

BUDGET OUTLOOK 2018-19 TO 2020-21 - UPDATE

1. EXECUTIVE SUMMARY

- 1.1 A report on the budget outlook 2018-19 to 2020-21 was presented to the Policy and Resources Committee on 17 August 2017. This report provides Members with a further update to the position. It summarises the detail contained in the August report and provides detail on any assumptions that have been updated.
- 1.2 The changes to the base budget are as follows:
- One-off release of two surplus balances within European Projects £0.249m.
 - A further £1.000m saving in relation to loans charges.
- 1.3 The changes to the employee cost increases are as follows:
- Increase the pay award assumption to between 1.5% and 2.5% with a mid-range of 2.0%.
 - Remove surplus superannuation budget no longer required £0.245m.
- 1.4 A review of the unavoidable/inescapable non-pay inflation provision required in 2018-19 was carried out during September by Strategic Finance staff in consultation with services. The provision for inflation has increased from £0.600m to £0.910m in 2018-19.
- 1.5 A review of cost and demand pressures was carried out during September by Strategic Finance staff in consultation with services. The new cost and demand pressures would increase the budget gap in the mid-range scenario by £0.094m. However, the provision for unidentified cost and demand pressures of £0.250m included in the original outlook could be removed for 2018-19, resulting in a decrease of £0.156m within the mid-range scenario.
- 1.6 The assumption for income from fees and charges has remained unchanged and is assumed to be between the range of 1% and 5%, with a mid-range of 3%.
- 1.7 Service Choices savings and previously agreed efficiency savings have remained unchanged and been built into each scenario.
- 1.8 In the previous budget outlook it had been assumed that the Council were able to reduce the funding to the Integration authority by the same share as the reduction permitted in 2017-18. This assumption remains within the best case scenario but for the worst case scenario it has been assumed that no reduction will be permitted and for the mid-range, half of the best case.
- 1.9 It continues to be assumed that the Health and Social Care Partnership will

absorb their own inflationary and cost and demand pressure increases. In the worst case scenario, it has been assumed that the Council would contribute £0.500m each year towards the pressures.

- 1.10 In respect of the Scottish Government funding the assumption remains unchanged with an assumed reduction of between 3.5% and 4.5% each year over the next three years, with 4% being the mid-range.
- 1.11 The Council tax assumptions have been updated to reflect an increase of £0.600m on the base Council tax position due to an overall increase in the base in addition to increased collection of double Council Tax on second homes.
- 1.12 In the mid-range scenario, the budget gap estimated over the three year period 2018-19 to 2020-21 is £20.286m with a gap of £3.908m in 2018-19.
- 1.13 In contrast, the budget gap in the best case scenario over the three years is £11.052m with a gap of £0.852m in 2018-19 and in the worst case scenario, the budget gap over the three years is £33.994m with a gap of £8.541m in 2018-19.
- 1.14 Members are asked to consider the current estimated budget outlook position 2018-19 to 2020-21 and to refer this with any recommendations the Committee feels appropriate to the Special Council on 26 October 2017.

BUDGET OUTLOOK 2018-19 TO 2020-21 – UPDATE

2. INTRODUCTION

- 2.1 A report on the budget outlook 2018-19 to 2020-21 was presented to the Policy and Resources Committee on 17 August 2017. This report provides Members with a further update to the position. It summarises the detail contained in the August report and provides detail on any assumptions that have been updated.
- 2.2 The budget outlook has been prepared using three different scenarios, best case, worst case and mid-range. Relatively small variations in assumptions can lead to fairly significant changes in the outcome. In the paragraphs that follow, the mid-range outlook is shown, however, all three scenarios are detailed within Appendix 1.

3. RECOMMENDATIONS

- 3.1 Members are asked to consider the current estimated budget outlook position 2018-19 to 2020-21 and to refer this with any recommendations the Committee feels appropriate to the Special Council on 26 October 2017.

