

BUDGET OUTLOOK 2022-23 TO 2026-27

1. EXECUTIVE SUMMARY

- 1.1 This report provides an update to the budget outlook 2022-23 to 2026-27, reported to the Policy and Resources Committee on 14 October 2021.
- 1.2 The estimates within the report are based on the mid-range scenario with best and worst case scenarios noted in Appendix 1.
- 1.3 The assumptions in respect of future years Scottish Government funding remain unchanged from those I reported on 14 October 2021. Those being a prudent estimate of a reduction in funding of 1.0% in the mid-range scenario (based on an average of the last four years settlements with a slight adjustment to reflect the uncertainty about the medium to longer term impact of COVID and the UK's exit from the EU on future funding levels) with the best case and worst case variable being +/- 0.5% from the mid-range.
- 1.4 £1.116m of additional funding in 2022-23 has been built in to reflect the Scottish Government's commitment to fund councils to increase teacher and classroom assistant numbers. This matches the estimated actual costs. It is still unknown how much funding the council will be allocated however the actuals will be adjusted to match the funding allocated and therefore this will not effect the budget gap in 2022-23. Whilst this has no effect on the estimated 2022-23 budget gap it does impact future year budget gaps as the funding is to be baselined into the general revenue grant which may not keep up with increases in pay costs.
- 1.5 There are no changes to my previous assumptions around the growth in Council Tax. The Council tax base has been assumed to grow by 0.1% in the worst case scenario, 0.25% in the mid-range scenario and 0.4% in the best case.
- 1.6 There is no change to the base budget since the report on 14 October 2021.
- 1.7 The employee cost assumptions have been updated as Financial Services have concluded their salary template exercise costing the establishment for 2022-23. There is an overall increase of £0.165m on previous estimates resulting mainly to increases in education due to changes in school FTEs.
- 1.8 A review of the unavoidable/inescapable non-pay inflation provision required in 2022-23 was carried out during October by finance staff in consultation with services. The non-pay inflation previously estimated within the budget outlook was £1.164m (equal to the 2021-22 non-pay inflation) and the updated estimate is £1.740m, an increase of £0.576m. This is predominantly due to the

impact of material increases in retail price indexes in the previous 12 months. A general inflationary increase of £0.750m has been built into the worst case scenario from 2022-23 onwards.

- 1.9 In September the UK Government announced that employees, employers and the self-employed will all pay an additional 1.25% in National Insurance Contributions with that money used to fund social care. There is currently uncertainty over whether local authorities will need to absorb the full impact of this policy or whether it may be partially or even fully funded. Initial estimates are that this would create a cost pressure of approximately £0.850m for the Council if no funding was made available to cover it. This has not been built into the Council's budget gap at the current time.
- 1.10 There are a number of cost and demand pressures for Council services built into each scenario. Since the Policy and Resources Committee on 14 October 2021 the following changes have been made to the cost and demand pressures:
- New – Rightsizing the temporary homeless accommodation budget
 - Amended – Apprentice levy cost pressure increased to reflect the revised salary budget
 - Amended - As we are more than half way through the financial year, the general allowance has been reduced by 50% in 2022-23
- 1.11 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 in future years of between £0.250m and £0.500m per year.
- 1.12 There will be 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 2021, indicative allocations for 2022-23 – 2023-24 were agreed on the basis of a flat cash allocation. In the budget outlook I have assumed flat cash allocations across all three scenarios.
- 1.13 At this stage no assumptions have been made around the Live Argyll management fee. This will be subject to an annual review through the budget setting process with options brought forward for Member's consideration.
- 1.14 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 five year period of £37.363m with a gap of £5.760m in 2022-23.
- 1.15 The measures to balance the budget over the next five years are as follows:
- Proposed increase to fees and charges of between 1% and 3% (3% mid-range).
 - Management/operational savings agreed by Council in February 2021.
 - Policy savings already agreed by Council in February 2021.

