

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 and 19 October 2017. This report provides Members with a further update to the position. It summarises the figures contained in the August report and provides detail on any assumptions that have been updated.
- 1.2 Within the October budget outlook, I advised that loan charges were being reviewed and there was scope to remove at least £1m with the potential to remove more; this was reflected in the October budget outlook report. A detailed review of the current loans charges assumptions has now been concluded and it is estimated that a further £1.2m, in addition to the £1m reported in October, can be removed from the loans charges budget. The level of loans charges budget remaining reflects the previous Council decisions in respect of capital spending and also the approved capital plan through to 2019-20. Should Members wish to provide for additional capital budget via prudential borrowing, then revenue budget would need to be identified to pay for this. This is a matter for Members to decide. The current estimate is that £1.4m of capital expenditure would cost £0.100m in loans charges.
- 1.3 There is a reduction of £0.002m to the previous employee estimate. This has arisen due to an overall reduction in the employee base offset by a higher than estimated cost in respect of increments and inflation. The reduction to the employee base is summarised in paragraph 4.2.3 of the report.
- 1.4 A further review of non-pay inflation has been carried out and one further area of inflation has been identified in respect of the Street Lighting Electricity budget and this amounts to £0.020m. This estimate is in line with the expectations of the financing model for the LED replacement project.
- 1.5 A further review of cost and demand pressures has been carried out and two new cost and demand pressures have been identified:
- ASN – new and increased demand for the service - £0.134m for 2018-19.
 - Reduction in rental income from Statutory Homeless Households placed in Council managed temporary accommodation - £0.088m for 2018-19.
- 1.6 The management/operational savings reported to Council on 26 October 2017 have now been reflected in the budget outlook. They amount to £0.620m rising to £1.245m by 2020-21.
- 1.7 In the mid-range scenario, the budget gap estimated over the three year period

2018-19 to 2020-21 is £18.140m with a gap of £2.328m in 2018-19.

- 1.8 In contrast, the budget gap in the best case scenario over the three years is £9.039m with a surplus of £0.591m in 2018-19 and in the worst case scenario, the budget gap over the three years is £31.648m with a gap of £6.755m in 2018-19. A summary of the best case, worse case and mid-range scenario is included as Appendix 1.
- 1.9 There are a number of policy savings options that have been identified and included within the budget consultation. These will be considered as part of the budget meeting in February. If **all** savings options are accepted, the budget gap in the mid-range scenario reduces to £12.375m by 2020-21 with a gap of £0.480m in 2018-19. These estimates have been included purely for illustrative purposes as this is a matters for Members to decide.
- 1.10 Members are asked to consider the current estimated budget outlook position 2018-19 to 2020-21.

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 and 19 October 2017. This report provides Members with a further update to the position. It summarises the figures 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.

4. DETAIL**4.1 Base Budget**

- 4.1.1 The base budget, as reported within the October outlook report, is the 2017-18 budget adjusted for any one-off items agreed as part of the budget and other adjustments that impact the base.
- 4.1.2 The one-off items adjusted for were:
- Removal of HSCP funding for 2017-18 only.
 - Removal of one-off funding for amenity services.
 - Removal of one-off cost pressure for Catering and Cleaning post on a spend to save basis.
 - Removal of one-off reduction to loans charges.
 - Removal of one-off reduction to new schools NDR costs.
- 4.1.3 The other base adjustments were in relation the following:
- Removal of funding allocated over the last four years for painting Education establishments.
 - Reduction to loan charges due to debt profile changes in addition to further savings in loans charges.

- Reduction to Argyll and the Isles Tourism funding as previously agreed.
- Additional cost required for the settled pay award for 2017-18.
- Release of surplus balances sitting against two European Projects.

4.1.4 Within the October budget outlook, I advised that loan charges were being reviewed and there was scope to remove at least £1m with the potential to remove more; this was reflected in the October budget outlook report. A detailed review of the current loans charges assumptions has now been concluded and it is estimated that a further £1.2m, in addition to the £1m reported in October, can be removed from the loans charges budget. The level of loans charges budget remaining reflects the previous Council decisions in respect of capital spending and also the approved capital plan through to 2019-20.

