

BUDGET OUTLOOK 2020-21 TO 2022-23

1. EXECUTIVE SUMMARY

- 1.1 This report provides an update to the budget outlook 2020-21 to 2022-23, reported to the Policy and Resources Committee on 16 May 2019. The estimates within the report are based on the mid-range scenario with best and worst case scenarios noted in Appendix 1.
- 1.2 The assumptions in respect of future years Scottish Government funding remain unchanged, however, the base funding figure has been updated to include the teachers' pay award funding of £2.366m for 2019-20 advised on 21 June 2019. The assumption is estimated to be within a range of 1.5% (best case) and 2.5% (worst case) with a mid-range of 2.0%.
- 1.3 There are no changes to my previous assumptions around the growth in Council Tax. It has been assumed that for the best case scenario this would be 0.75%, worst case 0.25% and mid-range 0.5%.
- 1.4 The funding in respect of Teachers Pensions has been updated to reflect the revised estimates following the deferral of the rate increase from 1 April 2019 to 1 September 2019 and also the further increase in rate from 1 September 2019. Due to the deferral of the rate increase, a surplus is created within 2019-20 and this can be earmarked until March 2023 to pay for the cost of the additional increased rate.
- 1.5 There are no changes to the base budget since the report on 16 May 2019.
- 1.6 The assumptions in respect of employee costs for Council services were previously noted as follows:
- Pay award for 2020-21 as agreed per the multi-year pay deal.
 - Pay award of between 2.7% and 3.5%, with mid-range 3% for 2021-22 and 2022-23.
 - Increments between zero and £0.848m with mid-range £0.424m.
 - Further increase to the teachers' employer contribution rate.
- The only change is to build in the additional cost in respect of the teacher pay deal agreed for 2019-20, which has matched funding in 2019-20. This additional cost gives rise to further inflationary increases in line with the assumptions noted above.
- 1.7 For non-pay inflation, only unavoidable/inescapable inflation has been built in for the best case and mid-range scenarios, with an additional 1% general inflation built into the worst case scenario.

- 1.8 There are a number of cost and demand pressures for Council services built into each scenario. There are three new pressures included within this report:
- Universal Credit – HB Admin grant
 - Asbestos Management Plan
 - ASN Demand
 - NEW – SEEMIS membership fee
 - NEW – Third Sector Recycling
 - NEW – Oracle support costs.
- 1.9 In addition to the identified cost and demand pressures an allowance for unidentified cost and demand pressures has been included in mid-range and worst case scenarios of between £0.250m and £0.500m per year.
- 1.10 There are two known costs pressures that have not been quantified at this stage in relation to the Waste Strategy/ban on Biodegradable Municipal Waste and the consolidation of the Living Wage. At this stage there are no further updates on these pressure, but they remain as unquantified pressures. Officers have been liaising with Rothesay Pavilion Trust who have been reviewing their 5 year business plan to assess whether the level of subsidy previously agreed by the Council is sufficient. Further information will be presented to Committee once known.
- 1.11 There is a political decision to be made as to the future allocation to the Health and Social Care Partnership. As part of the budget agreed in February 2019, indicative allocations for 2020-21 and 2021-22 were agreed on the basis of current year funding less 1%. This indicative position has been included as the mid-range scenario with the 1% reflected in 2022-23 also. In order to reflect different scenarios within the budget outlook, I have assumed a reduction equal to the mid-range Scottish Government funding reduction (2%) within the best case scenario and assumed a flat cash basis in the worst case scenario. These are only assumptions and it will be a matter for Council to consider as part of the budget process next year.
- 1.12 For Live Argyll, I have assumed the increase in 2020-21 as previously agreed by the Policy and Resources Committee on 17 August 2017. For 2021-22 and 2022-23 I have assumed a reduction equal to the mid-range Scottish Government Funding reduction (2%) within the best case scenario, a 1% reduction within the mid-range scenario and a flat cash basis in the worst case scenario. These are only assumptions and it will be a matter for Council to consider as part of the budget process next year.
- 1.13 The budget gap in the mid-range scenario after allowing for the current base commitments, employee adjustment, non-pay inflation and cost and demand pressures and not factoring in any previous savings decisions or future potential options is an estimated gap over the three year period of £25.326m with a gap of £8.586m in 2019-20.
- 1.14 The measures to balance the budget over the next three years are as follows:
- Inflationary increase on fees and charges of between 1% (worst case) and 5% (best case) with a mid-range of 3%.