- Proposed increase to Council Tax (3% in all scenarios).
- 1.16 In the mid-range scenario, the budget gap estimated over the five year period 2022-23 to 2026-27 is £26.744m with a gap of £3.745m in 2022-23.
- 1.17 In contrast, the budget gap in the best case scenario over the five years is £12.261m with a gap of £2.528m in 2022-23 and in the worst case scenario, the budget gap over the five years is £45.161m with a gap of £5.942m in 2022-23. A summary of all three scenarios is included within Appendix 1.
- 1.18 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2022-23 to 2026-27.

BUDGET OUTLOOK 2022-23 TO 2026-27

2. INTRODUCTION

2.1 This report provides an update to the budget outlook 2022-23 to 2026-27, reported to the Policy and Resources Committee on 14 October 2021.

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 Consider the current estimated budget outlook position for the period 2022-23 to 2026-27.

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

4.1.1 In October 2021 the Chancellor of the Exchequer presented his second budget of the calendar year and the UK Government's first multi-year Spending Review since 2015. This has resulted in an average increase of £4.6bn per year coming to Scotland over the period of the Spending Review via the Barnett formula. This increase is front loaded with a larger increase in 2022-23. There is currently no clarity regarding whether any of these monies have already been spent by the Scottish Government and how much will be expected to go Health and Social Care. Further details for Scotland, and any impact on the Scottish Budget, will not be available until 9 December and therefore I have not changed my assumption about future funding levels.

4.1.2 I consider a prudent assumption still to be within the range of a reduction of between 0.5% (best case) and 1.5% (worst case) with a mid-range of 1.0%. The ongoing uncertainty over the impact of COVID-19 on future years funding means this is an assumption that needs to be kept under close review and I will continue to engage with other Directors of Finance and COSLA as to their view of future years funding and update the report throughout the year as necessary. There is also an expectation that the Cabinet Secretary will announce funding for years 2 and 3 (2023-24 and 2024-25) in the Spring of

2022 and this will provide more certainty over future funding levels.

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

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
% Change to Funding	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Estimated SG Funding Reduction	(2,010)	(1,990)	(1,970)	(1,951)	(1,931)
Estimated SG Funding	199,033	197,043	195,073	193,122	191,191

- 4.1.4 In addition to the Scottish Government Grant funding noted above I have built in £0.574m of specific grant funding for ferries in each of the five years as the position within Scottish Government is to fund ferry services (they have been providing additional funding to Argyll and Bute since 2020-21) and discussions have already taken place within Transport Scotland this year and they have been advised that our ask for next year is £0.574m.

- 4.1.5 Furthermore the Scottish Government has announced a ‘first 100 days commitment’ to fund councils to increase teacher numbers by 1,000 and classroom assistants by 500 as part of a wider commitment to 3,500 additional teachers and classroom assistants over the parliamentary term. The Scottish Government has committed to fully funding this with £65.5m of full year costs to be baselined into general revenue funding from 2022-23 onwards. The funding letter provided by the Scottish Government confirms that the Council’s allocation will be to employ 16 FTE teachers and 8 FTE Pupil Support Assistants. The distribution of the funding is still to be confirmed so for the purposes of the budget outlook we have assumed £1.116m of funding as this would be the cost to the Council of employing those staff. In the event that our distribution is less than £1.116m we would need to reduce the number of staff employed or the number of hours. As the Scottish Government has confirmed the funding will be baselined from 2022-23 onwards I have applied the same funding reduction assumptions set out in paragraph 4.1.2 which will create an increase in the future year budget gaps as the funding will decrease whilst costs increase to reflect assumptions about future pay awards. This is a useful point for members to note that whilst some policy commitments are ‘fully funded’ it often leads to greater pressures in future years.

