

**BUDGET OUTLOOK 2023-24 TO 2027-28**

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**1. EXECUTIVE SUMMARY**

- 1.1 This report provides an update to the budget outlook 2023-24 to 2027-28, reported to the Policy and Resources Committee on 11 August 2022.
- 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 on 16 June 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 There are no changes to my previous assumptions around the growth in Council Tax. 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 Since the budget outlook was last reported to Policy and Resources Committee on 11 August 2022 there has been a change to the base budget in relation to the 2022-23 pay award. Negotiations are now at an advanced stage with the current proposal being a 5% undifferentiated pay offer, which includes a £3,000 cap for those earning above £60,000 based on a 37 hour week, and a commitment to ensure that everyone receives an increase of at least £1,925 or £2,000 depending on spinal column point. This results in additional costs totalling £5.852m. The Scottish Government has agreed to provide an additional £140m of recurring resource from 2022-23 to support the 5% pay offer and a further £120.6m of capital funding in 2022-23 and 2023-24 which will be baselined as General Revenue Grant from 2024-25 onwards to ensure that everyone receives an increase of at least £1,925 or £2,000. The net impact of this is an increase to the baseline of £2.112m in 2022-23.
- 1.6 As a result of the above there have been changes made to the assumptions in respect of employee costs for Council services as follows:
- Pay inflation for 2023-24 has been updated to 3.5% within the mid-range scenario based on the current 2022-23 pay negotiations which require the Council to fund a 3.5% increase in the current year. The best case and worst case scenarios remain at 2% and 5% respectively.
  - Pay inflation for 2024-25 onwards reverts back to 2% in the mid-range and best case scenario, and 5% in the worst case scenario as previously reported.

- Increments between £0.345m and £0.690m with mid-range £0.690m remain as previously reported.
- 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. The estimates for non-pay inflation have increased by £0.198m with the main increases being utilities.
- 1.8 There are a number of cost and demand pressures for Council services built into each scenario. There have been no changes to these pressures since the last report on 11 August 2022.
- 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 £51.302m with a gap of £14.836m 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 3% and 9% (6% 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).
  - Emerging savings options as part of 2023-24 budget setting process as detailed at 4.8.3.
- 1.14 In the mid-range scenario, the revised budget gap estimated over the five year period 2023-24 to 2027-28 is £33.011m with a gap of £7.284m in 2023-24.

- 1.15 The budget gap in the best case scenario over the five years is £17.851m with a gap of £2.177m in 2023-24 and in the worst case scenario, the budget gap over the five years is £75.206m with a gap of £13.560m in 2023-24. A summary of all three scenarios is included within Appendix 1.
- 1.16 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2023-24 to 2027-28.

**BUDGET OUTLOOK 2023-24 TO 2027-28****2. INTRODUCTION**

2.1 This report provides an update to the budget outlook 2023-24 to 2027-28, reported to the Policy and Resources Committee on 11 August 2022.

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 consider the current estimated budget outlook position for the period 2023-24 to 2027-28.

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

4.1.1 There are no changes to my previous assumptions around the level of future Scottish Government funding. In my report in June, I advised that the Resource Spending review indicated that Local Government is expected to receive a flat cash settlement up to 2026-27. The flat cash position is at portfolio level and does not include any transfers to Local Government from other portfolios in-year. These transfers are likely not be confirmed until December 2022 and that, along with the fact that due to our declining population our settlement is usually worse than the average, lead me to the funding assumptions built into the outlook. The funding assumptions range between a 0.5% reduction (best case) and 1.5% (worst case) with a mid-range reduction of 1.0%.

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

	<b>2023-24 £000</b>	<b>2024-25 £000</b>	<b>2025-26 £000</b>	<b>2026-27 £000</b>	<b>2027-28 £000</b>
% 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)
<b>Estimated SG Funding</b>	<b>214,330</b>	<b>212,187</b>	<b>210,065</b>	<b>207,964</b>	<b>205,884</b>

## Council Tax

- 4.1.3 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.
- 4.1.4 There are no changes to my previous assumptions around the growth in Council Tax. It has been assumed 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 in 2024-25.
- 4.1.5 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.
- 4.1.6 The table below summarises the estimated total funding in the mid-range scenario.