- Adjustment to previously agreed catering and cleaning saving in connection with shared services. I have assumed full delivery of the previously agreed saving of £0.446m in 2020-21 in the best case scenario and £0.172m of savings in the mid-range and worst case scenario by year 2021-22.
 - Previously agreed management/operational and policy savings options.
 - Proposed increase to Council Tax (4.79% in best case, 3% in mid-range and no increase in worst case scenario).
- 1.15 In the mid-range scenario, the budget gap estimated over the three year period 2020-21 to 2022-23 is £18.090m with a gap of £5.158m in 2020-21.
- 1.16 In contrast, the budget gap in the best case scenario over the three years is £6.036m with a gap of £1.499m in 2020-21 and in the worst case scenario, the budget gap over the three years is £33.444m with a gap of £9.386m in 2020-21. A summary of all three scenarios is included within Appendix 1.
- 1.17 It is recommended that the Policy and Resources Committee:
- a) Consider the current estimated budget outlook position for the period 2020-21 to 2022-23.
 - b) Refer to Council to agree the earmarking of the surplus budget in 2019-20 in relation to teachers pensions as a result of the decision by Scottish Government to defer the pension increase from 1 April 2019 to 1 September 2019.

BUDGET OUTLOOK 2020-21 TO 2022-23

2. INTRODUCTION

- 2.1 This report provides an update to the budget outlook 2020-21 to 2022-23, reported to the Policy and Resources Committee on 16 May 2019.
- 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 It is recommended that the Policy and Resources Committee:
- c) Consider the current estimated budget outlook position for the period 2020-21 to 2022-23.
 - d) Refer to Council to agree the earmarking of the surplus budget in 2019-20 in relation to teachers pensions as a result of the decision by Scottish Government to defer the pension increase from 1 April 2019 to 1 September 2019.

4. DETAIL**4.1 Funding****Scottish Government Finance Settlement**

- 4.1.1 The only change affecting the future funding assumptions is in respect of the additional income advised by letter on 21 June 2019 in respect of the teachers' pay award. Scottish Government agreed to distribute an additional £141m in 2019-20 as their contribution towards the pay award which covers the impact of the enhancement to COSLA's original pay offer to increase it from 2% to 3% for those earning more than £36,500 in 2018-19. It also covers the policy intervention in relation to the maingrade restructuring and the revaluation of all other SNCT payscales from 1 April 2019 as agreed with COSLA. The additional income is £2.366m in 2019-20 and this is matched by an increase to the expenditure budget (see para 4.3.2).
- 4.1.2 For future years, the assumption is unchanged and is estimated to be between a range of 1.5% (best case) and 2.5% (worst case) with a mid-range of 2.0% using a revised base funding figure that includes the teachers' pay award funding noted above.

- 4.1.3 The table below summarises the mid-range scenario estimates expressed in percentage terms and monetary value.

	2020-21 £000	2021-22 £000	2022-23 £000
% Change to Funding	-2.0%	-2.0%	-2.0%
Estimated SG Funding Reduction	(3,874)	(3,797)	(3,721)
Estimated SG Funding	189,837	186,040	182,319

Council Tax

- 4.1.4 There are no changes to my previous assumptions around the growth in Council Tax. It has been assumed that for the best case scenario this would be 0.75%, worst case 0.25% and mid-range 0.5%. The Council tax increase is included within paragraph 4.9.2 of this report.

UK Government Funding for Teachers Pensions

- 4.1.5 The employer contribution rate for Teacher's Pensions was due to increase from 17.2% to 22.4% for the period 1 April 2019 to 31 March 2023. It was anticipated, as per a letter from the Cabinet Secretary for Finance, Economy and Fair Work that Scottish Government would fund 79% of the cost, meaning only 21% of the cost would have to be funded by the Local Authority. A full year additional cost of £1.846m and additional funding of £1.458m had been budgeted for 2019-20, a net cost of £0.388m.
- 4.1.6 The increase has since been deferred to 1 September 2019 but in deferring the increase, the rate has increased by a further 0.6% to 23%, which reflected the same cost over the remaining length of the agreement.
- 4.1.7 The total funding for the 6 month period in 2019-20 was advised by letter on 6 June 2019 to be £60.803m and this will be distributed based on the December 2018 Teacher number figures, with our share being £1.021 (£0.458m less than originally budgeted). As the increase was deferred until 1 September, the cost within 2019-20 is £0.667m less than budgeted for. The net surplus within 2019-20 is therefore £0.230m (£0.667m less £0.458m). This surplus can be earmarked until March 2023 to pay for the cost of the 0.6% increased rate each year, at which point the rate will be subject to further review.
- 4.1.8 In terms of the budget outlook and the future years estimate; the increased full year cost based on the rate of 23% (also reflecting the new teacher grading changes) is £2.147m and it is assumed that Scottish Government would continue to fund 79% of the cost, £1.696m. This gives a net cost to the Council of £0.451m, £0.063m more than first budgeted.
- 4.1.9 The table below summarises the estimated total funding in the mid-range scenario.