4.1.5 The loans charges budget is a particularly complex area, with many assumptions and different approaches. For example, length of repayment periods in respect of capital advances, borrowing decisions, use of cash balances and cash flow. The review took into consideration:

- The current maturity profile of the principal repayments.
- The anticipated level of new advances (based on the current capital plan), the timing of the advances and the type of asset being procured to determine the annual repayment to be charged to revenue.
- The current external loans to determine the interest which is payable in respect of these loans.
- The likely levels of new borrowing and the interest rates which may be payable.
- The estimated level of investments and the estimated rate of return.

The outputs of the review above are then combined to produce the overall estimate of the level of loans charges which require to be funded by the revenue budget.

4.1.6 The savings come from a number of factors including:

- Lower interest rates on replacement borrowing.
- Lower interest rates than forecast on new borrowing.
- Lower cost of borrowing as cash balances are being used.
- Lower level of capital advances where there has been slippage in the capital programme.

4.1.7 It should be noted that the impact of a rise in interest rates, likely in the medium term, will have little impact on the Council's interest payments as the vast majority of the Council's loans are at fixed rates.

4.1.8 As previously noted, the level of loans charges budget remaining reflects the previous Council decisions in respect of capital spending and also the approved capital plan through to 2019-20. Should Members wish to provide for additional capital budget via prudential borrowing, then revenue budget would need to be identified to pay for this. This is a matter for Members to decide. The current estimate is that £1.4m of capital expenditure would cost £0.100m in loans

charges.

4.1.9 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 already reported	(1,626)	(1,626)	(1,626)
Other base adjustments already reported	(2,286)	(3,047)	(3,077)
Further reduction to loans charges	(1,200)	(1,200)	(1,200)
Revised Base Budget	230,568	229,807	229,777

4.2 Employee Cost Changes

4.2.1 The employee cost change assumptions included in the previous budget outlook reports related to the pay award, increments, the cost of auto enrolment and the saving in superannuation payments.

4.2.2 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 (assuming pay inflation at mid-range scenario assumption 2%), 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.

4.2.3 In terms of the level of employee budgets for 2018-19, the expectation would be that the budget would reflect the 2017-18 budget plus any increase due to incremental progression, inflation and any other unavoidable employee cost increases less previously approved employee budget savings. For 2018-19 there is an overall saving on the employee budget base of £0.382m. The main reasons for the reduction to employee budget base are summarised below:

- Education – reduction of £0.184m which reflects a year on year reduction to school roll related teacher entitlements; there remains sufficient budget provision within Education to meet the pupil teacher ratio and total FTE as per the 2016 census return.
- Customer and Support Services – reduction of £0.049m mainly due to staff turnover and a reduced cost of superannuation.
- Roads and Amenity Services - reduction of £0.179m due to turnover of staff who are on a lower spinal column point, removal of obsolete post and a reduction in overtime and standby.

4.2.4 The cost of the pay inflation and increments as well as the changes to the employee base are compared to the original estimate included within the budget outlook and the table below summarises a £0.002m reduction to the budget gap within the mid-range scenario.

Category	Budget Outlook Mid-Range £000	Draft 2018-19 Budget £000	Increase (Decrease) to Budget Gap £000
Pay Award (includes base pay award, NI & SA as a result of pay award and Living Wage)	2,200	2,243	43
Increments	327	664	337
Change to Employee Base	0	(382)	(382)
Total	2,527	2,525	(2)

4.2.5 The actual cost of increments and the change to the employee base will be updated in both the best and worst case scenarios, however, the pay award estimates of 1.5% (best case) and 2.5% (worst case) will remain as pay negotiations for 2018-19 are still outstanding.

4.2.6 In respect of auto enrolment, I noted in the previous budget outlook report that all eligible staff will require to be auto enrolled on 1 October 2017. It has been assumed, for the mid-range scenario, that 60% of staff auto enrolled would remain in the scheme at a cost of £0.205m (half year), £0.410m (full year). It was the intention to provide detail of the actual costing within this budget outlook update, however, it is expected that there will be opt outs following the LGE staff pay date on 14 November and the auto enrolment cost will be calculated following this. It will also be reviewed over the next three months to keep track of any further opt-outs with any budget estimate reduced accordingly.

