
BUDGET OUTLOOK 2023-24 TO 2027-28

1. EXECUTIVE SUMMARY

- 1.1 This report summarises the budget outlook covering the period 2023-24 to 2027-28 taking into consideration the budget decisions taken at the Council Budget meeting held on 24 February 2022. This is the first outlook of the financial year and rolls forward previous estimates as well as updating some estimates and also extends the budget outlook out to 2027-28. The assumptions will continue to be updated and refined as the year progresses.
- 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 reported to full Council on 24 February 2022 and ranges between 0.5% reduction (best case) and 1.5% reduction (worst case) with a mid-range reduction of 1.0%.
- 1.4 For 2023-24 the Council tax base has been assumed to grow by 1% in the worst case scenario, 1.5% in the mid-range scenario and 2% in the best case. In future years this then drops down to 0.25% in the worst case scenario, 0.5% in the mid-range scenario and 0.75% in the best case.
- 1.5 The starting point for the 2023-24 budget is the approved budget for 2022-23 as agreed at Council on 24 February 2022 with the following updates:
- Adjustment relating to additional funding in the finance order that has been reduced by an assumption for future years.
 - Increase in the Council Tax Growth percentage for 2023-24.
 - Increase to non-pay inflation
 - Small adjustments to the cost and demand pressures
- 1.6 The assumptions in respect of employee costs for Council services are as follows:
- Pay award for 2023-24 to 2027-28 of between 2% in the best and mid-range scenarios and 5% within the worst case scenario. It is acknowledged that as the pay award has not yet been agreed it could differ from this estimate and at this stage we are recognising that possibility as a financial risk.
 - Increments between £0.345m and £0.690m with mid-range £0.690m.
- 1.7 For non-pay inflation, only unavoidable/inescapable inflation has been built in for the best case and mid-range scenarios with a contingency of £0.250m built into the mid-range. A further general inflationary increase has been built into

the worst case scenario.

- 1.8 There are a number of cost and demand pressures for Council services built into each scenario:
- Universal Credit – HB Admin grant
 - Oracle Financial Ledger Replacement
 - ASN Support
 - SEEMiS Group – Education Management System
 - Removal of charge for milk in schools
 - Cashless Catering
 - Local Government Election
 - New HR System Project Team
 - Waste
 - Impact of BMW Ban
 - Local Development Plan
 - House Loans
 - Loss of Parking Income
 - Increased Bandwidth in Schools.
- 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 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 2022, indicative allocations for 2023-24 to 2024-25 were agreed on the basis of a flat cash allocation. In the budget outlook I have assumed flat cash allocations across all three scenarios.
- 1.11 At this stage a 3% reduction to the Live Argyll Management fee has been included within the estimates. At the 2022-23 budget setting meeting in February 2022 it was agreed to defer the proposed 3% reduction to the Live Argyll management fee until 2023-24 subject to any future budget decisions. It was agreed that management would engage in early discussions with Live Argyll in relation to future approach to support effective longer term financial planning.
- 1.12 The budget gap in the mid-range scenario after allowing for the current base commitments, employee adjustments, 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 £43.566m with a gap of £9.203m in 2023-24.
- 1.13 The measures to balance the budget over the next five years are as follows:
- Proposed increase to fees and charges of between 2% and 4% (3% mid-range).
 - 3% reduction to the Live Argyll Management Fee.
 - Management/operational savings agreed by Council in February 2022.
 - Policy savings already agreed by Council in February 2022.

- Proposed increase to Council Tax (3% in all scenarios).
- 1.14 In the mid-range scenario, the budget gap estimated over the five year period 2023-24 to 2027-28 is £32.275m with a gap of £6.891m in 2023-24.
- 1.15 The budget gap in the best case scenario over the five years is £21.160m with a gap of £4.337m in 2023-24 and in the worst case scenario, the budget gap over the five years is £75.256m with a gap of £15.082m in 2023-24. A summary of all three scenarios is included within Appendix 1.
- 1.16 Given the significant budget gap over the next five years it is proposed that a cross party Budget Working Group similar to what was in place for both the 2021-22 and 2022-23 budgets, is established and for the group to begin discussions in August 2022 to allow sufficient time to address the financial challenges ahead.
- 1.17 It is recommended that the Policy and Resources Committee:
- a) Consider the current estimated budget outlook position for the period 2023-24 to 2027-28.
 - b) Agree to the establishment of a cross party Budget Working Group with a composition of six administration Members, three opposition Members and two Trade Union representatives and seek nominations for these positions.

BUDGET OUTLOOK 2023-24 TO 2027-28

2. INTRODUCTION

- 2.1 This report summarises the budget outlook covering the period 2023-24 to 2027-28 taking into consideration the budget decisions taken at the Council Budget meeting held on 24 February 2022. This is the first outlook of the financial year and rolls forward previous estimates as well as updating some estimates and also extends the budget outlook out to 2027-28. The assumptions will continue to be updated and refined as the year progresses.
- 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:
- a) Consider the current estimated budget outlook position for the period 2023-24 to 2027-28.
 - b) Agree to the establishment of a cross party Budget Working Group with a composition of six administration Members, three opposition Members and two Trade Union representatives and seek nominations for these positions.

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

- 4.1.1 On 9 December 2021, the Cabinet Secretary for Finance and Economy launched a consultation on the Scottish Government's first multi-year Resource Spending Review since 2011. The spending review was due to set out the spending plans for the remainder of the parliamentary term 2023-24 to 2026-27 and it was hoped that there would be enough transparency and detail as to provide the Council with more certainty on the funding over the next four years. At the time of writing, the spending review has just been published and unfortunately it's at a much higher level than anticipated and doesn't give sufficient detail on future years funding.