	2020-21 £000	2021-22 £000	2022-23 £000
Estimated SG Funding	189,837	186,040	182,319
Council Tax Base	50,457	50,457	50,457
Council Tax Growth	252	506	761
UK Government Funding for Teachers Pensions	1,696	1,696	1,696
Earmarked Reserve funding brought forward for Teachers Pensions	63	63	63
Total Estimated Funding	242,305	238,762	235,296

4.2 Base Budget

4.2.1 The starting point for the base budget for 2020-21 is the 2019-20 approved budget adjusted for any one-off items as well as any other items that have an impact on the base.

4.2.2 There are adjustments required to the base budget from decisions by Council on 22 February 2018 and 21 February 2019, noted as follows:

	2020-21 £000	2021-22 £000	2022-23 £000
Base Budget 2019-20	243,048	243,048	243,048
Increase loans charges budget by £0.100m from 2020-21 to pay for prudential borrowing cost of £2.8m of capital expenditure on roads – agreed 22 February 2018	100	100	100
Remove Mod baseline funding from 2020-21 as additional one-off funding was agreed in 2019-20 and the base budget is no longer required – agreed 21 February 2019	(40)	(40)	(40)
Reduce budget for Events and Festivals to £0.090m from 2020-21 – agreed 21 February 2019	(23)	(23)	(23)
Reduce budget for Supporting Communities Fund to £0.090m from 2020-21 – agreed 21 February 2019	(8)	(8)	(8)
Local Plan Enquiry Cost Pressure of £0.068m agreed for 2019-20 to be reduced to £0.022m in 2020-21 and zero from 2021-22 – agreed 21 February 2019	(46)	(68)	(68)
Total	243,031	243,009	243,009

4.3 Employee Cost Changes

Pay Award

- 4.3.1 There are no changes to my previous assumptions around Local Government staff. A multi-year pay deal was agreed in March for SJC employees, Craft Workers and Chief Officers up to 2020-21 and this gives us certainty on the cost of the pay award to then. For 2021-22 and 2022-23 it has been assumed that the pay award would be within the range of 2.7% (best case) and 3.5% (worst case) with a mid-range of 3%
- 4.3.2 In terms of teachers, a pay deal was agreed covering the years 2018-19 to 2020-21. Additional funding was advised on 21 June in relation to 2019-20 which covers the impact of the enhancement COSLA's original pay offer to increase it from 2% to 3% for those earning more than £36,500 in 2018-19. It also covers the policy intervention in relation to the maingrade restructuring and the revaluation of all other SNCT pay scales from 1 April 2019 as agreed with COSLA. Finance staff have now concluded the calculations revising the teachers salary costs and the additional funding of £2.366m is sufficient to cover the cost in 2019-20. The funding has been built into future estimates (see para 4.1.1) and the additional expenditure is also built in.
- 4.3.3 As with Local Government employees the pay award in 2020-21 is known and the estimate is therefore much more certain. For 2021-22 and 2022-23 it has been assumed that the pay award would be within the range of 2.7% (best case) and 3.5% (worst case) with a mid-range of 3%.

Increments

- 4.3.4 There are no changes to my previous assumption around the cost of employee increments. It has been assumed that for the best case scenario the cost of increments will be absorbed within any base adjustment, for the worst case, the cost of increments will be the same as 2019-20 (£0.848m) and the mid-range is between the two.

Teachers Pensions Increase

- 4.3.5 Paragraphs 4.1.5 to 4.1.8 provide the latest position in respect of the increase in teacher's pensions costs. The base budget includes the original estimated full year cost of the teachers' pension scheme if it had been implemented on 1 April 2019 at a rate of 22.4% - a cost of £1.846m. As the rate is increasing by a further 0.6%, in addition to the grading changes, the full year cost has increased by £0.301m to £2.147m. This additional cost will need to be built into the employee increases and the additional funding has also been built in within the funding section. Overall, there is a nil effect on the budget outlook for the pension changes as the surplus in 2019-20 created by deferring the increase by 5 months has been assumed to be earmarked to pay for the increased cost in future years.
- 4.3.6 The table below summarises the employee cost increases in the mid-range

scenario for Council services. The employee cost increases relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.4.

