Waste PPP Financial Model	0	254	560	0	254	560
Local	Integration Services	Children and Families	Criminal Justice Services	0	0	0	132	132	132
Local	Integration Services	Adult Care	SW Adult Care Growth Demand	600	1,200	1,800	1,200	2,400	3,600
Local	Integration Services	Adult Care	SW Young Adults Demand	300	600	900	300	600	900
Total Local				556	2,987	4,642	1,338	4,369	6,624
National	Council Wide	Council Wide	Apprenticeship Levy	689	689	689	689	689	689
National	Council Wide	Council Wide	NDR Revaluation	50	50	50	175	175	175
National	Customer Services	Customer and Support Services	Universal Credit - HB Admin Grant	55	130	205	55	130	205
National	Customer Services	Customer and Support Services	Compliance with the Payment Card Industry Data Security Standards.	34	35	36	34	35	36

**COST AND DEMAND PRESSURES 2017-18 to 2019-20
SPLIT BY CATEGORY**

APPENDIX 4

Category	Department	Service	Cost/Demand Pressure	Best Case			Worst Case		
				2017-18 £000	2018-19 £000	2019-20 £000	2017-18 £000	2018-19 £000	2019-20 £000
National	Customer Services	Customer and Support Services	Enterprise Licence agreement.	157	157	157	157	157	157
National	Development and Infrastructure Services	Roads and Amenity	Increased tonnages that impact on the level of landfill tax that requires to be paid.	44	44	44	44	44	44
National	Integration Services	Adult Care	Sleepovers - Adult Care Commissioned Providers - to National Living Wage	380	380	380	380	380	380
National	Integration Services	Children and Families	Sleepovers - to National Living Wage	116	116	116	116	116	116
National	Integration Services	Children and Families	Unaccompanied young asylum seekers.	0	0	0	473	473	473
Total National				1,525	1,601	1,677	2,123	2,199	2,275
Scottish Government	Integration Services	Adult Care	Scottish Living Wage full year	0	0	0	1,410	1,410	1,410
Scottish Government	Integration Services	Children and Families	Continuing Care	0	0	0	500	1,235	1,556
Scottish Government	Integration Services	Social Work (Adult Care and Children and Families)	Carer's Act	0	400	400	0	400	400
Total Scottish Government				0	400	400	1,910	3,045	3,366
GRAND TOTAL OF COST AND DEMAND PRESSURES				2,081	4,988	6,719	5,371	9,613	12,265

	2016-17	2017-18	2018-19	2019-20	Comments
	£000s	£000s	£000s	£000s	
Income					
Scottish Government Grant	196,162	189,689	183,429	177,376	Best Case Assumptions -2.6% plus -0.7% floor all years
Council Tax	41,314	42,760	44,257	45,806	Assumes 0.5% 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				
Projected Income Total	238,056	232,829	228,066	223,562	
Expenditure					
Base Budget (Approved Budget 2016-17):	238,118	238,118	238,118	238,118	Adjusted for DHPs £54k announced end of Feb.
Base Budget Adjustments:					
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	
Employee Costs:					
Pay Award		1,348	2,696	4,044	Assume 1% per annum
Increments		780	1,130	1,480	Actual for 2017-18 then 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.
Scottish Living Wage (our employees)		127	254	381	Estimated cost - assumes 1% inflation
Change to Employee Base		-586	-586	-586	Reduction to 2016-17 base
Non-Pay Inflation		590	1,340	2,090	2017-18 Inflation estimated then assume £750k per annum.
LOCAL Cost and Demand Pressures					
Previously Agreed - Education Painting (4 Years)		0	-150	-150	Agreed February 2014
Insurance Contact		88	88	88	Based on current increased cost of insurance contract
Previously Agreed - Broadband Pathfinder		10	20	30	Agreed February 2014
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
Catering and Cleaning Management Post		56	0	0	Additional management post approved as part of the longer term re-design of services - will be paid for as part of business case from 2018-19.
Previously Agreed - Argyll and the Isles Tourism Cooperative (end 3 year agreement)		-50	-50	-50	Agreed February 2014
Argyll and the Isles Tourism Cooperative		0	0	0	To continue partnership
Previously Agreed - Local Plan Enquiry		0	0	90	Agreed February 2014
Previously Agreed - Building Warrant Fees		-50	-50	-50	Agreed February 2014
Island Recyclate		45	45	45	No longer via a tendered contract, cost based on current year
Commercial Refuse		57	57	57	Anticipated shortfall in commercial refuse income
Waste PPP Contract		159	159	159	Increases relating to banding within the contract which has resulted in additional costs
Waste PPP Financial Model		0	254	560	Additional cost for Year 2 and Year 3, there are further additional pressures in future years.
Criminal Justice Services		0	0	0	Cost of employing team to maintain current Criminal Justice services in the Helensburgh and Lomond Area.
SW - Adult Care Growth		600	1,200	1,800	Assumes 3% Growth
SW - Younger Adults		300	600	900	Assumes 3% Growth
NATIONAL Cost and Demand Pressures					
Apprenticeship Levy		689	689	689	Based on 0.5% of direct pay costs - no exemption
New Cost Pressure - NDR Revaluation		50	50	50	Estimate Best Case
Previously Agreed - HB Admin Grant		55	230	230	Agreed February 2014
Change to Previously Agreed in respect of HB Admin Grant		0	-100	-25	Change to previously agreed Cost Pressure
Payment Card Industry Compliance		34	35	36	Estimate including inflationary element each year
Enterprise Licence Agreement		157	157	157	Like for like replacement of current MS licensing
Landfill Tax Tonnage Increase		44	44	44	Increased tonnage estimate
Sleepovers Adult Care Commissioned		380	380	380	Adult Care Sleepovers to bring up to £7.20 per hour
Sleepovers C&F Units		116	116	116	Sleepovers within Children's units.
Un-accompanied Young Asylum Seekers		0	0	0	Estimated cost for 11 unaccompanied young asylum seekers - assumes funded by SG for best case.
SCOTTISH GOVERNMENT Cost and Demand Pressures					
SW - Scottish Living Wage Adult Care		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
Changes to Income:					
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
Savings agreed February 2016:					
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
Reduction to Rubbish Collection Saving		0	44	44	From 2018-19
Other Savings Assumptions:					
Print Management Solution		0	-140	-140	
Efficiency Savings		-1,377	-1,403	-1,403	As per report to Council 24 November 2016
Projected Expenditure Total	238,118	237,145	239,978	242,874	
Projected Funding Surplus/(Gap)	-62	-4,316	-11,912	-19,312	
Year on Year Funding Gap	-62	-4,316	-7,596	-7,400	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.