4. DETAIL**4.1 Base Budget**

- 4.1.1 The 2017-18 approved budget is the starting point for the 2018-19 base budget. As noted within the August budget outlook report, the base budget is adjusted for one-off items agreed as part of the 2017-18 budget as follows: HSCP funding for 2017-18 only, one-off funding for amenity services, one-off cost pressure for Catering and Cleaning post on a spend to save basis, one-off reduction to loans charges and one-off reduction to new schools NDR costs. There are also other base adjustments relating to painting Education establishments, loans charges, Argyll and the Isles Tourism funding and the additional cost required for the settled pay award. These changes were all detailed in the previous budget outlook report.
- 4.1.2 There are two surplus balances sitting against two European Projects: Transnational Project and Atlantic Area Spatial Development Perspective. The European Programmes have stopped and time has lapsed for audit/repayment of any balances and therefore this is a one-off base adjustment that can be reflected within 2018-19.
- 4.1.3 A review of the current loans charges position has been carried out and there is

scope for further savings on the current loans charges budget. The savings are a result of a number of factors including:

- Lower interest rates on new borrowing than forecast. Originally a rate of 5% was assumed for long term borrowing but current rates are at 2.39% and a loan of £10m produces savings of around £0.261m per annum.
- Lower interest payments as external borrowing has been deferred due to cash balances which results in savings on payment of external interest at 2.39% offset by investment returns of 0.6%. On £10m, this would result in a net saving of £0.179m per annum.
- Lower level of capital advances due to slippage in the capital programme which results in principal payments being deferred until such time as the capital expenditure is incurred.

4.1.4 The level of savings on loans charges will be dependent on the Council's desire for additional capital spending on priorities, however, from modelling work already carried out there is scope to remove at least £1.000m from the loans charges budget, with the potential to remove more.

4.1.5 There are no other changes to the base budget assumptions and the table below summarises the base budget in the mid-range scenario.

	2018-19 £000	2019-20 £000	2020-21 £000
Base Budget 2017-18	235,680	235,680	235,680
One-off adjustments	(1,626)	(1,626)	(1,626)
Other base adjustments	(1,037)	(2,047)	(2,077)
One-off European Projects	(249)	0	0
Further reduction to loans charges	(1,000)	(1,000)	(1,000)
Revised Base Budget	231,768	231,007	230,977

4.2 Employee Cost Changes

4.2.1 The employee cost change assumptions included in the previous budget outlook related to pay award, increments and the cost of auto enrolment. There have been no changes to the increments and the auto enrolment assumptions. In terms of auto enrolment, all eligible staff will require to be auto enrolled on 1 October 2017; the actual cost of auto enrolment will be calculated after this time and advised within the December budget outlook report.

4.2.2 The First Minister as part of her Programme for Government has removed the public sector pay cap of 1%. There is continued pressure from Trade Unions to provide a pay award of at least equal to the current level of inflation.

4.2.3 The budget outlook had been based on a pay award ranging between 1% (best case) to 2% (worst case) with a mid-range of 1.5%. A pay award equal to the current level of inflation (RPI 3.9% August) will not be affordable for Local Authorities unless it is partly funded by Scottish Government. Each 0.5% increase equates to around £0.550m for Council employees and around £0.130m for Health and Social Care Partnership employees employed by the

Council.

4.2.4 The pay award assumption has been increased to a range between 1.5% (best case) to 2.5% (worst case) with a mid-range of 2%. The difficulty with this estimate is that it is more than likely that the pay award will not be settled prior to the budget setting in February 2018 and therefore any over-estimate could result in unnecessary redundancies if the pay award is settled at less than the estimate.

4.2.5 A budget provision for additional employer's superannuation was created in 2015-16 as a result of changes to pensionable pay. A review has been undertaken as to how much of this budget provision is required going forward and a recurring saving of £0.245m can be made.

4.2.6 The table below summarises the employee cost increases in the mid-range scenario.

	2018-19 £000	2019-20 £000	2020-21 £000
Employee Cost Changes as per August report	2,182	4,184	6,211
Change to pay award assumption	550	1,119	1,708
Saving in superannuation payments	(245)	(245)	(245)
Revised Total Employee Cost Changes	2,487	5,058	7,674

4.2.7 Strategic Finance staff are currently populating the salary templates to obtain the most up to date cost of the staffing establishment. Whilst the pay award will still require to be estimated, the salary templates will provide information on any changes to the employee base and the cost of increments. This will be reported as part of the December budget outlook report.

4.3 Non-Pay Inflation

4.3.1 A review of the unavoidable/inescapable non-pay inflation provision required in 2018-19 was carried out during September by Strategic Finance staff in consultation with services. The table below summarises the inflation required, with further information contained within Appendix 2.