	2020-21 £000	2021-22 £000	2022-23 £000
Pay Award	3,500	7,000	10,500
Teachers Pay Deal 2019-20 Additional Cost	2,366	2,366	2,366
Pay Award on Teachers Pay Deal 2019-20	71	144	219
Increments	424	848	1,272
Teachers Pensions Increase	301	301	301
Total Employee Cost Changes	6,662	10,659	14,658

4.4 Non-Pay Inflation

4.4.1 There are no changes to the previous assumptions in respect of non-pay inflation. Only unavoidable/inescapable non-pay inflation has been built into the best case and mid-range scenarios and this is based on the non-pay inflation estimate for 2019-20. Within the worst case scenario, an additional 1% general inflation has also been included.

4.4.2 The finance team, in consultation with budget holders, will be reviewing the inflation assumptions during August/September and an update will be included with the October budget outlook report.

4.4.3 The table below summarises the non-pay inflation increases in the mid-range scenario for Council services. The non-pay inflation increases relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.4.

	2020-21 £000	2021-22 £000	2022-23 £000
Unavoidable/Inescapable	1,031	2,062	3,093
Total Non-Pay Inflation	1,031	2,062	3,093

4.5 Cost and Demand Pressures

4.5.1 Over the last few years, services have worked on the basis of having to contain any cost and demand pressures within current resources. A number of future cost and demand pressures were already identified for Council Services as part of the 2019-20 budget. The finance team, in consultation with budget holders, have reviewed the cost and demand pressures and these are summarised in the table below with further detail included within Appendix 2. The cost and demand pressures will be regularly reviewed and updated throughout the year.

	2020-21 £000	2021-22 £000	2022-23 £000
Universal Credit – HB Admin Grant	60	120	180
Asbestos Management Plan	87	135	135
ASN Demand	129	257	386
<i>NEW</i> - SEEMIS (Education Management Information System) membership fee	15	16	18
<i>NEW</i> - Third Sector Recycling	100	100	100
<i>NEW</i> - Oracle support costs	18	18	18
Total	409	646	837

4.5.2 When creating a budget outlook beyond one year, there is a risk that unknown cost and demand pressures will emerge that have not been included within the outlook. It is suggested that no allowance is included within the best case scenario, £0.500m general allowance is included within the worst case and a £0.250m allowance included within the mid-range scenario each year.

4.5.3 I reported in my previous budget outlook report that there were two known costs pressures that have not been quantified at this stage in relation to the Waste Strategy/ban on Biodegradable Municipal Waste and the consolidation of the Living Wage (which will not impact the budget outlook until 2021-22). At this stage there are no further updates on these pressures, but they remain as unquantified pressures.

4.5.4 Officers have been liaising with Rothesay Pavilion Trust who have been reviewing their 5 year business plan. Further information will be presented to Committee once known.

4.5.5 The table below summarises the cost and demand pressures in the mid-range scenario for Council services. The cost and demand pressures relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.4.

	2020-21 £000	2021-22 £000	2022-23 £000
Previously Identified Cost and Demand Pressures	409	646	837
General Allowance	250	500	750
Total Cost and Demand Pressures	659	1,146	1,587

4.6 Health and Social Care Partnership

4.6.1 There are no changes to the previous assumption on the payment to the Health and Social Care Partnership. In order to reflect different scenarios within the budget outlook, I have assumed a reduction equal to the mid-range Scottish Government funding reduction (2%) within the best case scenario, assumed a flat cash basis in the worst case scenario and the mid-range scenario is based

on a 1% reduction, being the indicative allocation for 2020-21 and 2021-22 agreed as part of the Council budget in March 2019. These are only assumptions and it will be a matter for Council to consider as part of the budget process next year.

- 4.6.2 Social Work services have already identified a number of cost pressures and these have been reviewed and updated and are summarised below within more information included within Appendix 3. These pressures are not included within the Council's budget gap, they will have to be managed by the Health and Social Care Partnership but are included within this report for information.

