

BUDGET OUTLOOK 2023-24 TO 2027-28

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 13 October 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 range between 0.5% reduction (best case) and 1.5% reduction (worst case) with a mid-range reduction of 1.0%.
- 1.4 In respect of the 2022-23 pay award, 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 (dependent on spinal column point). Although part of this is capital funding, the Council will require to make a few substitutional accounting adjustments so for the purposes of the outlook, the total additional funding for pay has been built into the outlook.
- 1.5 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.
- 1.6 As reported in October, the budget outlook includes an adjustment to the base budget in relation to the 2022-23 pay award. The budget outlook in October reflected the estimated net impact pending confirmation of additional Scottish Government funding. The gross amount is now included within the base budget adjustment with the funding reflected in the funding section.
- 1.7 The employee cost assumptions have been updated as Financial Services have concluded their salary template exercise costing the establishment for 2023-24. There is an overall decrease to previous employee cost estimates of £0.760m which includes a decrease to the employee base, mainly in Education due to teacher entitlement and changes in spinal column points within schools settings and year on year reductions in ELC hours.
- 1.8 The assumptions for pay inflation and increments remain as reported in

October but have been updated following the salary template exercise.

- 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 reflect the actual cost calculated within 2023-24 with the best case in future years half of the current cost and the mid-range and worst case the same as the current cost.

- 1.9 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 £0.080m with the main increases being utilities.
- 1.10 There are a number of cost and demand pressures for Council services built into each scenario and the cost has increased by £0.705m in 2023-24 which mainly relates to the increase cost for tipping fees and haulage for Helensburgh and Lomond waste.
- 1.11 In addition to the identified cost and demand pressures an allowance for unidentified cost and demand pressures has been included in mid-range and worst case scenarios of between £0.250m and £0.500m per year.
- 1.12 There will be a political decision to be made as to the future allocation to the Health and Social Care Partnership. As part of the budget agreed in February 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.
- 1.13 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 £53.306m with a gap of £13.853m in 2023-24. This is an extremely challenging budget gap of a value that the Council have not seen for a significant number of years. The increase to pay award as well as the rising costs of inflation are the two significant factors contributing to this large budget gap.
- 1.14 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.
 - Savings options agreed in February 2021 and February 2022 that impact on 2023-24 and beyond.
 - 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.

- 1.15 In the mid-range scenario, after accounting for all measures to balance the budget, including some that will require Member approval, the revised budget gap estimated over the five year period 2023-24 to 2027-28 is £32.156m with a gap of £3.234m in 2023-24.
- 1.16 The budget gap in the best case scenario over the five years is £16.917m with a surplus of £1.744m in 2023-24 and in the worst case scenario, the budget gap over the five years is £73.268m with a gap of £15.991m in 2023-24. A summary of all three scenarios is included within Appendix 1.
- 1.17 Officers are continuing to explore further savings and income generating options which will be reported via the Budget Working Group and brought forward to the Council budget meeting in February.
- 1.18 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 13 October 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, with the exception of the additional funding associated with the pay award as noted in paragraph 4.1.2. 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 In respect of the 2022-23 pay award, 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 (dependent on spinal column point). Although part of this is capital funding, the Council will require to make a few substitutional accounting adjustments so for the purposes of the outlook, the total additional funding for pay has been built into the outlook.

4.1.3 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)
Pay Award Additional Funding*	3,749	3,729	3,692	3,655	3,618
Estimated SG Funding	218,079	215,916	213,757	211,619	209,502

*It should be noted that the pay award funding noted above relates to the share that the Council would retain based on a proportionate share being passed over to the HSCP. However, the amount passed to the HSCP is for Members to consider and within the budget pack in February, the total gross funding will be presented with an increase to the HSCP payment.

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.