Department	Service	Inflation Category	Amount
Council Wide	Council Wide	NDR	128
Council Wide	Council Wide	NDR Relief	4
Council Wide	Council Wide	Computer Software	18
Community Services	Education	Pre-Partner Provider Uplift	17
Customer Services	Facility Services	Catering Purchases	85

		including milk	
Customer Services	Facility Services	School and Public Transport Contract Fuel Uplifts	50
Customer Services	Special Projects	Community Pool Subsidies	22
Customer Services	NPDO	NPDO, Hub Schools	342
Community Services	Community and Culture	Events and Festivals SLAs	2
Development and Infrastructure	Roads and Amenity Services	Landfill Tax	58
Development and Infrastructure	Roads and Amenity Services	Waste PPP Contact	184
Total			910

4.3.2 The non-pay inflation previously estimated within the budget outlook was £0.600m; this new estimate reflects an increase of £0.310m. As with the previous estimate, the worst case scenario also includes a 1% general inflation over and above the unavoidable/inescapable inflation amount.

4.4 Cost and Demand Pressures

4.4.1 Over the last few years, services have worked on the basis of having to contain any cost and demand pressures within current resources, however, a number of cost and demand pressures already identified were reported as part of the budget in February 2017 and these are noted in the table below with further detail included within Appendix 3a.

	2018-19 £000	2019-20 £000	2020-21 £000
Universal Credit – HB Admin Grant	75	150	150
Local Plan Enquiry	0	90	0
New Schools Unitary Charges	1,206	1,555	1,555
Waste PPP Financial Model	254	560	560
Total	1,535	2,355	2,265

4.4.2 A review of cost and demand pressures was carried out during September by Strategic Finance staff in consultation with services. The table below notes the new cost and demand pressures identified within the mid-range scenario. Further information on all three scenarios is included within Appendix 3b.

	2018-19 £000	2019-20 £000	2020-21 £000
Discretionary Business relief increases due to 2017	13	13	13

revaluations			
Asbestos Management Plan	0	0	40
Carbon Reduction Scheme	0	13	13
Renewal of school and public transport contacts in Tiree in April 2018	4	4	4
Renewal of school and public transport contacts in Mid Argyll in July 2018	11	16	16
Removal of Fire and Rescue Scotland Contract (undergoing re-tender exercise at present)	11	11	11
Re-grading implications within Catering Services due to the impact of the Living Wage differentials.	55	56	57
Total	94	113	154

4.4.3 In terms of the impact on the budget outlook position for 2018-19, the new cost and demand pressures would increase the budget gap in the mid-range scenario by £0.094m. However, the provision for unidentified cost and demand pressures of £0.250m included in the original outlook could be removed for 2018-19, resulting in a decrease of £0.156m within the mid-range scenario.

4.4.4 The table below summarises the cost and demand pressures in the mid-range scenario for Council services.

	2018-19 £000	2019-20 £000	2020-21 £000
Previously Identified Cost and Demand Pressures	1,535	2,355	2,265
New Cost and Demand Pressures	94	113	154
Allowance for unidentified cost and demand pressures	0	250	500
Revised Total Cost and Demand Pressures	1,629	2,718	2,919

4.4.5 A further review of cost and demand pressures will be carried out during October/November and any changes will be reported as part of the December budget outlook report. One area that will be looked at closely is the ASN requirement and also schools residential placements, both demand led services where costs can be subject to change.

4.5 Fees and Charges

4.5.1 The fees and charges inflationary estimate has not changed from the previous outlook. The estimate is based on a range of between 1% (worst case) to 5% (best case) with 3% being the mid-range assumption. The mid-range scenario

estimates £0.310m of fees and charges inflation each year.

4.6 Savings Already Agreed

4.6.1 The savings already agreed have not changed since the last estimate and the table below summarises what has been built into the outlook.

	2018-19 £000	2019-20 £000	2020-21 £000
Service Choices Savings	(1,301)	(1,301)	(1,301)
Management/Operational Savings Agreed February 2016	71	71	71
Efficiency Savings Agreed October 2016	(26)	(26)	(26)
Print Management Solution	(140)	(140)	(140)
Total Savings already agreed	(1,396)	(1,396)	(1,396)

4.7 Health and Social Care Partnership

4.7.1 As part of the 2017-18 budget settlement, Local Authorities were advised that they were able to adjust their allocation to the Integration Authorities in 2017-18 by up to their share of £80m below the level of budget agreed with their Integration Authority for 2016-17 (Argyll and Bute Share was £1.450m). Part of the reason that this was permitted was that Integrated Joint Boards received additional funding routed via Health. It had previously been assumed that a similar reduction could take place each year, however, on reflection, this assumption has been updated to assume a range of between no reduction (worst case) and £1.450m (best case) with a mid-range reduction of £0.725m. Further clarity on what will be permitted should be contained within the Local Government settlement.