Council Tax

- 4.1.6 The Council Tax budget for 2021-22 was set at £52.859m which reflected the Council Tax freeze agreed by the Council on 23 February 2021 and an assumption there will be no increase in the Council Tax base due to the impact of COVID.
- 4.1.7 There are no changes to my previous assumptions around the growth in Council Tax. It has been assumed that it will grow by 0.1% in the worst case

scenario, 0.25% in the mid-range scenario and 0.4% in the best case.

4.1.8 In 2021-22 the Council's settlement included £1.762m of funding to compensate for agreeing a Council Tax freeze. In the two years prior to this councils have had discretion to increase Council Tax by a maximum of 3% in real terms each year. This equated to 4.79% in cash terms in 2019-20 and 4.84% in 2020-21. Within this report, I will present the budget gap, prior to any decisions and therefore at this stage in the report, the Council tax base is assumed to remain at the same level as 2021-22.

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

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Estimated SG Funding	199,033	197,043	195,073	193,122	191,191
Specific Ferries Grant	574	574	574	574	574
Specific Funding for Additional Teachers	1,116	1,105	1,094	1,083	1,072
Council Tax Base	52,859	52,859	52,859	52,859	52,859
Council Tax Growth	132	264	397	530	663
Total Estimated Funding	253,714	251,845	249,997	248,168	246,359

4.2 Base Budget

4.2.1 The starting point for the 2022-23 base budget is the 2021-22 approved budget adjusted for any one-off items as well as any other items that have an impact on the base. There are no changes to the base budget since the last Budget Outlook reported to the Policy and resources Committee on 14 October 2021.

4.2.2 The adjustments required to the base budget from decisions by Council on 25 February 2021 and other adjustments are noted as follows:

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Base Budget 2021-22	251,314	251,314	251,314	251,314	251,314
Additional borrowing costs to fund capital plan	70	70	70	70	70
Remove 2021-22 COVID cost pressure	(5,101)	(5,101)	(5,101)	(5,101)	(5,101)
Adjust for one off 2021-22 gain from principal repayment holiday	5,400	5,400	5,400	5,400	5,400
Adjust for repayment of loans fund principal repayment holiday	162	170	179	188	198
Remove funding for 2021-22 festive parking	(20)	(20)	(20)	(20)	(20)

Remove one off 2021-22 providing recycling services costs	(206)	(206)	(206)	(206)	(206)
Remove one off 2021-22 Ledger Upgrade Project costs	(50)	(50)	(50)	(50)	(50)
Remove one off 2021-22 Planning Act costs	(60)	(60)	(60)	(60)	(60)
2021-22 Pay Award (see para 4.3.1)	200	200	200	200	200
Revised Base Budget	251,709	251,717	251,726	251,735	251,745

4.3 Employee Cost Changes

Pay Award

4.3.1 COSLA have continued to engage regarding pay negotiations and have made an 2021-22 offer to local government workers of:

- An increase in the Scottish Local Government Living Wage hourly rate to £9.78.
- A flat rate payment of £850 for all employees earning up to £25,000
- A 2% uplift for those earning £25,000 to £40,000
- A 1% rise for those earning up to £80,000 with a cap of £800.

With the offer to Teachers being

- A 2% uplift for those earning £25,000 to £40,000
- A 1% uplift for those earning between £40,000 and £80,000
- A £800 flat rate increase for those earning more than £80,000 annually

Officers have revisited the salary template to assess the impact of the current COSLA offer and it would create a 2021-22 cost pressure for the Council of approximately £0.200m. This has been built into the budget outlook as a base budget adjustment.

4.3.2 Financial Services have populated salary templates with details of the staff establishment for 2021-22 and where necessary liaised with budget holders to confirm their staff. The templates calculate the next years pay bill, including superannuation and national insurance contributions. Note this exercise is based on the budget as set for 2021-22 at the Council meeting on 23 February 2021 and the Scottish Public Sector Pay Policy and a 2% pay award budget assumption. Negotiations in relation to the pay award continue and could result in further increases in the employee base.