	<b>2023-24</b> <b>£000</b>	<b>2024-25</b> <b>£000</b>	<b>2025-26</b> <b>£000</b>	<b>2026-27</b> <b>£000</b>	<b>2027-28</b> <b>£000</b>
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
<b>Total Estimated Funding</b>	<b>270,421</b>	<b>268,558</b>	<b>266,718</b>	<b>264,900</b>	<b>263,105</b>

## 4.2 Base Budget

- 4.2.1 The 2022-23 budget approved by Council on 24 February 2022 was £262.812m.
- 4.2.2 Since the budget outlook was last reported to Policy and Resources Committee on 11 August 2022 there has been a change to the base budget in relation to the 2022-23 pay award. Negotiations are now at an advanced stage with the current proposal being a 5% undifferentiated pay offer, which includes a £3,000 cap for those earning above £60,000 based on a 37 hour week, and a commitment to ensure that everyone receives an increase of at least £1,925 or £2,000 depending on spinal column point. This results in additional costs totalling £5.852m. The Scottish Government has agreed to provide an additional £140m of recurring resource from 2022-23 to support the 5% pay offer and a further £120.6m of capital funding in 2022-23 and 2023-24 which will be baselined as General Revenue Grant from 2024-25 onwards to ensure that everyone receives an increase of at least £1,925 or £2,000. The net impact of this is an increase to the baseline of £2.112m in 2022-23. Once this recurring funding has been confirmed by Scottish Government the funding and cost elements of this adjustment will be identified independently within the budget outlook as opposed to a net adjustment figure.
- 4.2.3 For future years, there are adjustments required to the base budget from decisions by Council on 24 February 2022 and other adjustments, including the pay award detailed in paragraph 4.2.2, as noted in the table below:

	<b>2023-24 £000</b>	<b>2024-25 £000</b>	<b>2025-26 £000</b>	<b>2026-27 £000</b>	<b>2027-28 £000</b>
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
2022-23 Pay Award	2,112	2,112	2,112	2,112	2,112
<b>Revised Base Budget</b>	<b>273,346</b>	<b>273,362</b>	<b>273,371</b>	<b>273,380</b>	<b>273,389</b>

### 4.3 Employee Cost Changes

#### Pay Award

- 4.3.1 As detailed in paragraph 4.2.2 negotiations regarding the pay award for 2022-23 are at an advanced stage and the base budget has been adjusted accordingly by £2.112m.
- 4.3.2 The current proposal is based on a 5% undifferentiated pay offer, which includes a £3,000 cap for those earning above £60,000 based on a 37 hour week, and a commitment to ensure that everyone receives an increase of at least £1,925 or £2,000 depending on spinal column point. The Council is required to fund a further 1.5% of the increase having already built 2% into the previously reported budget outlook. Based on this, the budget outlook has been updated to assume an increase of 3.5% again in 2023-24 as it is likely that the cost of living crisis will continue into next year and there will continue to be a requirement to increase the pay offer above the 2% that was previously estimated. This results in an additional pressure in 2023-24 of £2.234m.
- 4.3.3 For future years beyond 2023-24, the pay assumption reverts back to 2% in both the mid-range and the best case, reflecting that current indications are that inflation rates should begin to fall during 2023-24 and also that 2% is deemed to be affordable. For scenario purposes, 5% has been built into the worst case.

#### Increments

- 4.3.5 There are no changes to my previous assumption around the cost of employee increments. It has been assumed that for future years, the best case is half of the previous year cost, for mid-range and worst case, it will be equal to the cost in

2022-23 (£0.690m).

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 4.6.3.

	<b>2023-24 £000</b>	<b>2024-25 £000</b>	<b>2025-26 £000</b>	<b>2026-27 £000</b>	<b>2027-28 £000</b>
Pay Award	5,234	8,339	11,506	14,737	18,032
Increments	690	1,380	2,070	2,760	3,450
<b>Total Employee Cost Changes</b>	<b>5,924</b>	<b>9,719</b>	<b>13,576</b>	<b>17,497</b>	<b>21,482</b>

#### 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 Given the current instability around inflation rates officers continue to review areas of non-pay inflation of significant value and volatility on an ongoing basis. 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).

4.4.3 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.

4.4.4 The table below summarises the non-pay inflation increases in the mid-range scenario for Council services since last reported on 11 August 2022 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.