	2020-21 £000	2021-22 £000	2022-23 £000
Pay Inflation	970	1,940	2,910
Pay Increments	46	92	138
Non-Pay Inflation	1,165	2,216	3,324
Care Services for Older People (Growth)	320	645	975
Care Services for Younger Adults	181	359	540
National Care Home Contract	308	625	952
Throughcare (previously included as Continuing Care)	232	406	580
Social Work Emergency Standby	150	150	150
Greenwood Hostel overnight staffing	50	50	50
Criminal Justice Development funding	50	50	50
Unknown Cost and Demand Pressures	500	1,000	1,500
Total Cost Increase estimates for Social Work	3,972	7,533	11,169

4.7 Live Argyll

- 4.7.1 There are no changes to the previous assumption on the future payments to Live Argyll. For 2020-21 I have assumed the increase as previously agreed within the financial agreement. This agreement comes to an end at 31 March 2021 and for future years the assumption is the same as the Health and Social Care Partnership, that is:

- Best Case – reduction equal to mid-range Scottish Government funding reduction (2%).
- Mid-Range – 1% reduction
- Worst Case – flat cash.

4.8 Estimated Budget Gap PRIOR to Measures to Balance the Budget

- 4.8.1 The budget gap in the mid-range scenario after allowing for the current base commitments, employee adjustment, non-pay inflation and cost and demand pressures is summarised in the table below. This is the budget gap prior to

factoring in any previous savings decisions or potential options towards balancing the budget.

	2020-21 £000	2021-22 £000	2022-23 £000
Base Budget	243,031	243,009	243,009
Employee Cost Changes	6,662	10,659	14,658
Non-Pay Inflation	1,031	2,062	3,093
Cost and Demand Pressures	659	1,146	1,587
Increase/(Decrease) to HSCP allocation	(588)	(1,170)	(1,746)
Increase/(Decrease) to Live Argyll payment	96	58	21
Total Estimated Expenditure	250,891	255,764	260,622
Estimated Funding	242,305	238,762	235,296
Estimated Budget Surplus / (Gap) Cumulative	(8,586)	(17,002)	(25,326)

4.9 Measures to Balance the Budget

4.9.1 At this stage there are no changes to previous assumptions on measures to balance the budget. The measures include:

- Inflationary increase on fees and charges of between 1% (worst case) and 5% (best case) with a mid-range of 3%.
- Adjustment to previously agreed catering and cleaning saving in connection with shared services. I have assumed full delivery of the previously agreed saving of £0.446m in 2020-21 in the best case scenario and £0.172m of savings in the mid-range and worst case scenario by year 2021-22.
- Previously agreed management/operational and policy savings options.

4.9.2 Councils have had the discretion to increase Council Tax by a maximum of 3% each year since 2017-18. Councils were given the flexibility to increase the Council Tax for 2019-20 by 3% in real terms which the Scottish Government confirmed as 4.79%. It could be assumed that a similar increase would be permitted in future years, however, this has not been confirmed. For the budget outlook, I have assumed no increase in the worst case scenario, a 3% increase in the mid-range scenario and a 4.79% increase in the best case scenario.

4.9.3 The table below summarises the proposed measures to balance the budget in the mid-range scenario.

	2020-21 £000	2021-22 £000	2022-23 £000
Fees and Charges Increase	275	550	825
Catering and Cleaning Service Choices	0	172	172
Management/Operational Savings Agreed October 2017	326	326	326
Management/Operational Savings Agreed February 2019 (as per agreed profile, shown as a negative as there was one off savings in 2019-20)	(452)	(692)	(692)
Policy Savings Agreed February 2018	1,286	1,286	1,286
Policy Savings Agreed February 2019	472	547	547
Council Tax Increase	1,521	3,111	4,772
Total Savings already agreed	3,428	5,300	7,236

4.10 Estimated Budget Gap AFTER Measures to Balance the Budget

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

	2020-21 £000	2021-22 £000	2022-23 £000
Estimated Budget Gap Prior to Measures to Balance Budget	(8,586)	(17,002)	(25,326)
Savings Measures	3,428	5,300	7,236
Estimated Budget Surplus / (Gap) Cumulative	(5,158)	(11,702)	(18,090)
Estimated Budget Surplus / (Gap) In Year	(5,158)	(6,544)	(6,388)

4.10.2 In the mid-range scenario, the budget gap estimated over the three year period 2020-21 to 2022-23 is £18.090m with a gap of £5.158m in 2020-21.

4.10.3 In contrast, the budget gap in the best case scenario over the three years is £6.036m with a gap of £1.499m in 2020-21 and in the worst case scenario, the budget gap over the three years is £33.444m with a gap of £9.386m in 2020-21. A summary of all three scenarios is included within Appendix 1.