4.3.3 In terms of the level of employee budgets for 2022-23, the expectation would be that the budget would reflect the 2021-22 budget plus any increase due to incremental progression, inflation and any other unavoidable employee cost increases less previously approved employee budget savings. For 2022-23

there is an overall increase in the employee budget base of £0.215m for Council Services (excluding Social Work) and this mainly relates to increases in education due to changes in school roll which affects the FTE. Note that the Pupil Teacher ratio adjustment may further impact the employee base and this will be calculated once census data is received in mid to late November.

4.3.4 The cost of the pay inflation and increments are compared to the original estimate included within the budget outlook and the table below summarises a £0.165m increase to the budget gap within the mid-range scenario.

4.3.5 The table below summarises the change to the budget gap within the mid-range scenario.

Category	Budget Outlook	Draft 2022-23 Budget	Increase / (Decrease) to Budget Gap
	£000	£000	£000
Pay Award (includes base pay award, National Insurance & Superannuation as a result of pay award)	2,921	2,839	(82)
Increments	634	690	56
Living Wage Consolidation	10	0	(10)
Change to Employee Base	0	215	215
Additional costs/savings relating to modernising employment deal	(52)	(66)	(14)
Review of LGE14 Grade	103	103	(0)
Total	3,616	3,781	165

4.3.6 In terms of assumptions for future years I have assumed there will be pay awards within a range of 1% (best case) and 3.0% (worst case) with a mid-range of 2%.

Increase in National Insurance Contribution

4.3.7 In September the UK Government announced that employees, employers and the self-employed will all pay an additional 1.25% in National Insurance

Contributions with that money used to fund social care. This will take effect from 1 April 2022 for a one year period after which National Insurance will return to its current rate, and the extra tax will be collected as a new Health and Social Care Levy. UK wide this is expected to raise £16.4bn with the net amount available to support additional spending on health and social care to be around £12 billion per year, as some of the additional revenue will be offset by additional costs to government. For example, as major employers, the UK government and devolved administrations will face additional costs by way of employer NICs.

As there is no clarity at the current time over the use of the offset £4.4bn it is not clear whether local authorities will need to absorb the full impact of this policy or whether it may be partially, or even fully funded. Initial estimates are that, if no additional funding was made available to offset this cost, it would create a cost pressure of approximately £0.850m for the Council. Due to the uncertainty about funding provision this has not been built into the Council's budget gap at the current time.

4.3.8 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 4.6.3.

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Pay Award	2,839	5,817	8,855	11,953	15,113
Increments	690	1,380	2,070	2,760	3,450
Living wage consolidation and modernising the employment deal	(66)	(47)	(37)	(14)	(29)
Review of the LGE14 Grade	103	103	103	103	103
Additional Teacher Costs (refer to para 4.1.5)	1,116	1,138	1,161	1,184	1,208
Change to employee base	215	215	215	215	215
Total Employee Cost Changes	4,897	8,606	12,367	16,201	20,060

4.4 Non-Pay Inflation

4.4.1 A review of the unavoidable/inescapable non-pay inflation provision required in 2022-23 was carried out during October by finance staff in consultation with services. The non-pay inflation previously estimated within the budget outlook was £1.164m (equal to the 2021-22 non-pay inflation) and the updated estimate is £1.740m, an increase of £0.576m. This is predominantly due to material increases in retail prices indices over the past 12 months which affects the contracted amount the Council has to pay for NPDO Schools, Hub Schools and the Waste PPP contract.

More detail is provided in appendix 2.

4.4.2 As with the previous estimate, the worst case scenario also includes a 1% general inflation over and above the unavoidable/inescapable inflation amount.