- 4.1.2 When I considered the future funding assumptions as part of the budget in February, I had reflected on the UK Spending Review published in October 2021. The Scottish Parliament Information Centre (SPICE) analysis of the UK Budget highlighted that the total (unadjusted) Scottish block grant will increase from £36.7 billion (excluding COVID funding) in 2021-22 to £41.8 billion by 2024-25. However, as the Table below shows, this is very much front loaded, with a big real terms increase in 2022-23 (+7.7%), followed by two years of the Scottish Budget declining, slightly, in real terms.

UK Spending Review – October 2021				
Year	Cash Terms		Real Terms	
	£billion	% change	£billion	% change
2021-22	36.7		36.7	
2022-23	40.6	10.6	39.5	7.7
2023-24	41.2	1.5	39.3	-0.7
2024-25	41.8	1.5	39.1	-0.4

While the Treasury published 'Block Grant' figures are notoriously difficult to translate into Scottish Budget terms, as a significant number of other factors are involved, and it is also not known how the Scottish Government will allocate their block grant to priorities, it still provides some guidance as to future funding prospects.

- 4.1.3 The updated spending envelope figures contained in the spending review show a small increase to the Total budget with Local Government remaining as flat cash until 2026-27. The Government has chosen to prioritise Health and Social Care and Social Security spending, which received 90% of the increase in the resource spending budget from 2022-23 to 2025-26. Whilst this is disappointing, it is not different to many other spending areas that have been identified as a priority in the past, for example, Education and Skills is flat cash through to 2025-26.

Scottish Resource Spending Review – May 2022				
Year	Scotland		Local Government	
	£billion	% change	£billion	% change
2022-23	41.8		10.6	
2023-24	43.3	3.6	10.6	0.0
2024-25	44.4	2.5	10.6	0.0
2025-26	45.6	2.7	10.6	0.0
2026-27	47.5	4.2	10.7	0.9

What was confirmed in the spending review was that the £120m Scotland wide (our share £2.146m) announced on 27 January 2022 as part of the Stage 1 Budget Bill has been baselined.

The figures for Local Government noted in the table above are at portfolio level (Level 2) and do not include any transfers to Local Government from other portfolios in-year. It is likely that we will not know that detail until the budget is announced in December.

- 4.1.4 The table at paragraph 4.1.2 shows that there was an increase to the Scottish block of 10.6% in 2022-23, however, our general revenue grant was virtually flat cash. Future year increases are much reduced and from the table in paragraph 4.1.3, for Local Government it is expected to be flat cash up to 2025-26. The Scottish Government are due to release further detail via COSLA that might help to analyse the estimates further but at this stage the funding assumptions as outlined as part of the budget pack in February 2022 still remain and these will be reviewed when more information becomes available. The previous funding assumption was based on a range of between a 0.5% reduction (best case) and 1.5% (worst case) with a mid-range reduction of 1.0%.
- 4.1.5 When the budget was set on 24 February 2022, the funding as published in the provisional settlement was £207.515m with an additional £2.146m announced as part of Stage 1 of the budget process (£120m Scotland wide) on 27 January 2022. When the Finance Order was published on 2 March 2022, an additional £6.315m had been distributed to Argyll and Bute Council for Discretionary Housing payments, Scottish Child Bridging Payments, Removal of Curriculum and Music Tuition Charges, Free School Meals Expansion and school holidays and Health and Social Care. This funding was linked to additional policy commitments that had a matching increase to our expenditure budget and therefore no bottom line impact.
- 4.1.6 When the budget was set on 24 February 2022, the 2021-22 settlement for Teachers had not been agreed. As part of the negotiations, the Cabinet Secretary for Education and Skills wrote to COSLA on 9 December 2021 to confirm that “the Scottish Government was prepared to make a financial contribution towards the recurring costs in 2022-23 associated with the proposed revised pay offer to teachers for 2021-22”. At the time, the exact level of additional financial support was not known but both the recurring cost and level of income was calculated at £0.370m. It has now been confirmed that the all Scotland funding is £32.8m of which we expect to get 1.58%, £0.518m. This amount is due to be paid within 2022-23 and will then form part of the base budget that will be subject to the assumption of future funding. An adjustment to the base budget is also required increasing the base by £0.121m.
- 4.1.7 The table below summarises the mid-range scenario estimates expressed in percentage terms and monetary value.

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
% Change to Funding	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Estimated SG Funding Reduction	(2,016)	(2,143)	(2,122)	(2,101)	(2,080)
Estimated SG Funding	214,330	212,187	210,065	207,964	205,884

Council Tax

- 4.1.8 The Council Tax budget for 2022-23 was set at £55.262m which reflected a 3% inflation increase and 1.5% growth in the Council Tax base as agreed by the

Council on 24 February 2022.

- 4.1.9 During most of 2021-22 council tax growth of 0.25% was assumed in the mid-range scenario. An assessment was carried out in December 2021 and the growth was much better than estimated therefore as part of the 2022-23 budget a growth of 1.5% was built in to 2022-23, with the growth dropping back down to 0.5% in future years. This position has been further reviewed and it is estimated that a 1.5% growth in the mid-range (1% in worst case and 2% in best case) should be maintained for 2023-24 with the drop down to 0.5% in the mid-range now being pushed back to 2024-25. This will continue to be monitored on an ongoing basis and any required adjustments will be reported throughout the year.
- 4.1.10 Within this report, I will present the budget gap, prior to any Member based decisions and therefore at this stage in the report, the Council tax base is assumed to remain at the same level as 2022-23.
- 4.1.11 The table below summarises the estimated total funding in the mid-range scenario.