4.10.4 The changes from the previous budget outlook reported to Policy and Resources Committee on 16 May 2019 are summarised in the table below:

	2020-21 £000	2021-22 £000	2022-23 £000
Previously reported budget surplus / (gap) cumulative	(4,917)	(11,340)	(17,605)
Additional estimated future years funding reduction after including teachers' pay award funding into base	(47)	(94)	(140)
Additional pay award in relation to additional funding	(71)	(144)	(219)
Adjustment to previous estimate for teachers pensions	10	10	10
New Cost and Demand Pressures	(133)	(134)	(136)
Revised Budget Surplus / (Gap) Cumulative	(5,158)	(11,702)	(18,090)

5. CONCLUSION

5.1 In the mid-range scenario, the budget gap estimated over the three year period 2020-21 to 2022-23 is £18.090m with a gap of £5.158m in 2020-21. The Transformation Board have been exploring opportunities to protect/mitigate against future budget gaps and proposals will be brought forward in due course.

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. The medium to longer term financial strategy is being updated and the Council are actively continuing to pursue opportunities to mitigate against future budget gaps.
- 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 Fairer Scotland Duty - None directly from this report but any proposals to address the estimated budget gap will need to consider equality and socio-economic impact.
- 6.6 Risk - None directly from this report but any proposals to address the estimated budget gap will need to consider risk.
- 6.7 Customer Service - None directly from this report but any proposals to address the estimated budget gap will need to consider customer service.

Kirsty Flanagan
Head of Financial Services
18 July 2019

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

APPENDICES:

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

Appendix 2 – Cost and Demand Pressures (Council Services)

Appendix 3 – Cost and Demand Pressures (Social Work)

	Best Case Scenario			Mid-Range Scenario			Worst Case Scenario		
	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Base Budget	243,048	243,048	243,048	243,048	243,048	243,048	243,048	243,048	243,048
Base Budget Adjustments	(17)	(39)	(39)	(17)	(39)	(39)	(17)	(39)	(39)
Revised Base Budget	243,031	243,009	243,009	243,031	243,009	243,009	243,031	243,009	243,009
Pay Award	3,500	6,650	9,800	3,500	7,000	10,500	3,500	7,583	11,666
Teachers Pay Deal 2019-20 Additional Cost	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366
Pay Award on Teachers Pay Deal 2019-20	64	130	197	71	144	219	83	169	258
Pay Increments	0	0	0	424	848	1,272	848	1,696	2,544
Change to employee base	0	0	0	0	0	0	0	0	0
Teachers Pensions Increase	301	301	301	301	301	301	301	301	301
Total Employee Cost Changes (Council Services)	6,231	9,447	12,664	6,662	10,659	14,658	7,098	12,115	17,135
Non-Pay Inflation - Council Services	1,031	2,062	3,093	1,031	2,062	3,093	1,031	2,812	4,593
Previously Agreed - HB Admin Grant	60	120	180	60	120	180	60	120	180
Asbestos Management Plan	67	115	115	87	135	135	107	155	155
ASN Demand	0	0	0	129	257	386	214	428	642
ASN Demand	15	16	18	15	16	18	15	16	18
SEEMIS membership fee	50	50	50	100	100	100	150	150	150
Third Sector Recycling	18	18	18	18	18	18	18	18	18
Allowance for Cost and Demand Pressures Future Years	0	0	0	250	500	750	500	1,000	1,500
Total Cost and Demand Pressures	210	319	381	659	1,146	1,587	1,064	1,887	2,663
Adjustment to Health and Social Care Partnership Payment	(1,176)	(2,329)	(3,459)	(588)	(1,170)	(1,746)	0	0	0
Adjustment to Live Argyll Management Fee	96	20	(54)	96	58	21	96	96	96
Total Estimated Expenditure PRIOR to measures to balance the budget	249,423	252,528	255,634	250,891	255,764	260,622	252,320	259,919	267,496
Scottish Government Grant	190,805	187,943	185,124	189,837	186,040	182,319	188,868	184,146	179,542
UK Government Funding - Teachers Pensions	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696
Earmarked Reserves for Teachers Pensions	63	63	63	63	63	63	63	63	63
Council Tax	50,835	51,216	51,600	50,709	50,963	51,218	50,583	50,709	50,836
Total Funding	243,399	240,918	238,483	242,305	238,762	235,296	241,210	236,614	232,137
Budget Surplus / (Gap) PRIOR to measures to balance the budget	(6,024)	(11,610)	(17,151)	(8,586)	(17,002)	(25,326)	(11,110)	(23,305)	(35,359)
Measures to Balance the Budget:									
Fees and Charges	458	916	1,374	275	550	825	92	184	276
Catering and Cleaning Longer Term Redesign (Service Choices February 2016)	0	446	446	0	172	172	0	172	172
Management/Operational Savings Identified October 2017	326	326	326	326	326	326	326	326	326
Management/Operational Savings Identified February 2019	(452)	(692)	(692)	(452)	(692)	(692)	(452)	(692)	(692)
Policy Savings Options agreed February 2018	1,286	1,286	1,286	1,286	1,286	1,286	1,286	1,286	1,286
Policy Savings Options agreed February 2019	472	547	547	472	547	547	472	547	547
Council Tax Increase	2,435	5,041	7,828	1,521	3,111	4,772	0	0	0
Total Measures to Balance the Budget	4,525	7,870	11,115	3,428	5,300	7,236	1,724	1,823	1,915
Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget	(1,499)	(3,740)	(6,036)	(5,158)	(11,702)	(18,090)	(9,386)	(21,482)	(33,444)
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	(1,499)	(2,241)	(2,296)	(5,158)	(6,544)	(6,388)	(9,386)	(12,096)	(11,962)