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Estimated SG Funding	218,079	215,916	213,757	211,619	209,502
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	274,170	272,287	270,410	268,555	266,723

4.2 Base Budget

4.2.1 The 2022-23 budget approved by Council on 24 February 2022 was £262.812m.

4.2.2 As reported in October the budget outlook includes an adjustment to the base budget in relation to the 2022-23 pay award. The pay award for 2022-23 has concluded for SJC employees. While negotiations in relation to Teachers and Chief Officers are ongoing an estimated cost on the same basis as SJC

employees results in an increase of £5.873m to the base budget.

- 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:

	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
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	5,873	5,873	5,873	5,873	5,873
Revised Base Budget	276,945	276,953	276,953	276,953	276,953

4.3 Employee Cost Changes

Detail employee cost update exercise

- 4.3.1 Financial Services have populated salary templates with details of the current staff establishment and where necessary liaised with budget holders to confirm their staff. The templates calculate the next years pay bill, including superannuation and national insurance contributions, using the assumptions for pay award and increments as noted above.
- 4.3.2 In terms of the level of employee budgets for 2023-24, the expectation would be that the budget would reflect the 2022-23 budget plus any increase due to incremental progression, inflation and any other unavoidable employee cost increases less previously approved employee budget savings. For 2023-24 there is an overall decrease to previous employee cost estimates of £0.648m for Council Services (excluding Social Work) and this mainly relates to decrease in Education due to teacher entitlement and changes in spinal column points within schools settings and year on year reductions in ELC hours. Note that the Pupil Teacher ratio adjustment may impact the employee base and this will be calculated once census data is received at the end of November.

Pay Award

- 4.3.3 The agreed proposal for SJC employees 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. The pay inflation estimate in 2023-24 is £5.155m.

- 4.3.4 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 (£0.657m).

Reversal of National Insurance Increase

- 4.3.6 It was announced by the UK Government on 22 September 2022, that the 1.25% rise in National Insurance (both employers and employees) that was implemented in April 2023 will be reversed from 6 November 2022 and therefore this can be removed from the budget estimates going forward.
- 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	5,155	8,204	11,314	14,486	17,721
Increments	657	1,314	1,971	2,628	3,285
Reversal of National Insurance Increase	(858)	(858)	(858)	(858)	(858)
Change to employee base	(648)	(648)	(648)	(648)	(648)
Total Employee Cost Changes	4,306	8,012	11,779	15,608	19,500

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 13 October 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.

Inflation Category	2023-24 Previous estimates £000	2023-24 Updated estimates £000	Increase £000
Utilities - Electricity, Gas, Oil, Water	1,314	1,219	(95)
Street Lighting Electricity	116	175	59
Vehicle Fuel	60	60	0
Central Repairs - Outside Contractors	66	66	0
Waste PPP/Landfill Tax	502	502	0
NPDO/HUB Schools	1,074	972	(102)
Community Pool Subsidies	70	80	10
Residential Schools	90	90	0
Pre-Primary Partner Providers	181	356	175
ICT	155	172	17
Catering Purchases and Milk	306	306	0
Insurance	146	162	16
Bitumen – Roads	159	159	0
Contingency for unidentified/insufficient inflation estimate	250	250	0
Total	4,489	4,569	80

4.4.5 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	7,807	11,356	15,251	19,530
Total Non-Pay Inflation	7,807	11,356	15,251	19,530

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 13 October 2022 the following changes have been made to the cost and demand pressures:

- New – Increase to tipping fees and haulage costs for Helensburgh & Lomond residual waste.
- New – New IFRS16 system to manage leases as required by new accounting standard.
- New – Implementation of new payroll system as support for the current system will cease.
- New – IT support contract ceased with ACHA.
- New – Helensburgh Leisure Development two hour free parking.
- Amended – Additional Cost for Oracle Fusion.
- Amended – pressure in 2023-24 for HR System.
- Amended – Additional costs derived from the current waste model.
- Amended – Increased cost of salt for Winter Maintenance.
- Amended – Removal of sustainable rate cost pressure for Early Learning and Childcare in 2023-24 only.
- Removed – Compliance with BMW ban. No impact in 2023-24.