4.7.2 It has also been assumed that the Health and Social Care Partnership will absorb any cost increases, however, this will ultimately be a decision for Members. Some of the Social Work pressures are similar to pressures on the Council side, however, some are specific to Social Work. The Council might reasonably have an expectation that some of these pressures will be met from resource being transferred from NHS to Social Work in line with the principles behind integration and that any relating to new policy commitments by Scottish Government would be fully funded.

4.7.3 A review of the cost and demand pressures for Social Work has been carried out and discussed with the HSCP Chief Financial Officer and the table below notes the mid-range scenario estimates. Further detail on the non-pay inflation and the other cost and demand pressures (excluding pay inflation and increments) is included within Appendix 4a and 4b.

	2018-19 £000	2019-20 £000	2020-21 £000
Pay Inflation	515	1,040	1,576
Pay Increments	62	126	189
Non-Pay Inflation	893	1,786	2,679
Older People Growth	1,071	2,190	3,360
Care Services for Younger Adults	482	986	1,512
Carer's Act new duties	400	400	400
Continuing Care for Looked After Children	233	477	734
Sleepovers	182	246	303
Lorne Campbell Court	30	30	30
Sleepover Provision in Education Hostels	96	96	96
National Care Home Contract	390	410	430
Total Cost Increase estimates for Social Work	4,354	7,787	11,309

4.8 Funding

Scottish Government Finance Settlement

- 4.8.1 The Scottish Government funding estimate has not changed since the previous outlook and the table below summarises the mid-range scenario estimates expressed in percentage terms and monetary value.

	2018-19 £000	2019-20 £000	2020-21 £000
% Change to Funding	-4.0%	-4.0%	-4.0%
Estimated SG Funding Reduction	(7,616)	(7,311)	(7,019)
Estimated SG Funding	182,781	175,470	168,451

Council Tax

- 4.8.2 The Council Tax assumptions were based on growth of the Council tax base of between 0.25% (worst case) and 0.75% (best case) with a mid-range of 0.50% in addition to a Council Tax increase equal to the Scottish Government cap of 3% in all three scenarios.
- 4.8.3 The Head of Customer and Support Services has reviewed the Council Tax income position, reflecting on the better than expected outturn in 2016-17. It is anticipated that the Council Tax income estimate could be increased by £0.600m as a result of two main reasons:
- Increased collection of double Council Tax on empty homes. It was anticipated that due to the double Council Tax charge that this income would decline, however, this hasn't been the case.
 - Increase to the overall Council Tax base – this takes into consideration the growth that is already included within the estimates, the official Council Tax base over the last 12 months has been nearly double the estimated level

due to reductions in discounts.

- 4.8.4 The table below summarises the estimated total funding in the mid-range scenario.

	2018-19 £000	2019-20 £000	2020-21 £000
Estimated SG Funding	182,781	175,470	168,451
Council Tax Base	45,476	45,476	45,476
Increase to Base	600	600	600
Council Tax Growth	227	462	706
3% Increase to Council Tax	1,371	2,797	4,280
Total Estimated Funding	230,455	224,805	219,513

4.9 Summary of Estimated Budget Gap

- 4.9.1 The table below summarises the revised estimated budget gap in the mid-range scenario.

	2018-19 £000	2019-20 £000	2020-21 £000
Base Budget	231,768	231,007	230,977
Employee Cost Changes	2,487	5,058	7,674
Non-Pay Inflation	910	1,820	2,730
Cost and Demand Pressures	1,629	2,718	2,919
Fees and Charges	(310)	(620)	(930)
Savings Already Agreed	(1,396)	(1,396)	(1,396)
HSCP Payment Adjustment	(725)	(1,450)	(2,175)
Total Estimated Expenditure	234,363	237,137	239,799
Total Estimated Funding	230,455	224,805	219,513
Updated Budget Surplus / (Gap) Cumulative	(3,908)	(12,332)	(20,286)
Updated Budget Surplus / (Gap) In Year	(3,908)	(8,424)	(7,954)

- 4.9.2 In the mid-range scenario, the budget gap estimated over the three year period 2018-19 to 2020-21 is £20.286m with a gap of £3.908m in 2018-19.

- 4.9.3 In contrast, the budget gap in the best case scenario over the three years is £11.052m with a gap of £0.852m in 2018-19 and in the worst case scenario, the budget gap over the three years is £33.994m with a gap of £8.541m in 2018-19.