<b>Inflation Category</b>	<b>2023-24 Previous estimates £000</b>	<b>2023-24 Updated estimates £000</b>	<b>Increase £000</b>
Utilities - Electricity, Gas, Oil, Water	1,190	1,314	124

Street Lighting Electricity	116	116	0
Vehicle Fuel	60	60	0
Central Repairs - Outside Contractors	66	66	0
Waste PPP/Landfill Tax	502	502	0
NPDO/HUB Schools	1,034	1,074	40
Community Pool Subsidies	65	70	5
Residential Schools	91	90	(1)
Pre-Primary Partner Providers	181	181	0
ICT	123	155	32
Catering Purchases and Milk	309	306	(3)
Insurance	146	146	0
Bitumen – Roads	158	159	1
Contingency for unidentified/insufficient inflation estimate	250	250	0
<b>Total</b>	<b>4,291</b>	<b>4,489</b>	<b>198</b>

- 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.

	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Unavoidable/Inescapable	7,206	10,124	13,259	16,628
<b>Total Non-Pay Inflation</b>	<b>7,206</b>	<b>10,124</b>	<b>13,259</b>	<b>16,628</b>

## 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 Policy and Resources Committee on 11 August 2022 there have been no further changes to the cost and demand pressures reported at that time.

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
Salt for Winter Maintenance	163	163	163	163	163
Cessation of red diesel	78	78	78	78	78
Insurance	414	414	414	414	414
Allowance for pressures in future years	250	500	750	1,000	1,250
<b>Total Cost and Demand Pressures</b>	<b>1,498</b>	<b>2,168</b>	<b>3,794</b>	<b>3,518</b>	<b>2,908</b>

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.

	<b>2023-24 £000</b>	<b>2024-25 £000</b>	<b>2025-26 £000</b>
Pay Inflation	1,104	1,757	2,423
Pay Increments	103	206	309
Non-Pay Inflation	3,490	6,981	10,680
Care Services for Younger Adults	412	832	1,261
Adult Services - Supported Living	344	686	1,029
Continuing Care for Looked After Children	250	500	750
Unknown Cost and Demand Pressures	500	1,000	1,500
<b>Total Cost Increase estimates for Social Work</b>	<b>6,203</b>	<b>11,962</b>	<b>17,952</b>

#### 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.

	<b>2023-24 £000</b>	<b>2024-25 £000</b>	<b>2025-26 £000</b>	<b>2026-27 £000</b>	<b>2027-28 £000</b>
Base Budget	273,346	273,362	273,371	273,380	273,389
Employee Cost Changes	5,924	9,719	13,576	17,497	21,482
Non-Pay Inflation	4,489	7,206	10,124	13,259	16,628
Cost and Demand Pressures	1,498	2,168	3,794	3,518	2,908
<b>Total Estimated Expenditure</b>	<b>285,257</b>	<b>292,455</b>	<b>300,865</b>	<b>307,654</b>	<b>314,407</b>
Estimated Funding	270,421	268,558	266,718	264,900	263,105
<b>Estimated Budget Surplus / (Gap) Cumulative</b>	<b>(14,836)</b>	<b>(23,897)</b>	<b>(34,147)</b>	<b>(42,754)</b>	<b>(51,302)</b>

#### 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. Within the last reported budget outlook a range of between 2% (worst case) and 4% (best case) with a mid-range of 3% was included. However, in light of the increasing inflation we are experiencing on many cost areas, the calculations have now been updated to a range of between 3% (worst case) and 9% (best case) with a mid-range of 6%. This results in additional income of £0.390m in 2023-24 in the mid-range scenario.

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 An ELT group have been exploring emerging savings options and early indications regarding these have now been incorporated into the budget outlook. These options are still being refined, and further options will continue to be explored, however initial estimates relating to those identified so far that have been incorporated into the budget outlook are noted in the table below.

Potential Saving	2023-24 £000	Detail
Education	700	Based on an assessment of forecast pupil numbers over the next 5 years.
Service Concessions	4,000	Alteration to accounting treatment to align the repayment of borrowing relating to new schools over their asset life.
Pension Scheme	100	Estimated savings in relation to additional voluntary contributions to the pension scheme.
Commercial Income and Events	50	Estimated increase in commercial income and events. Rising to £0.250m from 2024-25 onwards.
	<b>4,850</b>	

These savings are of a recurring nature therefore the following has also been incorporated into the figures within the budget outlook.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Emerging Savings Options	5,050	5,050	5,050	5,050

- 4.8.4 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.
- 4.8.5 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.
- 4.8.6 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	746	1,502	2,269	3,048	3,838
Management/Operational Savings February 2021	20	20	20	20	20
Policy Savings February	128	128	128	128	128