Officers have identified a significant shortfall in income within piers and harbours, the most significant being in relation to Craignure. It appears to be related to Calmac using smaller/less tonnage vessels resulting in a reduced berthing charge as well as a reduction in passenger numbers. The service are investigating the position further and will look to get a meeting with Transport Scotland to discuss and understand whether the use of smaller/less tonnage vessels will continue. There is likely to be a recurring cost pressure that will need to be built into the budget outlook and considered as part of the budget process.

Depending on what option is pursued in respect of the BMW there will be a revenue and capital cost pressure totalling at least £4.4m for the period January 2023 to September 2026 (see EDI report 1 December for more information). It is recommended that this is considered as part of the budget process. Beyond this time, there is likely to be a significant revenue cost pressure for the new operating model going forward. Officers are in the early stages of assessing the operating model costs which will include, EFW gate fee costs, haulage cost and the operations at the existing PPP sites, which will be offset by a reduction in landfill costs. There will need to be consideration given as to whether the existing PPP sites will be managed in-house or outsourced. The cost pressure post-BMW Ban

will be reported to Members as soon as is practically possible.

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.

	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	40	40	40	40	40
IFRS16 Leasing System	15	15	15	15	15
Payroll System Implementation	85	0	0	0	0
ASN Support	0	75	206	206	206
SEEMiS Membership Fees	9	11	13	16	16
Sustainable rate for partner providers	0	327	327	327	327
Election costs	0	0	0	0	300
HR System	150	(50)	(50)	(50)	(50)
Waste	156	49	243	(86)	284
Increase to tipping fees and haulage costs for H&L residual waste	646	646	646	646	646
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
IT support contract with ACHA ceased	40	40	40	40	40
Salt for Winter Maintenance	196	196	196	196	196
Cessation of red diesel	78	78	78	78	78
Helensburgh Leisure Development – 2 hour free parking	24	24	24	24	24
Insurance	414	414	414	414	414
Allowance for pressures in future years	250	500	750	1,000	1,250
Total Cost and Demand Pressures	2,203	2,555	3,122	3,136	4,046

4.5.4 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 financial monitoring pack presented to the P&R Committee on 8 December 2022, there is a recommendation that Members give consideration as to what share of the Scottish Government allocations of the £140m Revenue and £120.6m Capital funding in 2022-23 towards the SJC pay award should be passed to the HSCP. If a proportionate share is passed to the HSCP this equates to £0.490m and £0.422m respectively. The Council will need to consider whether any funding passed to the HSCP is baselined within 2023-24.
- 4.6.3 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.
- 4.6.4 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	2024-25	2025-26
	£000	£000	£000
Pay Inflation	1,174	1,868	2,576
Pay Increments	103	206	309
Non-Pay Inflation	3,590	7,038	10,562
Care Services for Younger Adults	416	842	1,276
Adult Services - Supported Living	913	1,825	2,738
Continuing Care for Looked After Children	0	250	500
Unknown Cost and Demand Pressures	750	750	750
Total Cost Increase estimates for Social Work	6,946	12,779	18,711

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	276,945	276,953	276,953	276,953	276,953
Employee Cost Changes	4,306	8,012	11,779	15,608	19,500
Non-Pay Inflation	4,569	7,807	11,356	15,251	19,530
Cost and Demand Pressures	2,203	2,555	3,122	3,136	4,046
Total Estimated Expenditure	288,023	295,327	303,210	310,948	320,029
Estimated Funding	274,170	272,287	270,410	268,555	266,723
Estimated Budget Surplus / (Gap) Cumulative	(13,853)	(23,040)	(32,800)	(42,393)	(53,306)

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 savings options were agreed in February 2021 and February 2022 that impact on 2023-24 and beyond. These are now factored into the budget outlook, reducing the budget gap.
- 4.8.3 The Executive Leadership Team have been exploring savings and income generating options to bridge the budget gap in 2023-24 and beyond. A number of management/operational savings are summarised within Appendix 5 and amount to £2.322m in 2023-24. A high level saving of £0.700m in Education linked to pupil teacher numbers has also been identified and further work is being carried out to substantiate this saving and further detail will be brought forward in due course. Officers have previously advised that Scottish Government have now granted a flexibility relating to the accounting treatment of service concessions and this will give rise to a recurring saving until the end of the life of the current service concessions. A paper with further detail on the service concessions flexibility which will include a retrospective gain will be reported to Council as part of the budget. Officers are continuing to explore further savings and income generating options which will be reported via the Budget Working Group and brought forward to the Council budget meeting in February.