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Estimated SG Funding	214,330	212,187	210,065	207,964	205,884
Council Tax Base	55,262	55,262	55,262	55,262	55,262
Council Tax Growth	829	1,109	1,391	1,674	1,959
Total Estimated Funding	270,421	268,558	266,718	264,900	263,105

4.2 Base Budget

- 4.2.1 The 2022-23 budget approved by Council on 24 February 2022 was £262.812m.
- 4.2.2 For future years, there are adjustments required to the base budget from decisions by Council on 24 February 2022 and other adjustments as noted in the table below:

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Base Budget 2022-23	262,812	262,812	262,812	262,812	262,812
Additional Funding in Finance Order (see paragraph 4.1.4)	6,315	6,315	6,315	6,315	6,315
Additional budget required in relation to the Teachers Pay Settlement 2021-22 (see paragraph 4.1.5)	121	121	121	121	121
Adjust for repayment of Loans Fund Principal Repayment Holiday	162	170	179	188	197

Remove one off 2022-23 Election costs	(350)	(350)	(350)	(350)	(350)
Remove one off 2022-23 Management/Operational savings	2,174	2,182	2,182	2,182	2,182
Revised Base Budget	271,234	271,250	271,259	271,268	271,277

4.3 Employee Cost Changes

Pay Award

- 4.3.1 The pay award for 2022-23 has still to be agreed and this may have an impact on the base budget if the pay award is greater than the estimate built into the current year's budget, which was 2%.
- 4.3.2 In March 2022, COSLA Leaders agreed to make an undifferentiated offer of a 2% uplift to all bargaining groups on the basis of parity for all which has been both a key concern and agreed position for the past number of years. All Unions have rejected this initial offer and negotiations are ongoing.
- 4.3.3 The COSLA remuneration advisory group, made up of advisors from the Society of Local Authority Chief Executives (SOLACE), The Directors of Finance and the Society of Personnel and Development Scotland (SPDS) has noted the constraints on Local Government funding, with two thirds of Councils having budgeted for a pay increase of 2% or less. The 2% increase is deemed to be affordable, hence why that is the assumption that has been built into the mid-range scenario.
- 4.3.4 For future years, the pay assumption remains at 2% in both the mid-range and the best case, reflecting that 2% is deemed to be affordable but it is not likely that the pay award will be less than this. For scenario purposes, 5% has been built into the worst case. There remains a significant risk that the pay award agreed for 2022-23 and beyond could be higher. Every 1% over and above what is budgeted would add an additional pressure of circa £1.5m.

Increments

- 4.3.5 The cost of employee increments for 2022-23 was £0.690m. There remains a fairly regular turnover of staff within posts and when this happens the cost of increments can, in some cases, be absorbed by the budget provision for the previous post holder, who may have been at the top of the spinal column point for the grade. This is shown in adjustments to the employee base budget.
- 4.3.6 In terms of the budget outlook it has been assumed that for future years, the best case is assumed to be half of the previous year cost, for mid-range and worst case, assumes equal to the cost in 2022-23.
- 4.3.7 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.

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Pay Award	3,000	6,061	9,182	12,366	15,613
Increments	690	1,380	2,070	2,760	3,450
Total Employee Cost Changes	3,690	7,441	11,252	15,126	19,063

4.4 Non-Pay Inflation

- 4.4.1 Over the last few years, the Council have only included non-pay inflation within the budget where it was deemed to be unavoidable or inescapable. In terms of the budget outlook, only unavoidable/inescapable non-pay inflation is built into the best case and mid-range scenarios with a general inflation allowance over and above this built into the worst case.
- 4.4.2 When the 2022-23 budget was set in February, the indicative inflation estimates from 2023-24 were based on a similar level of inflation to the 2022-23 estimate, however, it was noted that this would be reviewed for the first budget outlook presented to the new Council as it was likely that there would be further increases to inflation, which is indeed the case. In addition, in terms of utilities, some of the contracts for 2022-23 were forward purchased and therefore the level of inflation was not going to be felt within 2022-23.
- 4.4.3 Officers have now undertaken a review of areas of non-pay inflation of significant value and volatility. The principle of only budgeting for unavoidable/inescapable remains, however, it has to be noted that in this current financial climate, some budgets with no inflation allowed for are now stretched beyond the point of containing the cost within budget and therefore the budget will now buy less than what it used to be able to buy (so in effect, we will see some cuts as a result).
- 4.4.4 When creating a budget outlook for future years, there is a risk that inflation assumptions could change during the year. Due to the current inflation uncertainty, it would be prudent to include a contingency for other inflation increases not included in the calculations. A contingency allowance of £0.500m is included within the worst case scenario and a £0.250m allowance included within the mid-range scenario each year. No contingency is included within the best case scenario. This contingency will either be required, reduced or removed to reflect changing circumstances before the 2023-24 budget process.
- 4.4.5 The table below summarises the non-pay inflation increases in the mid-range scenario for Council services with more detail available in Appendix 2. The non-pay inflation increases relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.3.

Inflation Category	2023-24 Previous estimates £000	2023-24 Updated estimates £000	Increase £000
Utilities - Electricity, Gas, Oil, Water	245	1,177	932
Street Lighting Electricity	32	116	84
Vehicle Fuel	62	62	0
Central Repairs - Outside Contractors	57	57	0
Waste PPP/Landfill Tax	455	502	47
NPDO/HUB Schools	651	1,024	373
Community Pool Subsidies	53	60	7
Residential Schools	84	91	7
Pre-Primary Partner Providers	86	86	0
ICT	123	123	0
Catering Purchases and Milk	310	309	(1)
Contingency for unidentified/insufficient inflation estimate		250	250
Total	2,158	3,857	1,699

- 4.4.6 The inflation for years 2024-25 to 2027-28 is noted in the table below and is based on future years estimates of inflation at this point in time. It may be that the inflation could rise to a peak over the next couple of years and then fall again and this would alter the estimates in the table below, however, this is very difficult to predict and the estimates will be kept under review.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Unavoidable/Inescapable	6,187	8,661	11,287	14,078
Total Non-Pay Inflation	6,187	8,661	11,287	14,078

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 2022. Since the budget meeting on 24 February 2022 the following changes have been made to the cost and demand pressures:

- New – Oracle Financial Ledger System Replacement
- New – Cost of Local Government Elections in 2027-28.
- Amended – Increased SEEMiS pressure for the Education Management System
- Amended – Profiling of Local Development Plan cost pressure.