4.4.3 The non-pay inflation increases relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.3.

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, however, there are a number of cost and demand pressures already identified for Council services which were reported as part of the budget in February 2021. Since the Policy and Resources Committee on 14 October 2021 the following changes have been made to the cost and demand pressures:

- New – Rightsizing the temporary homeless accommodation budget
- Amended – Apprentice levy cost pressure increased to reflect the revised salary budget

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 was previously suggested that no allowance be included within the best case scenario, £0.500m general allowance included within the worst case and a £0.250m allowance included within the mid-range scenario each year. As we are more than half way through the financial year, the general allowance has been reduced by 50% in 2022-23 as some new cost pressures have already been identified for next year.

4.5.3 The cost pressures are detailed in appendix 3 and are summarised in the table below and will be subject to review during the financial year.

4.5.4

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Universal Credit – HB Admin Grant	40	80	120	160	200
SEEMIS Membership	0	5	7	10	10
ASN Support	0	0	75	206	206
Waste Model	91	98	116	169	0*
Cost of BMW Ban	0	0	400	1,600	1,150
Local Development Plan	0	50	0	50	0
New HR System Project Team	0	200	0	0	0
Loss of Parking Income	15	15	15	15	15
School Bandwidth Costs	19	19	19	19	19
Local Government Election	350	0	0	0	0
House Loans	19	19	19	19	19
Removal of charges for milk in schools	22	22	22	22	22
Reversal of 2019-20 procurement saving option	250	250	250	250	250
Cashless Catering	35	35	35	35	35

Apprenticeship Levy	62	63	64	65	66
Temporary homeless accommodation	100	100	100	100	100
Allowance for pressures in future years	125	375	625	875	1,125
Total Cost and Demand Pressures	1,128	1,331	1,867	3,595	3,217

*The Waste Model Cost Pressure is zero in 2026-27 as that is when the Council's current Waste PPP contract expires.

Unquantified Cost Pressures

4.5.5 There are two cost pressures which are not quantified at this stage. These are out below:

- The Scottish Government require the Council to set a sustainable rate for our education partner providers that will enable them to pay at least the real living wage to their care staff. An external benchmarking exercise was commissioned by Moray Council which identified a need to increase the hourly rate they are paying to care providers. Officers are reviewing this to determine whether any increase is required to the Council's rate. In order to receive this rate partner providers must guarantee that the real living wage or higher will be paid to staff.
- There is a potential increase to tipping fees and haulage costs for Helensburgh and Lomond residual waste, following the Council's current supplier Barr Environmental losing a tribunal relating to underpayment of landfill tax. Barr are currently appealing the decision however, if unsuccessful the Council may need to source alternative locations for tipping residual waste and may incur additional transport costs to new tipping sites. Preliminary work has been carried out to assess the potential revenue costs with initial estimates in the range of £0.150m to £0.650m per annum depending on the adopted solution. There may also be associated capital costs with an alternative delivery model.

Other Cost Pressure – Free School Meals

4.5.6 The Scottish Government announced earlier this year that, from August 2021, all P4 primary school pupils and pupils in special schools will be entitled to free school meals, from January 2022 P5 will be, and P6 and P7 will be entitled to a free meal by August 2022. The implementation of free meals for pupils in P4 took place in August, and to date this has been absorbed within existing kitchens, but it has put additional pressure on some sites, facilitating the requirement for capital investment in kitchen equipment, refurbishment or redesign to enable the latter phases of implementation to be safely delivered. In addition to this, some schools will require either additional or refurbishment of dining facilities for example pupils in Iona and Ulva schools have no service, and so a meals service will have to be introduced in those schools.

4.5.7 The Council has been asked to submit forecasts to the Scottish Government

for the school lunch expansion and the following costs have been estimated

- £9.109m Capital (including new Central Production Unit which is £4m)
- £0.829m for One off Revenue
- £1.299m annual recurring revenue
- £0.702m in income reduction

The estimated capital ask to the Scottish Government across all Scottish local authorities is £206m and it is our understanding that the Scottish Government has set aside significantly less for this policy commitment and, furthermore, we are unclear what has been set aside for recurring revenue costs. The Scottish Government are engaging with local authorities over their estimates and it is expected that funding will be confirmed for this policy commitment on 9 December 2021 but currently a risk remains that it will not be fully funded.