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Management/Operational Savings (see Appendix 4)	2,322	636	636	636	636
Education saving based on forecast pupil numbers	700	700	700	700	700

Service concessions	4,803	4,833	5,001	5,477	6,113
New Savings	7,825	6,169	6,337	6,813	7,449

4.8.4 As part of the pay negotiations, the Deputy First Minister confirmed an additional £140m of General Revenue Grant from 2022-23 onwards which went towards the 5% pay offer. This still left a gap in Local Government of circa £140m (based on most Councils having budgeted for a 2% increase). It was agreed that the Scottish Government in consultation with COSLA would explore further flexibilities that would enable the gap in pay costs to be funded. The Deputy First Minister wrote to COSLA on 1 November 2022 in respect of the additional flexibilities and outlined that “it is for individual councils, as democratically elected bodies, to consider the needs of their communities, with a focus on the most vulnerable, their legal obligations and the totality of resource funding available to them, and to then take the decisions necessary, openly and transparently, to operate as effectively as possible.” This does appear to offer Councils much more flexibility to look at service areas that were protected in the past and officers will now give this consideration as they continue to develop options for Members to consider as part of the budget process.

4.8.5 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.

4.8.6 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.

4.8.7 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	838	1,686	2,545	3,416	4,298
Management/Operational Savings Feb 2021	20	20	20	20	20
Policy Savings Feb 2021	128	128	128	128	128
Policy Savings Feb 2022	3	6	6	6	6
New Savings Proposed	7,825	6,169	6,337	6,813	7,449
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	10,619	11,581	14,436	17,675	21,150

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	(13,853)	(23,040)	(32,800)	(42,393)	(53,306)
Savings Measures	10,619	11,581	14,436	17,675	21,150
Estimated Budget Surplus / (Gap) Cumulative	(3,234)	(11,459)	(18,364)	(24,718)	(32,156)
Estimated Budget Surplus / (Gap) In Year	(3,234)	(8,225)	(6,905)	(6,354)	(7,438)

- 4.9.2 In the mid-range scenario, after accounting for all measures to balance the budget, including those that will require Member approval, the revised budget gap estimated over the five year period 2023-24 to 2027-28 is £32.156m with a gap of £3.234m in 2023-24.
- 4.9.3 The budget gap in the best case scenario over the five years is £16.917m with a surplus of £1.744m in 2023-24 and in the worst case scenario, the budget gap over the five years is £73.268m with a gap of £15.991m 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 13 October 2022 are summarised in the table below:

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Previously reported budget surplus / (gap) Cumulative	(7,284)	(13,619)	(21,274)	(27,210)	(33,011)
2022-23 Pay Award cost & funding refined	(12)	(32)	(69)	(106)	(143)
Removal of Principal Repayment Holiday Impact	162	170	179	188	197
Employee Cost Changes following Salary Template Exercise	760	849	939	1,031	1,124
Reversal of National Insurance Increase	858	858	858	858	858
Adjustment to Non Pay Inflation	(80)	(601)	(1,232)	(1,992)	(2,902)
Adjustments to Cost and Demand Pressures	(705)	(387)	672	382	(1,138)
Fees and Charges Adjustment	92	184	276	368	460
New Savings Options	2,975	1,119	1,287	1,763	2,399
Rounding					

Revised Budget Surplus / (Gap) Cumulative	(3,234)	(11,459)	(18,364)	(24,718)	(32,156)
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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 group now meet regularly to discuss the up to date budget gap and options to deliver a balanced budget.