4.9.4 The table below shows the movement in the mid-range budget gap since the budget outlook report in August.

	2018-19 £000	2019-20 £000	2020-21 £000
Budget Surplus / (Gap) Cumulative – August Outlook Report	(4,573)	(11,125)	(17,414)
European Projects one-off	249	0	0
Further Loans Charges Saving	1,000	1,000	1,000
Pay Award Assumption increase	(550)	(1,119)	(1,708)
Superannuation Saving	245	245	245
Increase to Non-Pay Inflation	(310)	(620)	(930)
Increase to Cost and Demand Pressures	(94)	(113)	(154)
Release provision for unidentified cost and demand pressure	250	250	250
HSCP Payment Adjustment	(725)	(1,450)	(2,175)
Increase to Council Tax Base	600	600	600
Budget Surplus / (Gap) Cumulative	(3,908)	(12,332)	(20,286)
Budget Surplus / (Gap) In Year	(3,908)	(8,424)	(7,954)

5. CONCLUSION

5.1 In the mid-range scenario, the budget gap estimated over the three year period 2018-19 to 2020-21 is £20.286m with a gap of £3.908m in 2018-19.

6. IMPLICATIONS

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|-----|--------------------|---|
| 6.1 | Policy - | Sets out the budget outlook that provides the financial envelope for policy decisions. |
| 6.2 | Financial - | Sets best, worst and mid-range scenarios in respect of the budget outlook. |
| 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 budget gap will need to consider equalities. |
| 6.6 | Risk - | None directly from this report but any proposals to address the forecast budget gap will need to consider risk. |
| 6.7 | Customer Service - | None directly from this report but any proposals to address the forecast budget gap will need to consider customer service. |

**Policy Lead for Strategic Finance and Capital Regeneration Projects -
Councillor Gary Mulvaney**

**Kirsty Flanagan
Head of Strategic Finance
5 October 2017**

APPENDICES:

Appendix 1 – Budget Outlook, Best, Worst and Mid-Range Scenarios

Appendix 2 – Non-Pay Inflation

Appendix 3a – Cost and Demand Pressures previously identified

Appendix 3b – New Cost and Demand Pressures

Appendix 4a – Social Work Non-Pay Inflation

Appendix 4b – Social Work Cost and Demand Pressures

	Best Case Scenario			Mid-Range Scenario			Worst Case Scenario		
	2018-19 £000	2019-20 £000	2020-21 £000	2018-19 £000	2019-20 £000	2020-21 £000	2018-19 £000	2019-20 £000	2020-21 £000
Base Budget	235,680	235,680	235,680	235,680	235,680	235,680	235,680	235,680	235,680
Base Budget Adjustments	(3,912)	(4,673)	(4,703)	(3,912)	(4,673)	(4,703)	(3,912)	(4,673)	(4,673)
Revised Base Budget	231,768	231,007	230,977	231,768	231,007	230,977	231,768	231,007	231,007
Pay Award	1,650	3,325	5,025	2,200	4,444	6,733	2,750	5,568	8,457
Pay Increments	0	0	0	327	654	981	654	1,308	1,962
Auto Enrolment	69	69	69	205	205	205	479	479	479
Employers Superannuation Budget no longer required	(245)	(245)	(245)	(245)	(245)	(245)	(245)	(245)	(245)
Total Employee Cost Changes (Council Services)	1,474	3,149	4,849	2,487	5,058	7,674	3,638	7,110	10,653
Non-Pay Inflation - Council Services	910	1,820	2,730	910	1,820	2,730	1,850	3,700	5,550
Universal Credit - HB Admin Grant	75	150	150	75	150	150	75	150	150
Local Plan Enquiry	0	90	0	0	90	0	0	90	0
New Schools Unitary Charges	1,206	1,555	1,555	1,206	1,555	1,555	1,206	1,555	1,555
Waste PPP Financial Model	254	560	560	254	560	560	254	560	560
Discretionary Business relief due to 2017 revaluations	13	13	13	13	13	13	13	13	13
Asbestos Management Plan	0	0	20	0	0	40	0	0	60
Carbon Reduction Scheme	0	0	0	0	13	13	0	25	25
Renewal of School and Public Transport Contracts Tیره	0	0	0	4	4	4	8	8	8
Renewal of School and Public Transport Contracts Mid Argyll	0	0	0	11	16	16	22	33	33
Removal of Fire and Rescue Scotland Contract	5	5	5	11	11	11	18	18	18
Regrading Catering Staff	35	36	37	55	56	57	75	76	77
General Allowance for Unidentified Cost and Demand Pressures	0	0	0	0	250	500	0	500	1,000
Total Cost and Demand Pressures	1,588	2,409	2,340	1,629	2,718	2,919	1,671	3,028	3,499
Fees and Charges	(517)	(1,034)	(1,551)	(310)	(620)	(930)	(103)	(206)	(309)
Savings Already Agreed	(1,396)	(1,396)	(1,396)	(1,396)	(1,396)	(1,396)	(1,396)	(1,396)	(1,396)
<i>Social Work Cost Pressures - For Information:</i>									
Pay Award - Social Work Services in HSCP	386	778	1,176	515	1,040	1,576	644	1,304	1,981
Pay Increments - Social Work in HSCP	0	0	0	63	126	189	126	252	378
Non-Pay Inflation - Social Work in HSCP	893	1,786	2,679	893	1,786	2,679	1,308	2,616	3,924
Older People Growth - Social Work in HSCP	714	1,450	2,208	1,071	2,190	3,360	1,428	2,942	4,547
Care Services for Younger Adults - Social Work in HSCP	0	0	0	482	986	1,512	964	2,014	3,159
Carer's Act New Duties - Social Work in HSCP	400	400	400	400	400	400	400	400	400
Continuing Care for Looked After Children - Social Work in HSCP	0	0	0	233	477	734	465	977	1,540
Sleepovers - Social Work in HSCP	111	143	172	182	246	303	222	286	343
Lorne Campbell Court - Social Work in HSCP	30	30	30	30	30	30	30	30	30
Sleepover provision in Education Hostels - Social Work in HSCP	96	96	96	96	96	96	96	96	96
National Care Home Contract - Social Work in HSCP	195	200	205	390	410	430	585	629	676
Fund Health and Social Care Cost Pressures	0	0	0	0	0	0	500	1,000	1,500
Health and Social Care Payment Adjustment	(1,450)	(2,900)	(4,350)	(725)	(1,450)	(2,175)	0	0	0
Total Adjustments to Health and Social Care Partnership	(1,450)	(2,900)	(4,350)	(725)	(1,450)	(2,175)	500	1,000	1,500
Total Estimated Expenditure	232,377	233,055	233,599	234,363	237,137	239,799	237,928	244,243	250,504
Scottish Government Grant	183,733	177,302	171,096	182,781	175,470	168,451	181,829	173,647	165,833
Council Tax	47,792	49,583	51,451	47,674	49,335	51,062	47,558	49,091	50,677
Total Funding	231,525	226,885	222,547	230,455	224,805	219,513	229,387	222,738	216,510
Budget Surplus / (Gap) Cumulative	(852)	(6,170)	(11,052)	(3,908)	(12,332)	(20,286)	(8,541)	(21,505)	(33,994)
Budget Surplus / (Gap) In Year	(852)	(5,318)	(4,882)	(3,908)	(8,424)	(7,954)	(8,541)	(12,964)	(12,489)

Department	Service	Inflation Category	Basis of Inflation	18-19 Inflation %	Inflation 2018-19 £000
Council Wide	Council Wide	Non Domestic Rates	Last year it was forecasted on RPI rate as at Q1 2017. The current rate of RPI has been used at present to allow consideration of the potential costs.	2.60%	128
Council Wide	Council Wide	Non Domestic Rates Relief	Last year it was forecasted on RPI rate as at Q1 2017. The current rate of RPI has been used at present to allow consideration of the potential costs.	2.60%	4
Council Wide	Council Wide	Computer Software	Software charges typically increase by RPI each year.	2.60%	18
Council Wide Total					150
Community Services	Education	Pre-Primary Partner Provider Uplift	Inflationary increase agreed as per service choices	1.00%	17
Community Services Total					17
Customer Services	Facility Services	Catering Purchases and Milk	Inflationary increase in line with 17-18 increase. Food costs increasing and unsure of impact of Brexit, butter prices have risen significantly which has a material impact (cost of cream for butter production has increased from 74p per litre to over £3).	5.00%	85
Customer Services	Facility Services	School and Public Transport Contract Fuel Uplifts	Inflation to fuel element of transport contracts based on projected fuel price increases. Only the fuel element of the contracts would be affected by this uplift.	3.90%	50
Customer Services	Special Projects	Community Pool Subsidies	Forecasted RPI rate for Q1 2018 has been used.	3.50%	22
Customer Services	NPDO	NPDO, Hub Schools	NPDO and Hub Schools contracts are subject to inflation year on year.	2.60%	342
Customer Services Total					499
Development and Infrastructure	Head of Economic Development	Events and Festivals	Service Level Agreements for Major Events & Festivals	2.50%	2
Development and Infrastructure	Roads and Amenities	Landfill Tax	Published predicted landfill taxes from Scottish Government	2.01%	58
Development and Infrastructure	Roads and Amenities	Waste PPP Contract	85% of RPIX between July 16 and July 17	3.29%	184
Development and Infrastructure Total					244
Grand Total					910