2021					
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
Emerging Savings Options	4,850	5,050	5,050	5,050	5,050
<b>Total Measures to Balance the Budget</b>	<b>7,552</b>	<b>10,278</b>	<b>12,873</b>	<b>15,544</b>	<b>18,291</b>

#### 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	(14,836)	(23,897)	(34,147)	(42,754)	(51,302)
Savings Measures	7,552	10,278	12,873	15,544	18,291
<b>Estimated Budget Surplus / (Gap) Cumulative</b>	<b>(7,284)</b>	<b>(13,619)</b>	<b>(21,274)</b>	<b>(27,210)</b>	<b>(33,011)</b>
<b>Estimated Budget Surplus / (Gap) In Year</b>	<b>(7,284)</b>	<b>(6,336)</b>	<b>(7,655)</b>	<b>(5,936)</b>	<b>(5,801)</b>

4.9.2 In the mid-range scenario, the budget gap estimated over the five year period 2023-24 to 2027-28 is £33.011m with a gap of £7.284m in 2023-24.

4.9.3 The budget gap in the best case scenario over the five years is £17.851m with a gap of £2.177m in 2023-24 and in the worst case scenario, the budget gap over the five years is £75.206m with a gap of £13.560m in 2023-24. A summary of all three scenarios is included within Appendix 1.

4.9.4 The changes from the previous anticipated outlook reported to the Policy and Resources Committee on 11 August 2022 are summarised in the table below:

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Previously reported budget surplus / (gap) Cumulative</b>	<b>(7,980)</b>	<b>(15,124)</b>	<b>(23,410)</b>	<b>(30,004)</b>	<b>(36,493)</b>
Adjustment to Employee Base Budget relating to 2022-23 Pay Award	(2,112)	(2,112)	(2,112)	(2,112)	(2,112)
Adjust Pay Inflation from 2% to 3.5% in 2023-24	(2,234)	(2,278)	(2,324)	(2,371)	(2,419)

Adjustment to Non Pay Inflation	(198)	65	352	667	1,013
Increase Fees and Charges from 3% to 6%	390	780	1,170	1,560	1,950
Emerging Savings Options	4,850	5,050	5,050	5,050	5,050
<b>Revised Budget Surplus / (Gap) Cumulative</b>	<b>(7,284)</b>	<b>(13,619)</b>	<b>(21,274)</b>	<b>(27,210)</b>	<b>(33,011)</b>

#### **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 was agreed at Policy and Resources Committee on 16 June 2022 that a similar group will be established to support the 2023-24 budget approach. The first meeting of this group took place on 7 September 2022.

### **5. CONCLUSION**

- 5.1 In the mid-range scenario, the budget gap estimated over the five year period 2023-24 to 2027-28 is £33.011m with a gap of £7.284m 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. At this advanced stage in negotiations relating to the pay award estimated figures have been incorporated into the budget outlook, however both this and the funding settlement will be kept under close review and the budget outlook updated as and when further information becomes available.
- 5.3 It should be noted that service concession flexibility has now been agreed by the Cabinet Secretary for Finance and the Economy however a further discussion is now required with the newly appointed external auditors to refine this figure. The flexibility, should the Council approve to use, will provide a one-off gain in addition to a recurring saving. At this stage an estimated recurring saving of £4m has been incorporated into the budget outlook as a potential saving but this will be refined as discussions progress.
- 5.4 A cross party Budget Working Group has been established to support the budget approach. This group does not have any decision making authority but can report

to and make recommendations to either the Council or the Policy and Resources Committee.