In addition there are operational challenges to deliver what is required by August 2022 and this is being experienced by councils across Scotland.

4.5.8 The cost and demand pressures relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.3.

4.6 Health and Social Care Partnership

4.6.1 The Council, at the budget meeting on 25 February 2021, agreed a base allocation to the HSCP of £62.211m for 2021-22 as well as indicative flat cash allocations for 2022-23 and 2023-24.

4.6.2 In the budget outlook, I have assumed flat cash allocations across all scenarios. These are only assumptions and it will be a matter for Council to consider as part of the budget process next year.

4.6.3 Social Work services have already identified a number of cost pressures and these are summarised below and included within Appendix 3 for information purposes. Note the HSCP are only estimating out to a three year planning window rather than the five years within this Council budget outlook.

	2022-23 £000	2023-24 £000	2024-25 £000
Pay Inflation	685	1,384	2,097
Pay Increments	87	174	261
Non-Pay Inflation	1,945	3,954	6,037
Social Work Emergency Standby	25	51	78
Care Services for Older People (Growth)	383	772	1,167
Care Services for Younger Adults	402	812	1,231
Learning Disability	470	940	1,410
Physical Disability	179	359	538
Mental Health	109	217	326
Continuing Care for Looked After	250	500	750

Children			
Unknown Cost and Demand Pressures	500	1,000	1,500
Total Cost Increase Estimates for Social Work	5,035	10,163	15,395

4.7 Live Argyll

4.7.1 The management fee for Live Argyll was agreed between October 2017 and 31 March 2021 on that basis that, during this time, the Trust would be able to grow its income streams and over time the percentage of the Trust expenditure represented by the management fee would reduce.

4.7.2 At the budget meeting on 25 February 2021, Council approved a 10% reduction in the management fee resulting in a 2021-22 fee of £3.419m. The management fee has only been agreed for a one year period.

4.7.3 At this stage no assumptions have been made around the payment to Live Argyll. This will be subject to an annual review through the budget setting process with options brought forward for Member's consideration.

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.

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Base Budget	251,709	251,717	251,726	251,735	251,745
Employee Cost Changes	4,897	8,606	12,367	16,201	20,060
Non-Pay Inflation	1,740	3,480	5,220	6,960	8,700
Cost and Demand Pressures	1,128	1,331	1,867	3,595	3,217
Increase/(Decrease) to HSCP allocation	0	0	0	0	0
Total Estimated Expenditure	259,474	265,134	271,180	278,491	283,722
Estimated Funding	253,714	251,845	249,997	248,168	246,359
Estimated Budget Surplus / (Gap) Cumulative	(5,760)	(13,289)	(21,183)	(30,323)	(37,363)

4.9 Measures to Balance the Budget

4.9.1 In previous years, a general inflationary increase of 3% has been applied to fees and charges. For the budget outlook it has been assumed a similar increase within the best case and mid-range scenario and a smaller 1%

increase in the worst case scenario.

4.9.2 A number of policy options were agreed at the Council meeting on 25 February 2021. These are now factored into the budget outlook, reducing the budget gap.

4.9.3 In the two years prior to this councils have had discretion to increase Council Tax by a maximum of 3% in real terms each year. This equated to 4.79% in cash terms in 2019-20 and 4.84% in 2020-21. In 2021-22 Councils were provided with compensatory funding in return for agreeing a Council Tax freeze. For the budget outlook, I have assumed a 3% Council Tax increase in the best case, mid-range and worst case scenarios.