4.2.7 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 October report.	2,487	5,058	7,674
Change to employee costs following salary template analysis.	(2)	(2)	(2)
Revised Total Employee Cost Changes	2,485	5,056	7,672

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 and reported as part of the October budget outlook report. One further area of inflation has been identified in respect of the Street Lighting Electricity budget and this amounts to £0.020m. This estimate is in line with the expectations of the financing model for the LED replacement project.

4.3.2 The table below summarises the non-pay inflation increases in the mid-range scenario, with further detail provided within Appendix 2.

	2018-19 £000	2019-20 £000	2020-21 £000
Non-Pay Inflation as per October report.	910	1,820	2,730
Street Lighting Electricity	20	40	60
Revised Total Non-Pay Inflation	930	1,860	2,790

4.4 Cost and Demand Pressures

4.4.1 A review of the cost and demand pressures required in 2018-19 was carried out during September and reported as part of the October budget outlook report. A further review was carried out during October/November and a further two cost and demand pressures have been identified as noted in the table below, with further detailed provided in Appendix 3b.

	2018-19 £000	2019-20 £000	2020-21 £000
ASN – new and increased demand for the service	134	134	134
Reduction in rental income from Statutory Homeless Households placed in Council managed temporary accommodation.	88	97	107
Total	222	231	241

4.4.2 The table below summarises the total cost and demand pressures in the mid-range scenario for Council services with further detail provided within Appendix 3a and 3b.

	2018-19 £000	2019-20 £000	2020-21 £000
Cost and Demand Pressures as per October report.	1,629	2,718	2,919
New Cost and Demand Pressures	222	231	241
Revised Total Cost and Demand Pressures	1,851	2,949	3,160

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 There are a number of savings already agreed in relation to service choices savings, management and operational savings agreed in February 2016, efficiency savings agreed in October 2016 and savings as a result of the print management solution currently being implemented. These were reported and included in the previous budget outlook.

4.6.2 At the Council meeting on 26 October 2017, Members were advised that in view of future savings requirements, a Transformation Board was established to oversee all the Council's transformational opportunities. A significant area of work for the Board over the short to medium term is to challenge services to deliver savings. Officers have been working on identifying savings for their service to match the minimum target set by the Transformation Board. The aim was for the savings options to be transformational in nature. Some of the savings options identified have no policy implications, will not result in voluntary or compulsory redundancy and are in effect management/operational savings that management will go ahead and implement as part of normal business. Policy options have also been identified and Council agreed that they would be included within the budget consultation and considered at the budget meeting in February 2018.

4.6.3 The table below summarises the already agreed savings in addition to the new management/operational savings.

	2018-19 £000	2019-20 £000	2020-21 £000
Savings already agreed and included in previous budget outlook	(1,396)	(1,396)	(1,396)
New management/operational savings reported October	(620)	(919)	(1,245)
Revised Total Savings	(2,016)	(2,315)	(2,641)

4.7 Health and Social Care Partnership

4.7.1 The assumptions for the Health and Social Care Partnership have not changed since the previous budget outlook. It is assumed that a reduction could be applied to our payment to the partnership 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 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.

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 an increase to the Council Tax base of £0.600m reflecting increased collection of double Council Tax on empty homes in addition to an overall increase in the base, further 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. These assumptions have not changed since the last budget outlook report.

4.8.3 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	230,568	229,807	229,777
Employee Cost Changes	2,485	5,056	7,672
Non-Pay Inflation	930	1,860	2,790
Cost and Demand Pressures	1,851	2,949	3,160
Fees and Charges	(310)	(620)	(930)
Savings Already Agreed	(2,016)	(2,315)	(2,641)
HSCP Payment Adjustment	(725)	(1,450)	(2,175)
Total Estimated Expenditure	232,783	235,287	237,653
Total Estimated Funding	230,455	224,805	219,513
Updated Budget Surplus / (Gap) Cumulative	(2,328)	(10,482)	(18,140)
Updated Budget Surplus / (Gap) In Year	(2,328)	(8,154)	(7,658)

4.9.2 In the mid-range scenario, the budget gap estimated over the three year period 2018-19 to 2020-21 is £18.140m with a gap of £2.328m in 2018-19.