## **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         | 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**  
**15 September 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, Head of Financial Services  
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	Best Case Scenario					Mid-Range Scenario					Worst Case Scenario				
	2023-24	2024-25	2025-26	2026-27	2027-28	2023-24	2024-25	2025-26	2026-27	2027-28	2023-24	2024-25	2025-26	2026-27	2027-28
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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	4,219	4,235	4,244	4,253	4,262	4,219	4,235	4,244	4,253	4,262	4,219	4,235	4,244	4,253	4,262
<b>Revised Base Budget</b>	<b>273,346</b>	<b>273,362</b>	<b>273,371</b>	<b>273,380</b>	<b>273,389</b>	<b>273,346</b>	<b>273,362</b>	<b>273,371</b>	<b>273,380</b>	<b>273,389</b>	<b>273,346</b>	<b>273,362</b>	<b>273,371</b>	<b>273,380</b>	<b>273,389</b>
Pay Award	2,978	6,016	9,114	12,274	15,497	5,212	8,294	11,438	14,645	17,916	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
<b>Total Employee Cost Changes (Council Services)</b>	<b>3,300</b>	<b>6,729</b>	<b>10,172</b>	<b>13,678</b>	<b>17,246</b>	<b>5,924</b>	<b>9,719</b>	<b>13,576</b>	<b>17,497</b>	<b>21,482</b>	<b>8,112</b>	<b>16,665</b>	<b>25,563</b>	<b>34,873</b>	<b>44,612</b>
<b>Non-Pay Inflation - Council Services</b>	<b>4,059</b>	<b>6,564</b>	<b>9,243</b>	<b>12,109</b>	<b>15,176</b>	<b>4,489</b>	<b>7,206</b>	<b>10,124</b>	<b>13,259</b>	<b>16,628</b>	<b>6,519</b>	<b>11,050</b>	<b>15,811</b>	<b>20,822</b>	<b>26,103</b>
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
Increase in cost of Salt for Winter Maintenance	147	147	147	147	147	163	163	163	163	163	179	179	179	179	179
Cessation of Red Diesel usage	78	78	78	78	78	78	78	78	78	78	78	78	78	78	78
Rightsize Council insurance budgets	414	414	414	414	414	414	414	414	414	414	414	414	414	414	414
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
<b>Total Cost and Demand Pressures</b>	<b>1,182</b>	<b>1,377</b>	<b>2,220</b>	<b>2,144</b>	<b>1,584</b>	<b>1,498</b>	<b>2,168</b>	<b>3,794</b>	<b>3,518</b>	<b>2,908</b>	<b>1,814</b>	<b>3,229</b>	<b>6,698</b>	<b>5,122</b>	<b>4,462</b>
<b>Total Estimated Expenditure PRIOR to measures to balance the budget</b>	<b>281,887</b>	<b>288,032</b>	<b>295,006</b>	<b>301,311</b>	<b>307,395</b>	<b>285,257</b>	<b>292,455</b>	<b>300,865</b>	<b>307,654</b>	<b>314,407</b>	<b>289,791</b>	<b>304,306</b>	<b>321,443</b>	<b>334,197</b>	<b>348,566</b>
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
<b>Total Funding</b>	<b>271,777</b>	<b>271,123</b>	<b>270,477</b>	<b>269,839</b>	<b>269,209</b>	<b>270,421</b>	<b>268,558</b>	<b>266,718</b>	<b>264,900</b>	<b>263,105</b>	<b>269,061</b>	<b>266,002</b>	<b>262,991</b>	<b>260,027</b>	<b>257,112</b>
<b>Budget Surplus / (Gap) PRIOR to measures to balance the budget</b>	<b>(10,110)</b>	<b>(16,909)</b>	<b>(24,529)</b>	<b>(31,472)</b>	<b>(38,186)</b>	<b>(14,836)</b>	<b>(23,897)</b>	<b>(34,147)</b>	<b>(42,754)</b>	<b>(51,302)</b>	<b>(20,730)</b>	<b>(38,304)</b>	<b>(58,452)</b>	<b>(74,170)</b>	<b>(91,454)</b>
Measures to Balance the Budget:															
Fees and Charges	1,119	2,253	3,404	3,048	5,757	746	1,502	2,269	3,048	3,838	373	751	1,135	1,524	1,919
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
Emerging Savings Options	4,850	5,050	5,050	5,050	5,050	4,850	5,050	5,050	5,050	5,050	4,850	5,050	5,050	5,050	5,050
<b>Total Measures to Balance the Budget</b>	<b>7,933</b>	<b>11,058</b>	<b>14,064</b>	<b>15,631</b>	<b>20,335</b>	<b>7,552</b>	<b>10,278</b>	<b>12,873</b>	<b>15,544</b>	<b>18,291</b>	<b>7,170</b>	<b>9,497</b>	<b>11,683</b>	<b>13,933</b>	<b>16,248</b>
<b>Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget</b>	<b>(2,177)</b>	<b>(5,851)</b>	<b>(10,466)</b>	<b>(15,841)</b>	<b>(17,851)</b>	<b>(7,284)</b>	<b>(13,619)</b>	<b>(21,274)</b>	<b>(27,210)</b>	<b>(33,011)</b>	<b>(13,560)</b>	<b>(28,807)</b>	<b>(46,770)</b>	<b>(60,237)</b>	<b>(75,206)</b>
<b>Budget Surplus / (Gap) in Year AFTER measures to balance the budget</b>	<b>(2,177)</b>	<b>(3,674)</b>	<b>(4,615)</b>	<b>(5,376)</b>	<b>(2,010)</b>	<b>(7,284)</b>	<b>(6,336)</b>	<b>(7,655)</b>	<b>(5,936)</b>	<b>(5,801)</b>	<b>(13,560)</b>	<b>(15,247)</b>	<b>(17,963)</b>	<b>(13,468)</b>	<b>(14,969)</b>