COUNCIL COST AND DEMAND PRESSURES 2020-21 to 2022-23

APPENDIX 2

Department	Service	Cost/Demand Pressure	Best Case			Mid Range Scenario			Worst Case		
			2020-21 £000	2021-22 £000	2022-23 £000	2020-21 £000	2021-22 £000	2022-23 £000	2020-21 £000	2021-22 £000	2022-23 £000
Chief Executive's Unit	Financial Services	Universal Credit "Full" Service went live in Sept 2018, but managed migration has been deferred to 2020. The DWP will reduce the Housing Benefit Administration Subsidy they pay to the Council 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 fully predict what the impact will be on the Council's caseload. DWP announce funding allocations each December. For 2019/20 we are benefitting from transitional protection. These figures represent our best estimates at this time.	60	120	180	60	120	180	60	120	180
Executive Director - Douglas Hendry	Commercial 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 the end of FQ2 2020 on the understanding that this provision is the subject of ongoing review. From a budgetary perspective, the best case scenario is that funding of the anticipated staff resource will continue to be required beyond the end of FQ2 2020 with no emergent asbestos related issues. The worst case scenario includes an allowance to deal with non-funded emergent issues associated with the management of asbestos.	67	115	115	87	135	135	107	155	155
Executive Director - Douglas Hendry	Education	The demand for ASN support in Argyll and Bute has continued to grow with a significant increase in, and early identification of children and young people presenting with complex additional support needs, including mental health difficulties. In 2018-19, there was a substantial increase in ASN provision, resulting in an overspend for that financial year. It is anticipated that growth continues over the next 3 years however the extent of this growth is difficult to determine. Scottish Government statistics show that the number of pupils identified with ASN has increased markedly since 2010 and there continue to be year on year increases. These increases are likely due to continued improvements in recording and the introduction of the additional need types 'Child plans' and 'Other' in 2011. Scottish Government statistical datasets show that the percentage of school roll in mainstream schools of pupils with ASN has increased by approximately 3% year on year. Within many authorities, this means increased numbers of children accessing specialist provision.	0	0	0	129	257	386	214	428	642
Executive Director - Douglas Hendry	Education	The SEEMiS group, provider of the Council's Education Management Information System, recently reviewed their long term financial plan and refreshed it to cover the period 2019/20 to 2023/24. As a result of this exercise there were implications on Membership fees with a cost pressure on the Education service arising from financial year 2020/21. Indicative membership fees were provided for financial years 2021/22 to 2023/24 and these have been factored in accordingly.	15	16	18	15	16	18	15	16	18

NEW

COUNCIL COST AND DEMAND PRESSURES 2020-21 to 2022-23

APPENDIX 2

Department	Service	Cost/Demand Pressure	Best Case			Mid Range Scenario			Worst Case			
			2020-21 £000	2021-22 £000	2022-23 £000	2020-21 £000	2021-22 £000	2022-23 £000	2020-21 £000	2021-22 £000	2022-23 £000	
Executive Director - Pippa Milne	Roads and Infrastructure Services	A report was presented to Council on 27 June 2019 in relation to third sector recycling services and additional funding was agreed for KRL and Fyne Futures to continue the kerbside service delivery until March 2020. Officers were instructed to report back to Policy and Resources Committee prior to March 2020 once a full evaluation of options for future service delivery have been evaluated. Based on the additional funding that has been agreed within 2019-20, it is possible that this evaluation could indicate further cost pressure for future years. At this stage, a high level estimate of the costs across the scenarios has been made and these will be revised once the evaluation is completed.	50	50	50	100	100	100	150	150	150	NEW
Executive Director - Pippa Milne	ICT	The support for the Oracle e-business suite (The Council's financial system) was moved to a different supplier in 2018 to assist with revenue budget savings. It now transpires that this different supplier cannot provide the full level of support required. In moving back to Oracle for support, there is an increased cost.	18	18	18	18	18	18	18	18	18	NEW
Council Wide	Council Wide	General provision for unidentified Cost and Demand Pressures	0	0	0	250	500	750	500	1,000	1,500	
TOTAL			210	319	381	659	1,146	1,587	1,064	1,887	2,663	