Officers are currently assessing the budget required in respect of the provision for 1140 hours. The Scottish Government reduced the funding for this area of spend in 2022-23 and it is likely that this may create a cost pressure for future years. The level of the cost pressure has not been quantified as yet and will be

updated within a future budget outlook.

4.5.2 As with inflation, 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 for this is included within the best case scenario, a £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 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

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Universal Credit – HB Admin Grant	40	80	120	160	200
Oracle Fusion	35	35	35	35	35
ASN Support	0	75	206	206	206
SEEMiS Membership Fees	9	11	13	16	16
Sustainable rate for partner providers	342	327	327	327	327
Election costs	0	0	0	0	300
HR System	100	(50)	(50)	(50)	(50)
Waste	7	25	78	(91)	(91)
Compliance with BMW Ban	0	400	1,600	1,150	0
Local Development Plan	0	50	0	50	0
House Loans	19	19	19	19	19
Parking	15	15	15	15	15
IT – Increased bandwidth in schools	26	26	26	26	26
Allowance for pressures in future years	250	500	750	1,000	1,250
Total Cost and Demand Pressures	843	1,513	3,139	2,863	2,253

4.5.5 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 24 February 2022, agreed a base allocation to the HSCP of £69.005m for 2022-23 as well as indicative flat cash allocations for 2023-24 to 2026-27. On 2 March 2022 the Local Government Finance Circular 1/2022 was published which distributed additional funding of which £4.037m was required to be passed to the HSCP, therefore their allocation increased from £69.005m to £73.042m.

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 and demand pressures and these are summarised below and included within Appendix 4 for information purposes. It is expected that the HSCP absorb their cost and demand pressures from their funding allocation. Note that these only extend to three years rather than the five years within this Council budget outlook.

	2023-24 £000	2024-25 £000	2025-26 £000
Pay Inflation	1,335	2,671	4,033
Pay Increments	103	206	309
Non-Pay Inflation	3,373	6,674	10,158
Care Services for Younger Adults	417	843	1,278
Adult Services - Supported Living	344	686	1,029
Continuing Care for Looked After Children	250	500	750
Kintyre Care Centre	750	750	750
Unknown Cost and Demand Pressures	500	1,000	1,500
Total Cost Increase estimates for Social Work	7,072	13,330	19,807

4.7 Estimated Budget Gap PRIOR to Measures to Balance the Budget

- 4.7.1 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.

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Base Budget	271,234	271,250	271,259	271,268	271,277
Employee Cost Changes	3,690	7,441	11,252	15,126	19,063
Non-Pay Inflation	3,857	6,187	8,661	11,287	14,078
Cost and Demand Pressures	843	1,513	3,139	2,863	2,253
Total Estimated Expenditure	279,624	286,391	294,311	300,544	306,671
Estimated Funding	270,421	268,558	266,718	264,900	263,105
Estimated Budget Surplus / (Gap) Cumulative	(9,203)	(17,833)	(27,593)	(35,644)	(43,566)

4.8 Measures to Balance the Budget

- 4.8.1 In previous years, a general inflationary increase of 3% has been applied to fees and charges. For the budget outlook a range of between 2% (worst case) and 4% (best case) with a mid-range of 3%. The Council may consider, that in light

of the increasing inflation we are experiencing on many cost areas, that it would be appropriate to increase the fees and charges inflation to a higher level.

- 4.8.2 A number of policy options were agreed at the Council meeting on 24 February 2022 that impacted on 2023-24 and beyond. These are now factored into the budget outlook, reducing the budget gap.
- 4.8.3 In terms of Council Tax, a 3% increase has been assumed across all scenarios, this being the increase applied in 2022-23. It will be a matter for Council to decide the level of Council Tax increase.
- 4.8.4 In respect of Live Argyll, at the budget meeting on 24 February 2022, Council agreed to defer the proposed 3% reduction in the management fee for 2022/23 and noted that this will be applied in 2023-24 and will be subject to any future budget decisions. 3% of the 2022-23 management fee equates to £0.122m and this reduction has been built into the budget outlook from 2023-24 onwards. No further reduction has been built in, this would be a matter for Council to consider.
- 4.8.5 The table below summarises the proposed measures to balance the budget in the mid-range scenario.

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Fees and Charges Increase	356	722	1,099	1,488	1,888
Management/Operational Savings February 2021	20	20	20	20	20
Policy Savings February 2021	128	128	128	128	128
Policy Savings agreed February 2022	3	6	6	6	6
Council Tax Increase	1,683	3,450	5,278	7,170	9,127
Reduction to Live Argyll Management Fee	122	122	122	122	122
Total Measures to Balance the Budget	2,312	4,448	6,653	8,934	11,291

4.9 Estimated Budget Gap AFTER Measures to Balance the Budget

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

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Estimated Budget Gap Prior to Measures to Balance Budget	(9,203)	(17,833)	(27,593)	(35,644)	(43,566)
Savings Measures	2,312	4,448	6,653	8,934	11,291

Estimated Budget Surplus / (Gap) Cumulative	(6,891)	(13,385)	(20,940)	(26,710)	(32,275)
Estimated Budget Surplus / (Gap) In Year	(6,891)	(6,494)	(7,555)	(5,770)	(5,565)

- 4.9.2 In the mid-range scenario, the budget gap estimated over the five year period 2023-24 to 2027-28 is £32.275m with a gap of £6.891m in 2023-24.
- 4.9.3 The budget gap in the best case scenario over the five years is £21.160m with a gap of £4.337m in 2023-24 and in the worst case scenario, the budget gap over the five years is £75.256m with a gap of £15.082m in 2023-24. A summary of all three scenarios is included within Appendix 1.
- 4.9.4 The changes from the previous anticipated outlook to 2026-27 (as noted at the budget meeting on 24 February 2022) are summarised in the table below. Note that the budget meeting report was not extended to 2027-28 which is why the table below only extends to 2026-27.