**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%	481,154
Council Wide	Gas	Due to current market condition for gas 100% increase mid range, with a 0.5% tolerance for best and worst case.	75.00%	494,710
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.	9.10%	53,241
Council Wide	Vehicle Fuel	Historic rate carried forward from last year - will be reviewed during 2022-23	4.97%	60,396
Council Wide	Central Repairs - Outside Contractors	Based on labour and materials costs survey data from the Royal Institute of Chartered Surveyors (RICS) and information from the property team on the typical allocation of their costs between labour and materials.	3.40%	65,993
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	Insurances	Current rate of inflation with a 0.5% tolerance for best and worst case.	9.10%	146,114
<b>Council Wide Total</b>				<b>1,836,880</b>
Education	Pre-Primary Partner Provider Uplift	Brought into line with the estimate within Social Work for the impact of the Real Living Wage on service costs.	5.00%	180,699
Education	External School Placements	Based on prior year uplifts	8.00%	90,261
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%	306,332
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 May 2022 with a 0.5% tolerance in the best and worst case scenarios.	10.17%	56,367
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.	100.00%	159,308
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.	9.10%	31,906
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
<b>Executive Director Douglas Hendry - Total</b>				<b>1,721,042</b>
Customer and Support Services	ICT	Historic rate carried forward from last year - will be reviewed during 2022-23	15.00%	154,650
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	Roads - Bitumen for Road Surfacing	Based on price increases in 2022/23 with a 0.5% tolerance for best and worst case.	40.00%	158,512
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
<b>Executive Director Kirsty Flanagan - Total</b>				<b>931,281</b>
<b>Total Non-Pay Inflation in the Mid Range</b>				<b>4,489,203</b>



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

APPENDIX 3

Department	Service	Cost/Demand Pressure	Best Case					Mid Range Scenario					Worst Case				
			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	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
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 - 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

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

APPENDIX 3

Department	Service	Cost/Demand Pressure	Best Case					Mid Range Scenario					Worst Case				
			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 - 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	Roads	Increased cost of Salt for Winter Maintenance, average useage of 15,000 tonnes of salt over the winter period would equate to £163k of additional costs.	147	147	147	147	147	163	163	163	163	163	179	179	179	179	179
Executive Director - Kirsty Flanagan	Roads	Change at 1 April 2022 to stop the use of Red Diesel in certain vehicles has resulted in an unavoidable increas in fuel costs in Roads and Infrastructure.	78	78	78	78	78	78	78	78	78	78	78	78	78	78	78
Council Wide	Council Wide	Rightsize budget for Council insurances which is a historic budget that requires to be increased in line with the current insurance costs.	414	414	414	414	414	414	414	414	414	414	414	414	414	414	414
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
<b>TOTAL</b>			<b>1,182</b>	<b>1,377</b>	<b>2,220</b>	<b>2,144</b>	<b>1,584</b>	<b>1,498</b>	<b>2,168</b>	<b>3,794</b>	<b>3,518</b>	<b>2,908</b>	<b>1,814</b>	<b>3,229</b>	<b>6,698</b>	<b>5,122</b>	<b>4,462</b>

**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 2%, mid range of 3.5% in 2023/24 then 2% thereafter and worst case of 5%.	631	1,274	1,930	1,104	1,757	2,423	1,577	3,232	4,970
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.	3,014	5,982	9,110	3,385	6,764	10,346	3,756	7,524	11,541
All Social Work	Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work.	96	196	302	105	217	334	105	217	334
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.	170	342	516	341	689	1,044	511	1,038	1,582
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.	35	71	107	71	143	217	106	215	328
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
<b>TOTAL COST AND DEMAND PRESSURES</b>		<b>4,592</b>	<b>9,154</b>	<b>13,899</b>	<b>6,203</b>	<b>11,962</b>	<b>17,952</b>	<b>7,752</b>	<b>15,618</b>	<b>23,843</b>