COST AND DEMAND PRESSURES 2018-19 TO 2020-21 (ALREADY IN BUDGET OUTLOOK)

APPENDIX 3a

Department	Service	Cost/Demand Pressure	Cost/Demand Pressure	Best Case Scenario			Mid-Range Scenario			Worst Case Scenario		
				2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
				£000	£000	£000	£000	£000	£000	£000	£000	£000
Development and Infrastructure	Planning and Regulatory Services	Local Plan Enquiry. There is a requirement for the Council to have a local plan enquiry every 5 years as part of legislation - as this is a one-off cost every five years there is no resource included within the current budget.	Local Plan Enquiry	0	90	0	0	90	0	0	90	0
Development and Infrastructure	Roads and Amenity	Waste Financial Model - This relates to the financial model that was developed, which forecast overall waste costs until 2039-40. The cost pressure is £254k in 18-19 and £560k in 19-20 and there is no additional cost pressure for 2020-21. However the landfill ban comes into place in January 2021 and it should be noted that this could lead to possible variations with the Shanks contract.	Waste Financial Model	254	560	560	254	560	560	254	560	560
Customer Services	Executive Director	Profile of the annual service payment (previously referred to as unitary charge) in respect of the new schools.	Annual Service Payment for New Schools	1,206	1,555	1,555	1,206	1,555	1,555	1,206	1,555	1,555
Customer Services	Customer and Support Services	Universal Credit "Full" Service goes live in May 2018. The DWP will reduce the Housing Benefit Administration Subsidy they pay to the Council from 2018/2019 as some claimants come off of Housing Benefit processed by Council staff and go onto Universal Credit processed by the DWP. It is too early to predict what the impact will be on the Council's caseload and at this stage we will not know the size of the funding reduction from DWP until December 2018. These figures represent our best estimates at this time.	Universal Credit - HB Admin Grant	75	150	150	75	150	150	75	150	150
TOTAL				1,535	2,355	2,265	1,535	2,355	2,265	1,535	2,355	2,265

NEW COST AND DEMAND PRESSURES 2018-19 to 2020-21

APPENDIX 3b

Department	Service	Cost/Demand Pressure	Best Case			Mid Range Scenario			Worst Case		
			2018-19 £000	2019-20 £000	2020-21 £000	2018-19 £000	2019-20 £000	2020-21 £000	2018-19 £000	2019-20 £000	2020-21 £000
Customer Services	Customer and Support Services	Increased cost to the Council of awarding discretionary relief to businesses in Argyll and Bute following the 2017 revaluation.	13	13	13	13	13	13	13	13	13
Customer Services	Facility Services	There is an ongoing need for the Council to manage the activities associated with delivery of the Asbestos Management Plan. An earmarked reserve equivalent to £90k per annum was agreed by the Council in FQ2 2017 which should allow the management arrangements to be funded until FQ2 2020 on the understanding that this provision is the subject of ongoing review. From a budgetary perspective, the worst case scenario is that funding of the anticipated staff resource will continue to be required beyond 2020.	0	0	20	0	0	40	0	0	60
Customer Services	Facility Services	The annual payment of allowances under the Carbon Reduction Commitment scheme ends in its present form on 31 March 2019. There is the risk that this may lead to the introduction of a more punitive regime.	0	0	0	0	13	13	0	25	25
Customer Services	Facility Services	Renewal of school and public transport contracts in Tiree in April 2018	0	0	0	4	4	4	8	8	8
Customer Services	Facility Services	Renewal of school and public transport contracts in Mid Argyll in July 2018	0	0	0	11	16	16	22	33	33
Customer Services	Facility Services	Removal of Fire and Rescue Scotland Contract (undergoing re-tender exercise at present)	5	5	5	11	11	11	18	18	18
Customer Services	Facility Services	Re-grading implications within Catering Services due to the impact of the Living Wage differentials.	35	36	37	55	56	57	75	76	77
TOTAL			53	54	75	94	113	154	136	173	234