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000
Previously reported budget surplus / (gap) Cumulative	(7,774)	(13,911)	(21,166)	(26,236)
Additional Funding in the Finance Order that has been reduced by assumption for future years	(63)	(126)	(188)	(249)
£120m additional Scottish Government Funding baselined as part of Spending Review	2,125	2,104	2,083	2,062
Increase in Council Tax Growth in 2023-24	570	607	644	683
Council Tax calculation adjustment	(24)	(58)	(106)	(173)
Increase to Non-Pay Inflation	(1,699)	(1,871)	(2,186)	(2,655)
Increase to Cost Pressures	(49)	(149)	(48)	(151)
Additional funding for teachers pay award	143	138	133	128
Adjustment to base for teachers pay award	(121)	(121)	(121)	(121)
Minor Rounding adjustments	1	2	15	2
Revised Budget Surplus / (Gap) Cumulative	(6,891)	(13,385)	(20,940)	(26,710)

4.10 Budget Working Group

- 4.10.1 As part of the 2021-22 and 2022-23 budgets, a cross party Budget Working Group (BWG) was established comprising of six Members from the administration, three Members from the opposition and two Trade Union representatives. The BWG did not have any decision making authority but could

report to and make recommendations to either the Council or the Policy and Resources Committee. Its primary purpose was to engage with officers and provide scrutiny on the identification of savings options as they are developed.

- 4.10.2 Given the significant budget gap over the next five years it is proposed that a similar group is established to support the 2023-24 budget approach and for the group to begin discussions in August 2022 to allow sufficient time to address the financial challenges ahead.

5. CONCLUSION

- 5.1 In the mid-range scenario, the budget gap estimated over the five year period 2023-24 to 2027-28 is £32.275m with a gap of £6.891m in 2023-24. Council officers are continuing to further develop savings options during 2022-23 and these will be presented to members at a future date to help balance the budget in future years.
- 5.2 This is a very challenging budget outlook position and the level of Scottish Government grant and the pay award are the two assumptions that could alter the figures significantly. Both will be kept under close review and the budget outlook updated as and when further information becomes available.
- 5.3 It is proposed that a cross party BWG is established to provide scrutiny on the identification of savings options with early engagement with services users and stakeholders to help inform and develop savings options within the financial envelope.

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 |

- | | | |
|-----|--------------------|--|
| 6.6 | Climate Change | any island specific issues.
The Council is committed to addressing climate change and reviews how Services are delivering this on an ongoing basis within the available budget resources. |
| 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
2 June 2022

Policy Lead for Finance and Commercial Services: 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)

For further information contact Anne Blue, Interim Head of Financial Services
anne.blue@argyll-bute.gov.uk

	Best Case Scenario					Mid-Range Scenario					Worst Case Scenario				
	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Base Budget	269,127	269,127	269,127	269,127	269,127	269,127	269,127	269,127	269,127	269,127	269,127	269,127	269,127	269,127	269,127
Base Budget Adjustments	2,107	2,123	2,132	2,141	2,150	2,107	2,123	2,132	2,141	2,150	2,107	2,123	2,132	2,141	2,150
Revised Base Budget	271,234	271,250	271,259	271,268	271,277	271,234	271,250	271,259	271,268	271,277	271,234	271,250	271,259	271,268	271,277
Pay Award	2,978	6,016	9,114	12,274	15,497	2,978	6,016	9,114	12,274	15,497	7,445	15,262	23,470	32,089	41,138
Pay Increments	345	690	1,035	1,380	1,725	690	1,380	2,070	2,760	3,450	690	1,380	2,070	2,760	3,450
Additional Teacher Costs	(23)	23	23	24	24	22	45	68	92	116	(23)	23	23	24	24
Total Employee Cost Changes (Council Services)	3,300	6,729	10,172	13,678	17,246	3,690	7,441	11,252	15,126	19,063	8,112	16,665	25,563	34,873	44,612
Non-Pay Inflation - Council Services	3,476	5,650	7,948	10,377	12,946	3,857	6,187	8,661	11,287	14,078	5,838	9,925	14,177	18,606	23,226
Housing Benefits Admin Grant	40	80	120	160	200	40	80	120	160	200	40	80	120	160	200
Oracle Fusion running costs	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
ASN Support	0	0	198	198	198	0	75	206	206	206	0	145	444	444	444
SEEMIS Membership Fees	9	11	13	16	16	9	11	13	16	16	9	11	13	16	16
Sustainable Rate for Partner Providers	342	327	327	327	327	342	327	327	327	327	342	327	327	327	327
Election Costs	0	0	0	0	250	0	0	0	0	300	0	0	0	0	350
Software support for a new HR system & Backfill for project team.	50	(50)	(50)	(50)	(50)	100	(50)	(50)	(50)	(50)	150	(50)	(50)	(50)	(50)
Waste	7	25	78	(91)	(91)	7	25	78	(91)	(91)	7	25	78	(91)	(91)
Compliance with BMW Ban	0	200	800	800	0	0	400	1,600	1,150	0	0	875	3,500	1,500	0
Planning (Local Development Plan)	0	50	0	50	0	0	50	0	50	0	0	50	0	50	0
House Loans	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
Parking	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
IT - increased bandwidth in schools	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Allowance for Cost and Demand Pressures Future Years	0	0	0	0	0	250	500	750	1,000	1,250	500	1,000	1,500	2,000	2,500
Total Cost and Demand Pressures	543	738	1,581	1,505	945	843	1,513	3,139	2,863	2,253	1,143	2,558	6,027	4,451	3,791
Total Estimated Expenditure PRIOR to measures to balance the budget	278,553	284,367	290,960	296,828	302,414	279,624	286,391	294,311	300,544	306,671	286,327	300,398	317,026	329,198	342,906
Scottish Government Grant	214,895	213,821	212,752	211,688	210,629	213,817	211,679	209,562	207,466	205,391	212,736	209,545	206,402	203,305	200,256
Specific Funding for Additional Teachers	515	512	509	506	503	513	508	503	498	493	510	502	494	487	480
Council Tax	56,367	56,790	57,216	57,645	58,077	56,091	56,371	56,653	56,936	57,221	55,815	55,955	56,095	56,235	56,376
Total Funding	271,777	271,123	270,477	269,839	269,209	270,421	268,558	266,718	264,900	263,105	269,061	266,002	262,991	260,027	257,112
Budget Surplus / (Gap) PRIOR to measures to balance the budget	(6,776)	(13,244)	(20,483)	(26,989)	(33,205)	(9,203)	(17,833)	(27,593)	(35,644)	(43,566)	(17,266)	(34,396)	(54,035)	(69,171)	(85,794)
Measures to Balance the Budget:															
Fees and Charges	475	963	1,465	1,984	2,517	356	722	1,099	1,488	1,888	237	481	733	992	1,259
Live Argyll - 3% decrease to management fee	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122
Management/Operational Savings agreed February 2021	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
Policy savings agreed February 2021	128	128	128	128	128	128	128	128	128	128	128	128	128	128	128
Policy savings reported Agreed February 2022	3	6	6	6	6	3	6	6	6	6	3	6	6	6	6
Council Tax Increase	1,691	3,445	5,265	7,152	9,109	1,683	3,425	5,227	7,092	9,021	1,674	3,403	5,188	7,031	8,933
Council Tax Increase (Growth element)	0	34	69	105	143	0	25	51	78	106	0	17	34	52	70
Total Measures to Balance the Budget	2,439	4,718	7,075	9,517	12,045	2,312	4,448	6,653	8,934	11,291	2,184	4,177	6,231	8,351	10,538
Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget	(4,337)	(8,526)	(13,408)	(17,472)	(21,160)	(6,891)	(13,385)	(20,940)	(26,710)	(32,275)	(15,082)	(30,219)	(47,804)	(60,820)	(75,256)
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	(4,337)	(4,189)	(4,881)	(4,064)	(3,688)	(6,891)	(6,494)	(7,555)	(5,770)	(5,565)	(15,082)	(15,137)	(17,586)	(13,016)	(14,436)