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

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Fees and Charges Increase	344	698	1,063	1,439	1,826
Management/Operational Savings February 2021	(250)	(230)	(230)	(230)	(230)
Policy Savings February 2021	331	459	459	459	459
Council Tax Increase	1,590	3,239	4,950	6,724	8,564
Total Savings	2,015	4,166	6,242	8,392	10,619

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.

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Estimated Budget Gap Prior to Measures to Balance Budget	(5,760)	(13,289)	(21,183)	(30,323)	(37,363)
Savings Measures	2,015	4,166	6,242	8,392	10,619
Estimated Budget Surplus / (Gap) Cumulative	(3,745)	(9,124)	(14,942)	(21,932)	(26,744)
Estimated Budget Surplus / (Gap) In Year	(3,745)	(5,378)	(5,818)	(6,990)	(4,813)

4.10.2 In the mid-range scenario, the budget gap estimated over the five year period 2022-23 to 2026-27 is £26.744m with a gap of £3.745m in 2022-23.

4.10.3 In contrast, the budget gap in the best case scenario over the five years is £12.261m with a gap of £2.528m in 2022-23 and in the worst case scenario,

the budget gap over the five years is £45.161m with a gap of £5.942m in 2022-23. A summary of all three scenarios is included within Appendix 1.

4.10.4 The changes from the previous budget outlook reported to the Policy and Resources Committee on 14 October 2021 are summarised in the table below

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Previously reported budget surplus / (gap) Cumulative	(3,008)	(7,712)	(12,837)	(19,146)	(23,308)
Increase in non-pay inflation estimate	(576)	(1,152)	(1,728)	(2,304)	(2,880)
New cost and demand pressure for temporary homeless accommodation	(100)	(100)	(100)	(100)	(100)
Increase to apprenticeship levy cost and demand pressure	(22)	(23)	(24)	(25)	(26)
Reduced 2022-23 Allowance for Unknown C&D Pressures	125	125	125	125	125
Pay Inflation	83	84	85	87	89
Pay Increments	(56)	(112)	(168)	(224)	(280)
Living Wage Consolidation	10	0	0	0	0
Employee Base Adjustment	(215)	(215)	(215)	(215)	(215)
Additional Teacher Staff Costs	(1,116)	(1,138)	(1,161)	(1,184)	(1,208)
Additional Teacher Funding	1,116	1,104	1,093	1,082	1,072
Employee benefits adjustment	14	15	(12)	(28)	(13)
Revised Budget Surplus / (Gap) Cumulative	(3,745)	(9,124)	(14,942)	(21,932)	(26,744)

5. CONCLUSION

5.1 In the mid-range scenario, the budget gap estimated over the five year period 2022-23 to 2026-27 is £26.744m with a gap of £3.745m in 2022-23. Council officers are currently working on savings options to be presented to members at a future date to help balance the budget in future years.

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	See below
6.5.1	Equalities	None directly from this report but any proposals to address the estimated budget gap will need to consider equality issues.
6.5.2	Socio Economic Duty	None directly from this report but any proposals to address the estimated budget gap will need to consider socio economic issues.
6.5.3	Islands Duty	None directly from this report but any proposals to address the estimated budget gap will need to consider any island specific issues.
6.6	Climate Change	None directly from this report but any proposals to address the estimated budget gap will need to consider any climate change implications.
6.7	Risk	None directly from this report but any proposals to address the estimated budget gap will need to consider risk.
6.8	Customer Service -	None directly from this report but any proposals to address the estimated budget gap will need to consider customer service.

Kirsty Flanagan
Executive Director/Section 95 Officer
29 November 2021

Policy Lead for Financial Services and Major Projects: Councillor Gary Mulvaney

APPENDICES:

- Appendix 1 – Budget Outlook, Best, Worst and Mid-Range Scenarios
- Appendix 2 – Non Pay Inflation
- Appendix 3 – Cost and Demand Pressures (Council Services)
- Appendix 4 – Cost and Demand Pressures (Social Work)