SOCIAL WORK - COST AND DEMAND PRESSURES

APPENDIX 3

Service	Cost/Demand Pressure	Best Case			Mid Range			Worst Case		
		2020-21 £000	2021-22 £000	2022-23 £000	2020-21 £000	2021-22 £000	2022-23 £000	2020-21 £000	2021-22 £000	2022-23 £000
All Services	Based on pay deal until 2020-21 and thereafter between 2.7% and 3.5% (mid-range 2%)	970	1,843	2,716	970	1,940	2,910	970	2,102	3,234
All Services	Cost of increments - the best case assumes the incremental cost is absorbed in the base budget changes, the worst case is based on the incremental cost in 2019-20 and the mid-range is in between the two.	0	0	0	46	92	138	91	182	273
All Services	Non-pay inflation - the largest element of the non-pay inflation is in respect of the Living Wage uplift.	1,153	2,192	3,288	1,165	2,216	3,324	1,176	2,238	3,357
Adult Care	The number of older people is increasing and older people are living longer with significant health and support needs and significant expectations of the support they are entitled to receive. Demand pressure estimates 3% growth in homecare and care home placements, this increase is supported by the growth in clients and care requirements over a number of years although in some areas the service capacity is being fully utilised and service expansion is proving difficult. The best case recognises the current capacity limits, the mid-range reflects 1.5% growth and the worst case reflects 3% growth. For 2019-20 this was absorbed within existing resources by changing the assessment and service provision processes.	0	0	0	320	645	975	641	1,302	1,983
Adult Services	There has been continuing increase in demand for care and support services for profoundly disabled younger adults (ie under 65) whose parents have historically provided care but are no longer able to. The best case assumes new demand will be met from attrition or reductions in existing services, the mid-range reflects demand of 1.5% and the worst case reflects demand of 3%.	0	0	0	181	359	540	362	718	1,080
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 3% (in-line with the 2019/20 increase in the Scottish Living Wage rounded to the nearest whole number), the mid range reflects an increase of 4% and the worst case 5%. For 2019-20, this pressure was absorbed within the current underspend in this area.	231	469	714	308	625	952	385	782	1,190
Children and Families	Estimated cost of Throughcare Services for Young Adults leaving Continuing Care Services as they reach 21 from 1 April 2020 onwards. Children and Families will continue to have a responsibility up to the day before the affected Young Adults turn 26, should the Young Adults choose to continue to receive support. The cost pressure is based on the trend in expenditure on continuing care over the period 2014-15 to 2018-19. The mid-range assumes 5% demand, best case 2.5% and worst case 7.5%.	116	203	290	232	406	580	325	568	812

SOCIAL WORK - COST AND DEMAND PRESSURES

APPENDIX 3

Service	Cost/Demand Pressure	Best Case			Mid Range			Worst Case			
		2020-21 £000	2021-22 £000	2022-23 £000	2020-21 £000	2021-22 £000	2022-23 £000	2020-21 £000	2021-22 £000	2022-23 £000	
All Services	Social Work Emergency Standby, this has been covered from Franks Law funding in 2020-21 but not expected to be possible from 2020-21.	150	150	150	150	150	150	150	150	150	NEW
Adult Services	Greenwood Hostel overnight staffing - additional staffing required to meet fire safety requirements and the European Working time Directive re staff no longer being able to work back-to-back shifts even if they sleep all night.	50	50	50	50	50	50	50	50	50	NEW
Children and Families	Criminal Justice Development Funding. The approach from Scottish Government has changed in 2019-20 and the funding was built into revenue support grant instead of specific grant. This funding is needed for existing commitments and needs added back. It is being covered in 2019-10 from earmarking which will be exhausted by the end of the year.	50	50	50	50	50	50	50	50	50	NEW
All Services	Provision for Unknown Cost and Demand Pressures	250	500	750	500	1,000	1,500	750	1,500	2,250	
Total		2,970	5,457	8,008	3,972	7,533	11,169	4,950	9,642	14,429	