BUDGETARY OUTLOOK 2017-18 TO 2019-20
WORST CASE SCENARIO
P&R - 15 DECEMBER 2016

APPENDIX 6

	2016-17 £000s	2017-18 £000s	2018-19 £000s	2019-20 £000s	Comments
Income					
Scottish Government Grant	196,162	185,373	175,177	165,542	Worst Case Assumptions -4.5% plus -1.0% floor all years
Council Tax	41,314	42,760	44,257	45,806	Assumes 0.5% 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				
Projected Income Total	238,056	228,513	219,814	211,728	
Expenditure					
Base Budget (Approved Budget 2016-17):	238,118	238,118	238,118	238,118	Adjusted for DHPs £54k announced end of Feb.
Base Budget Adjustments:					
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	
Employee Costs:					
Pay Award		2,022	4,044	6,066	Assume 1.5% per annum
Increments		780	1,560	2,340	Estimate of £780k 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.
Scottish Living Wage (our employees)		152	304	456	Estimated cost - assumes 1.5% inflation
Change to Employee Base		-586	-586	-586	Reduction to 2016-17 base
Non-Pay Inflation		1,533	2,533	3,533	2017-18 Inflation estimated then assume £1m per annum.
LOCAL Cost and Demand Pressures					
Previously Agreed - Education Painting (4 Years)		0	-150	-150	Agreed February 2014
Insurance Contact		88	88	88	Based on current increased cost of insurance contract
Previously Agreed - Broadband Pathfinder		10	20	30	Agreed February 2014
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
Catering and Cleaning Management Post		56	0	0	Additional management post approved as part of the longer term re-design of services - will be paid for as part of business case from 2018-19.
Previously Agreed - Argyll and the Isles Tourism Cooperative (end 3 year agreement)		-50	-50	-50	Agreed February 2014
Argyll and the Isles Tourism Cooperative		50	50	50	To continue partnership
Previously Agreed - Local Plan Enquiry		0	0	90	Agreed February 2014
Previously Agreed - Building Warrant Fees		-50	-50	-50	Agreed February 2014
Island Recyclate		45	45	45	No longer via a tendered contract, cost based on current year
Commercial Refuse		57	57	57	Anticipated shortfall in commercial refuse income
Waste PPP Contract		159	159	159	Increases relating to banding within the contract which has resulted in additional costs
Waste PPP Financial Model		0	254	560	Additional cost for Year 2 and Year 3, there are further additional pressures in future years.
Criminal Justice Services		132	132	132	Cost of employing team to maintain current Criminal Justice services in the Helensburgh and Lomond Area.
SW - Adult Care Growth		1,200	2,400	3,600	Assumes 6% Growth
SW - Younger Adults		300	600	900	Assumes 3% Growth
NATIONAL Cost and Demand Pressures					
Apprenticeship Levy		689	689	689	Based on 0.5% of direct pay costs
New Cost Pressure - NDR Revaluation		175	175	175	Estimate based on last revaluation
Previously Agreed - HB Admin Grant		55	230	230	Agreed February 2014
Change to Previously Agreed in respect of HB Admin Grant		0	-100	-25	Change to previously agreed Cost Pressure
Payment Card Industry Compliance		34	35	36	Estimate including inflationary element each year
Enterprise Licence Agreement		157	157	157	Like for like replacement of current MS licensing
Landfill Tax Tonnage Increase		44	44	44	Increased tonnage estimate
Sleepovers Adult Care Commissioned		380	380	380	Adult Care Sleepovers to bring up to £7.20 per hour
Sleepovers C&F Units		116	116	116	Sleepovers within Children's units.
Un-accompanied Young Asylum Seekers		473	473	473	Estimated cost for 11 unaccompanied young asylum seekers - assumes funded by SG for best case.
SCOTTISH GOVERNMENT Cost and Demand Pressures					
SW - Scottish Living Wage Adult Care		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
Changes to Income:					
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
Savings agreed February 2016:					
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
Reduction to Rubbish Collection Saving		0	44	44	From 2018-19
Other Savings Assumptions:					
Print Management Solution		0	-140	-140	
Efficiency Savings		-1,377	-1,403	-1,403	As per report to Council 24 November 2016
Projected Expenditure Total	238,118	242,453	248,376	253,812	
Projected Funding Surplus/(Gap)	-62	-13,940	-28,562	-42,084	
Year on Year Funding Gap	-62	-13,940	-14,622	-13,522	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.