NON-PAY INFLATION (COUNCIL)**Appendix 2**

Service	Category	Basis of Inflation	Inflation Percentage	Mid Range 2023/24
Council Wide	Electricity	Due to current market condition for electricity 20% increase mid range, with a 0.5% tolerance for best and worst case.	20.00%	484,544
Council Wide	Gas	Due to current market condition for gas 75% increase mid range, with a 0.5% tolerance for best and worst case.	75.00%	371,229
Council Wide	Heating Oils	Due to current market condition for heating oils 100% increase mid range, with a 0.5% tolerance for best and worst case.	100.00%	266,842
Council Wide	Solid Fuel	Based on estimates provided by facility services with a 0.5% tolerance for best and worst case.	8.00%	18,430
Council Wide	Water Charges	Current rate of inflation with a 0.5% tolerance for best and worst case.	6.20%	36,366
Council Wide	Vehicle Fuel	Historic rate carried forward from last year - will be reviewed during 2022-23	4.97%	62,000
Council Wide	Central Repairs - Outside Contractors	Historic rate carried forward from last year - will be reviewed during 2022-23	3.00%	57,000
Council Wide	Contingency for unidentified/insufficient inflation estimate	£250k built in to mid-range and £500k built in to worst case scenario		250,000
Council Wide Total				1,546,411
Education	Pre-Primary Partner Provider Uplift	Historic rate carried forward from last year - will be reviewed during 2022-23	2.50%	86,000
Education	External School Placements	Based on prior year uplifts	8.00%	90,590
Commercial Services	Catering Purchases	Figure used by facility services based on national estimates for year 1 with a 0.5% tolerance for best and worst case.	15.00%	308,543
Legal & Regulatory Support	Leisure SLA-MAKI/Islay Pools	Based on RPI at February 2022 with a 0.5% tolerance in the best and worst case scenarios.	8.18%	13,757
Legal & Regulatory Support	Leisure SLA-Atlantis	Based on RPI at April 2022 with a 0.5% tolerance in the best and worst case scenarios.	8.43%	46,673
Legal & Regulatory Support	NPDO-Variable Element	Based on year on year RPI uplift with a 0.5% tolerance for best and worst case.	8.18%	599,843
Legal & Regulatory Support	NPDO-Utilities Rebate	RPI at February 2022 with a 0.5% tolerance for best and worst case.	8.20%	-23,945
Legal & Regulatory Support	NPDO-Electricity	Due to current market condition for electricity 20% increase mid range, with a 0.5% tolerance for best and worst case.	20.00%	89,930
Legal & Regulatory Support	NPDO-Gas	Due to current market condition for gas 75% increase mid range, with a 0.5% tolerance for best and worst case.	75.00%	119,481
Legal & Regulatory Support	NPDO-Heating Oil	Due to current market condition for heating oils 100% increase mid range, with a 0.5% tolerance for best and worst case.	100.00%	68,801
Legal & Regulatory Support	NPDO-LPG	Due to current market condition for gas 75% increase mid range, with a 0.5% tolerance for best and worst case.	75.00%	53,900
Legal & Regulatory Support	NPDO-Water	Current rate of inflation with a 0.5% tolerance for best and worst case.	6.20%	21,738
Legal & Regulatory Support	HUB-Variable Element	Based on year on year RPI uplift with a 0.5% tolerance for best and worst case.	8.18%	93,883
Executive Director Douglas Hendry - Total				1,569,194
Customer and Support Services	ICT	Historic rate carried forward from last year - will be reviewed during 2022-23	15.00%	123,000
Roads and Infrastructure	Waste PPP-Private Contractor Inflation	Based on RPIX at February 2022 with a 0.5% tolerance for best and worst case.	7.09%	465,049
Roads and Infrastructure	Waste PPP-Central Government Inflation	Based on Landfill Tax increase between 21/22 and 22/23 with a 0.5% tolerance for best and worst case.	1.96%	36,765
Roads and Infrastructure	Electricity - Street Lighting	Due to current market condition for electricity 20% increase mid range, with a 0.5% tolerance for best and worst case.	20.00%	116,305
Executive Director Kirsty Flanagan - Total				741,119
Total Non-Pay Inflation in the Mid Range				3,856,724