Service	Inflation Category	Basis of Inflation	18-19 Inflation %	Inflation 2018-19 £000
All Social Work	Living Wage Increases	Inflationary increase for both the National Living Wage and the Scottish Living Wage for commissioned services - assumed 2.5% in the absence of the confirmed rate which won't be available until November 2017.		800
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%	49
Adult Care	Catering purchases and prepared meals in care homes, day centres, meals on wheels and lunch clubs.	Inflationary increase in line with 17-18 increase. Food costs increasing and unsure of impact of Brexit.	5.00%	12
Adult Care	Purchase and maintenance of OT Equipment	Inflationary increase based on RPI at September 2017 to reflect increased cost of buying specialist equipment to support people at home.	2.60%	6
Children and Families	Catering purchases and prepared meals in children's houses and hostels.	Inflationary increase in line with 17-18 increase. Food costs increasing and unsure of impact of Brexit.	5.00%	6
Children and Families	Adoption Allowances	Allowance rates and fees were not uplifted in 2017/18. Allowance has been made for an increase of 1% to allowances and fees.	1.00%	1
Children and Families	Fostering Allowances	Allowance rates and fees were not uplifted in 2017/18. Allowance has been made for an increase of 1% to allowances and fees.	1.00%	17
Children and Families	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%	2
				893

SOCIAL WORK COST AND DEMAND PRESSURES 2018-19 to 2020-21

APPENDIX 4b

Service	Cost/Demand Pressure	Cost/Demand Pressure	Best Case			Mid Range			Worst Case		
			2018-19 £000	2019-20 £000	2020-21 £000	2018-19 £000	2019-20 £000	2020-21 £000	2018-19 £000	2019-20 £000	2020-21 £000
Adult Care	Care Services for Older People: Relates to increasing demand for services from older people. The best case scenario reflects an annual increase in demand of 3% per annum, the mid-range reflects an increase of 4.5% and the worst case reflects an increase of 6%.	Care Services for Older People	714	1,450	2,208	1,071	2,190	3,360	1,428	2,942	4,547
Adult Care	Care Services for Younger Adults: Disabled people are living longer and they require more complex support as they age. Additionally, their carers, typically elderly parents, are increasingly no longer able to support their disabled children. The best case assumes new demand will be met from attrition or reductions in existing services, the mid-range reflects demand of 4.5% and the worst case reflects demand of 9%, the latter reflecting the highest annual increase in demand which occurred in 2016/17.	Care Services for Younger Adults	0	0	0	482	986	1,512	964	2,014	3,159
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.	Carers Act - New Statutory duties	400	400	400	400	400	400	400	400	400
Children and Families	Continuing Care of Looked After Children: 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. The best case assumes new cases will be met from changes to existing cases, the mid-range 5% increase and the worst case 10% increase - average increase between 2014-15 to 2017-18 has been 6%.	Continuing Care of Looked After Children	0	0	0	233	477	734	465	977	1,540
Adult Services	Sleepovers: Reflects the estimated cost of bringing the rates paid for sleepovers into line with the Scottish Living Wage. Best case reflects the impact if the provision levels can be reduced sufficiently that the savings produced offset the additional costs. The mid-range estimate reflects the impact if demand remains constant and the SSG provides additional funding. The worst case scenario reflects the estimated cost if no additional government funding is provided.	Sleepovers- -Night Rates	111	143	172	182	246	303	222	286	343
Adult Services	Free Personal Care for Under 65s: Newly announced Scottish Government commitment to extend free personal care to under 65s. Details on timescales, criteria and funding are unknown at this time therefore it is not possible to quantify the cost pressure.	Free Personal Care for over 65's	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Adult Services	Lorn Campbell Court: Estimated additional funding required to deliver a progressive care service at Lorn Campbell Court. The service model is being finalised at the moment and this pressure will be updated after completion. The full cost is likely to be in the region of £400k with £370k already provided for in 2017/18.	Progressive Care Service - Lorn Campbell Court	30	30	30	30	30	30	30	30	30
Children and Families	Sleepover Provision in Education Hostels: Arising as a result of the requirement to bring sleepover rates into line with the National Living Wage.	Sleepover provision	96	96	96	96	96	96	96	96	96
Adult Services	National Care Home Contract: Contract rates are negotiated on an annual basis with representatives of the Scottish care home sector by Scotland Excel. The best case scenario figures provided are based on an annual increase of 2.5%, reflecting the estimated increase in the Scottish Living Wage. The mid range reflects an increase of 5% and the worst case 7.5%.	National Care Home Contracts	195	200	205	390	410	430	585	629	676
			1,546	2,319	3,111	2,884	4,835	6,865	4,190	7,374	10,791