4.9.3 In contrast, the budget gap in the best case scenario over the three years is £9.039m with a surplus of £0.591m in 2018-19 and in the worst case scenario, the budget gap over the three years is £31.648m with a gap of £6.755m in 2018-19. A summary of the best case, worse case and mid-range scenario is included as Appendix 1.

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

	2018-19 £000	2019-20 £000	2020-21 £000
Budget Surplus / (Gap) Cumulative – October Outlook Report	(3,908)	(12,332)	(20,286)
Further Loans Charges Saving	1,200	1,200	1,200
Employee Cost Changes	2	2	2
Increase to Non-Pay Inflation	(20)	(40)	(60)
Increase to Cost and Demand Pressures	(222)	(231)	(241)
New management/operational savings reported October	620	919	1,245
Budget Surplus / (Gap) Cumulative	(2,328)	(10,482)	(18,140)
Budget Surplus / (Gap) In Year	(2,328)	(8,154)	(7,658)

4.9.5 As previously noted, there are a number of policy savings options that have been identified and included within the budget consultation. These will be considered as part of the budget meeting in February 2018. The table below illustrates the revised budget gap if **all** savings options are accepted, however, this is a matter for Members to decide.

	2018-19 £000	2019-20 £000	2020-21 £000
Budget Surplus / (Gap) Cumulative – as noted above	(2,328)	(10,482)	(18,140)
Policy Savings Options included in budget consultation	1,848	3,866	5,765
Budget Surplus / (Gap) Cumulative	(480)	(6,616)	(12,375)
Budget Surplus / (Gap) In Year	(480)	(6,136)	(5,759)

5. CONCLUSION

5.1 In the mid-range scenario, the budget gap estimated over the three year period 2018-19 to 2020-21 is £18.140m with a gap of £2.328m in 2018-19.

6. IMPLICATIONS

- 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
22 November 2017**

APPENDICES:

- Appendix 1 – Budget Outlook, Best, Worst and Mid-Range Scenarios
- Appendix 2 – Non-Pay Inflation
- Appendix 3 – 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	(5,112)	(5,873)	(5,903)	(5,112)	(5,873)	(5,903)	(5,112)	(5,873)	(5,873)
Revised Base Budget	230,568	229,807	229,777	230,568	229,807	229,777	230,568	229,807	229,807
Pay Award	1,650	3,325	5,025	2,243	4,487	6,776	2,750	5,568	8,457
Pay Increments	664	664	664	664	991	1,318	664	1,318	1,972
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)
Change to employee base	(382)	(382)	(382)	(382)	(382)	(382)	(382)	(382)	(382)
Total Employee Cost Changes (Council Services)	1,756	3,431	5,131	2,485	5,056	7,672	3,266	6,738	10,281
Non-Pay Inflation - Council Services	930	1,860	2,790	930	1,860	2,790	1,870	3,740	5,610
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
ASN - new and increased demand for the service in 2018-19	0	0	0	134	134	134	268	268	268
Reduction in rental income from Statutory Homeless Households placed in Council managed temporary accommodation.	75	82	90	88	97	107	118	130	143
General Allowance for Unidentified Cost and Demand Pressures	0	0	0	0	250	500	0	500	1,000
Total Cost and Demand Pressures	1,663	2,491	2,430	1,851	2,949	3,160	2,057	3,426	3,910
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)
New Management/Operational Savings identified October 2017	(620)	(919)	(1,245)	(620)	(919)	(1,245)	(620)	(919)	(1,245)
Total Savings	(2,016)	(2,315)	(2,641)	(2,016)	(2,315)	(2,641)	(2,016)	(2,315)	(2,641)
<i>Social Work Cost Pressures - For Information:</i>									
<i>Pay Award - Social Work Services in HSCP</i>	386	778	1,176	523	1,049	1,585	644	1,304	1,981
<i>Pay Increments - Social Work in HSCP</i>	87	87	87	87	150	213	87	213	339
<i>Change to employee base - Social Work in HSCP</i>	107	107	107	107	107	107	107	107	107
<i>Non-Pay Inflation - Social Work in HSCP</i>	893	1,786	2,679	893	1,786	2,679	1,308	2,616	3,924
<i>Older People Growth - Social Work in HSCP</i>	714	1,450	2,208	1,071	2,190	3,360	1,428	2,942	4,547
<i>Care Services for Younger Adults - Social Work in HSCP</i>	0	0	0	482	986	1,512	964	2,014	3,159
<i>Carer's Act New Duties - Social Work in HSCP</i>	400	400	400	400	400	400	400	400	400
<i>Continuing Care for Looked After Children - Social Work in HSCP</i>	0	0	0	233	477	734	465	977	1,540
<i>Sleepovers - Social Work in HSCP</i>	111	143	172	182	246	303	222	286	343
<i>Lorne Campbell Court - Social Work in HSCP</i>	30	30	30	30	30	30	30	30	30
<i>Sleepover provision in Education Hostels - Social Work in HSCP</i>	96	96	96	96	96	96	96	96	96
<i>National Care Home Contract - Social Work in HSCP</i>	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	230,934	231,340	231,586	232,783	235,287	237,653	236,142	242,190	248,158
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	591	(4,455)	(9,039)	(2,328)	(10,482)	(18,140)	(6,755)	(19,452)	(31,648)
Budget Surplus / (Gap) In Year	591	(5,046)	(4,584)	(2,328)	(8,154)	(7,658)	(6,755)	(12,697)	(12,196)

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	Roads and Amenities	Street Lighting Electricity	3% increase in line with the expectations of the financing model for the LED replacement project.	3.00%	20
Development and Infrastructure Total					264
Grand Total					930

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

APPENDIX 3a

Department	Service	Cost/Demand Pressure	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
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	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.	75	150	150	75	150	150	75	150	150
Customer Services	Executive Director	Profile of the annual service payment (previously referred to as unitary charge) in respect of the new schools.	1,206	1,555	1,555	1,206	1,555	1,555	1,206	1,555	1,555
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

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

APPENDIX 3a

Department	Service	Cost/Demand Pressure	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
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
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.	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.	254	560	560	254	560	560	254	560	560
Council Wide	Council Wide	General provision for unidentified Cost and Demand Pressures	0	0	0	0	250	500	0	500	1,000
TOTAL			1,588	2,409	2,340	1,629	2,718	2,919	1,671	3,028	3,499

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
Community Services	Education	The demand for ASN support in Argyll and Bute has continued to grow with children and young people presenting with complex additional support needs and, as a result it hasn't been possible to reduce the number of ASN assistant posts as anticipated while ensuring legislative compliance. It is anticipated that this will continue into 2018/19. The worst case scenario represents a 0.5% increase, the best case represents no increase, with the mid-range being a 0.25% increase in provision as a result of new and increased demand for the service.	0	0	0	134	134	134	268	268	268
Development and Infrastructure	Planning Housing and Regulatory Services	Reduction in rental income from Statutory Homeless Households placed in Council managed temporary accommodation. The implementation of Full Service Universal Credit in May 2018 will result in households getting a direct payment of Universal Credit instead of housing benefit being paid direct to the Council. The Universal Credit housing element will not cover the full rent charge in all cases where the household is single and under 35 due to the limitations in the rent element prescribed by the Department of Work and Pensions (DWP). The increased costs over the years is based on a year on year increase in homeless applications of 10%. The Scottish Government has recognised this cost pressure and is anticipated to notify the Council In December 2017 of a settlement figure which we hope will mitigate these risks when transferred into the Housing Services budget.	75	82	90	88	97	107	118	130	143
TOTAL			75	82	90	222	231	241	386	398	411

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