COUNCIL COST AND DEMAND PRESSURES 2023-24 to 2027-28

APPENDIX 3

			Best Case					Mid Range Scenario					Worst Case				
Department	Service	Cost/Demand Pressure	2023-24 £,000	2024-25 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000	2023-24 £,000	2024-25 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000	2023-24 £,000	2024-25 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000
Chief Executive's Unit	Financial Services	Universal Credit “Full” Service went live in Sept 2018, but managed migration has been deferred to 2021 and will not be completed until 2024. 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. The Council’s caseload has reduced marginally since implementation of Universal Credit but it is hard to predict just how quickly the rest of the working age caseload will migrate from Housing Benefit to Universal Credit between now and 2024. These figures represent our best estimates at this time.	40	80	120	160	200	40	80	120	160	200	40	80	120	160	200
Chief Executive's Unit	Financial Services	Implementation of new financial ledger system - Oracle Fusion Project	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
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. It is anticipated that growth continues over the next 5 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	198	198	198	0	75	206	206	206	0	145	444	444	444
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 2021/22 to 2025/26. As a result of this exercise there were implications on Membership fees with a cost pressure on the Education service arising from financial year 2023/24. Indicative membership fees were provided for financial years 2021/22 to 2022/23 and these have been factored in accordingly.	9	11	13	16	16	9	11	13	16	16	9	11	13	16	16
Executive Director - Douglas Hendry	Education	Removal of 10p charge for milk in Primary Schools from August 2021. Council agreed to remove this charge from August 2021 to promote the implementation of the Healthy Eating in Schools Regulations and the roll out of free school meal to all Primary pupils by August 2022.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Executive Director - Douglas Hendry	Education	The existing cashless catering solution in 9 x secondary schools requires upgrading or replacing as a result of hardware obsolescence and software reaching end of life and contract end in Jan 2022. This solution is a red risk on the ICT GAMP and is no longer PSN or Cyberessentials Plus compliant. Local authorities across the UK have rapidly transformed their cashless catering and payment solutions during the pandemic to reflect the trends for online payments, pre-order self service, and deliver a safer, more efficient service. These trends are reflected in the supplier marketplace with new solutions now available for online self service payments and school meal selection with market leaders providing end to end solutions handling all school fund types in one integrated income management solution. This will reduce cash handling and allow school catering to prepare meals to order.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Executive Director - Douglas Hendry	Education	The Council has had a requirement to deliver 1140 hours of Early Learning and Childcare from August 2021. The Council has been notified that the ring fenced funding will be reduced by £1.124m from 2022-23. Also, as part of the 1140 expansion programme, the Scottish Government 'Funding Follows the Child' guidance, requires local authorities to set a rate locally that is paid to funded providers in the private and third sectors, including childminders, to deliver the funded entitlement that allows them to deliver a high quality ELC experience for all children. This rate should be sustainable and reflect national policy priorities, including funding to enable payment of the real Living Wage to all childcare workers delivering the funded entitlement and have a margin for re-investment built in. The service has worked hard to mitigate the effects of this and has reduced expenditure as far as possible. However there remains a funding gap, the service are able to cover the over spend for 2022-23 from carry forwards so the cost pressure is requested from 2023-24 onwards. The service will continually review their plans looking for efficiencies where possible.	342	327	327	327	327	342	327	327	327	327	342	327	327	327	327

COUNCIL COST AND DEMAND PRESSURES 2023-24 to 2027-28

APPENDIX 3

			Best Case					Mid Range Scenario					Worst Case				
Department	Service	Cost/Demand Pressure	2023-24 £,000	2024-25 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000	2023-24 £,000	2024-25 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000	2023-24 £,000	2024-25 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000
Executive Director - Douglas Hendry	Legal and Regulatory Services	Estimated cost (to be borne by the Council) of carrying out local Government elections in May 2027 (and in financial year 2027/28). Operating approx. 100 polling stations and carrying out poll and count for 11 Multi member wards – requiring 11 separate counts	0	0	0	0	250	0	0	0	0	300	0	0	0	0	350
Executive Director - Douglas Hendry	Procurement	In February 2019 the Council agreed a £250k procurement policy saving to be delivered through an increased focus on contract and demand management. This saving was dependent on the number and type of contracts being tendered for which have the potential to achieve revenue savings through the procurement process. It has proved harder to achieve than was first anticipated and this saving has been removed. As this saving had already been built into future budgets a cost pressure is required to reverse it.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Executive Director - Kirsty Flanagan	HR	Costs for a project team for a new HR system & Backfill . This is a total new system build.	50	-50	-50	-50	-50	100	-50	-50	-50	-50	150	-50	-50	-50	-50
Executive Director - Kirsty Flanagan	Waste	Additional costs derived from the current waste model. Note that the treatment of waste going forward has not been fully costed due to uncertainty as to how the council will deal with the Bio Municipal Waste ban and the Deposit Return Scheme. Pressure has increased due to an updated waste model.	7	25	78	(91)	(91)	7	25	78	(91)	(91)	7	25	78	(91)	(91)
Executive Director - Kirsty Flanagan	Waste	Achieving compliance with ban on biodegradable municipal waste in 2025. This is the estimated revenue costs from potential scenarios, remaining in or coming out of the current waste PPP contract. Coming out of the Waste PPP contract would create an additional one-off cost. There are also capital cost implications that are not included within these estimates. Due to the complexity of the model, estimates are subject to change.	0	200	800	800	0	0	400	1,600	1,150	0	0	875	3,500	1,500	0
Executive Director - Kirsty Flanagan	Planning	Local development plan will require to be done under the new Planning legislation which is a revised process from the current one and will have a 10 year life. The new process has 2 stages where there is likely to be a cost pressure - a gate check followed by an examination some time later.	0	50	0	50	0	0	50	0	50	0	0	50	0	50	0
Executive Director - Kirsty Flanagan	Housing	Rightsize budget for House Loans which is a historic budget which has simply been rolled forward year on year	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
Executive Director - Kirsty Flanagan	Parking	Loss in income at Glen Loin Car park, Arrochar due to end of lease and responsibility for car park returning to owners, Luss Estates	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Executive Director - Kirsty Flanagan	IT	Increased bandwidth for schools to allow digital transformation to support the move to online learning	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Executive Director - Kirsty Flanagan	Housing	Temporary Accommodation for the homeless has had a history of demand led overspending. The budget is in need of rightsizing. Costs include property maintenance, maintenance and replacement of furniture, property rental costs less benefit payments and the cost of voids which would include Council Tax and utilities and loss of benefit payments.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Council Wide	Council Wide	Rightsize budget for Apprenticeship Levy which is a historic budget which has simply rolled forward year on year. Apprenticeship Levy is charged at a rate of 0.5% of an employer's paybill but the budget has not been increased in line with salary budget increases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Council Wide	Council Wide	General provision for unidentified Cost and Demand Pressures	0	0	0	0	0	250	500	750	1,000	1,250	500	1,000	1,500	2,000	2,500
TOTAL			543	738	1,581	1,505	945	843	1,513	3,139	2,863	2,253	1,143	2,558	6,027	4,451	3,791

SOCIAL WORK COST AND DEMAND PRESSURES - 2023-24 to 2025-26
APPENDIX 4

Service	Cost/Demand Pressure	Best Case			Mid Range			Worst Case		
		2023-24 £000	2024-25 £000	2025-26 £000	2023-24 £000	2024-25 £000	2025-26 £000	2023-24 £000	2024-25 £000	2025-26 £000
All Social Work	Estimated Pay inflation reflecting a best case of 1%, mid range of 2% and worst case of 3%.	668	1,336	2,011	1,335	2,671	4,033	1,342	2,685	4,068
All Social Work	Estimated Pay increments, best case is that 50% of the incremental changes based on 2022/23 are absorbed and in the mid-range and worst case, the increase is in line with the increase in 2022/23.	52	103	155	103	206	309	103	206	309
All Social Work	Non-pay inflation, best and worst case based on unavoidable/inescapable inflation and worst case.	2,925	5,737	8,687	3,296	6,518	9,919	3,666	7,277	11,109
All Social Work	Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work.	77	156	239	77	156	239	77	156	239
Adult Care	Younger Adults Demand Growth (Excluding Physical Disability): 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 a 1% increase in spending reflecting the limited service capacity in the area, the mid-range reflects 2% growth and the worst case reflects 3% growth.	172	345	520	343	694	1,052	515	1,046	1,594
Adult Care	Younger Adults Demand Growth - Physical Disability: 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 a 1% increase in spending reflecting the limited service capacity in the area, the mid-range reflects 2% growth and the worst case reflects 3% growth.	37	74	112	74	149	226	110	224	341
Adult Services	Learning Disability Budget Adjustment - The Learning Disability Supported Living budget is carrying a recurring unbudgeted commitment of circa £743k which is contributing to the recurring overspend on the Social Work budget. To address this situation, it is proposed to realign the budget over the three year period from 2023/24 to 2025/26 whilst also reviewing cases and redesigning services. The adjustment will be reviewed annually to reflect spending reductions delivered as well as any changes to funding and practice resulting from the implementation of the Independent Review of Adult Social Care.	248	495	743	248	495	743	248	495	743
Adult Services	Physical Disability Budget Adjustment - The Physical Disability budget is carrying a recurring unbudgeted commitment of circa £89k which is contributing to the recurring overspend on the Social Work budget. To address this situation, it is proposed to realign the budget over the three year period from 2023/24 to 2025/26 whilst also reviewing cases and redesigning services. The adjustment will be reviewed annually to reflect spending reductions delivered as well as any changes to funding and practice resulting from the implementation of the Independent Review of Adult Social Care.	30	60	89	30	60	89	30	60	89

Service	Cost/Demand Pressure	Best Case			Mid Range			Worst Case		
		2023-24 £000	2024-25 £000	2025-26 £000	2023-24 £000	2024-25 £000	2025-26 £000	2023-24 £000	2024-25 £000	2025-26 £000
Adult Services	Mental Health Budget Adjustment - The Mental Health budget is carrying a recurring unbudgeted commitment of circa £197k which is contributing to the recurring overspend on the Social Work budget. To address this situation, it is proposed to realign the budget over the three year period from 2023/24 to 2025/26 whilst also reviewing cases and redesigning services. The adjustment will be reviewed annually to reflect spending reductions delivered as well as any changes to funding and practice resulting from the implementation of the Independent Review of Adult Social Care and any additional funding provided to address mental health issues as a consequence of the COVID pandemic.	66	131	197	66	131	197	66	131	197
Children and Families	Continuing Care demand for Looked After young people who are cared for by the HSCP. The best case scenario is that the expected additional demand can be funded from within existing resources as a result of planned improvements to the service delivery model (eg shift away from high cost external residential care to local foster and kinship care), the mid case reflects £250k per annum and the worst case reflects £500k per annum.	0	0	0	250	500	750	500	1,000	1,500
All Social Work	Allowance for unknown cost and demand pressures which could arise. The best case assumes unknown pressures totalling £250k per annum, the mid range £500k per annum and the worst case £750k per annum.	250	500	750	500	1,000	1,500	750	1,500	2,250
Adult Services	Kintyre Care Centre - Potential cost pressure as a result of potential transfer of KCC facility to HSCP Management.	750	750	750	750	750	750	900	900	900
TOTAL COST AND DEMAND PRESSURES		5,274	9,687	14,253	7,072	13,330	19,807	8,307	15,680	23,339