5. CONCLUSION

- 5.1 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 £53.306m with a gap of £13.853m in 2023-24. This is an extremely challenging budget gap of a value that the Council have not seen for a significant number of years. The increase to pay award as well as the rising costs of inflation are the two significant factors contributing to this large budget gap.
- 5.2 After accounting for all measures to balance the budget, including those that will require Member approval, the revised budget gap estimated over the five year period 2023-24 to 2027-28 is £32.156m with a gap of £3.234m in 2023-24.
- 5.3 Officers are continuing to explore further savings and income generating options which will be reported via the Budget Working Group and brought forward to the Council budget meeting in February.
- 5.4 This is a very challenging budget outlook position and the level of Scottish Government funding could alter the position significantly. The Depute First Minister has announced that the Scottish Budget will be published on 15 December ahead of the Finance Circular being issued on the 19 December, however, this announcement was made prior to the UK Autumn Budget Statement being delayed, therefore clarity is currently being sought as to whether this will impact the publication dates of the Scottish Budget.

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
29 November 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)
- Appendix 5 – NEW Management/Operational Savings

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	7,818	7,826	7,826	7,826	7,826	7,818	7,826	7,826	7,826	7,826	7,818	7,826	7,826	7,826	7,826
Revised Base Budget	276,945	276,953	276,953	276,953	276,953	276,945	276,953	276,953	276,953	276,953	276,945	276,953	276,953	276,953	276,953
Pay Award	2,946	5,951	9,016	12,142	15,331	5,155	8,204	11,314	14,486	17,721	7,364	15,097	23,216	31,741	40,692
Pay Increments	657	986	1,314	1,643	1,971	657	1,314	1,971	2,628	3,285	657	1,314	1,971	2,628	3,285
Additional Teacher Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reversal of NIC Increase	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)
Adjustment to Employee Base	(648)	(648)	(648)	(648)	(648)	(648)	(648)	(648)	(648)	(648)	(648)	(648)	(648)	(648)	(648)
Total Employee Cost Changes (Council Services)	2,097	5,431	8,824	12,279	15,796	4,306	8,012	11,779	15,608	19,500	6,515	14,905	23,681	32,863	42,471
Non-Pay Inflation - Council Services	4,139	7,162	10,463	14,072	18,024	4,569	7,807	11,356	15,251	19,530	6,600	11,655	17,056	22,843	29,060
Housing Benefits Admin Grant	40	80	120	160	200	40	80	120	160	200	40	80	120	160	200
Oracle Fusion running costs	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
IFRS16 Implementation	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
New Payroll System Implementation	85	0	0	0	0	85	0	0	0	0	85	0	0	0	0
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	0	327	327	327	327	0	327	327	327	327	0	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.	100	(50)	(50)	(50)	(50)	150	(50)	(50)	(50)	(50)	200	(50)	(50)	(50)	(50)
Waste	88	39	165	(107)	193	156	49	243	(86)	284	224	59	321	(65)	374
Waste - Increase to tipping fees/haulage in H&L	478	478	478	478	478	646	646	646	646	646	839	839	839	839	839
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
IT - support contract with ACHA ceased - loss of income	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Increase in cost of Salt for Winter Maintenance	176	176	176	176	176	196	196	196	196	196	216	216	216	216	216
Cessation of Red Diesel usage	78	78	78	78	78	78	78	78	78	78	78	78	78	78	78
2 hour free parking at Helensburgh Pool - loss of income	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
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
Total Cost and Demand Pressures	1,647	1,782	2,098	1,919	2,459	2,203	2,555	3,122	3,136	4,046	2,784	3,348	4,401	4,608	5,887
Total Estimated Expenditure PRIOR to measures to balance the budget	284,828	291,328	298,338	305,223	313,232	288,023	295,327	303,210	310,948	320,029	292,844	306,861	322,091	337,267	354,371
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
Additional Funding in relation to 2022-23 Pay Award	3,749	3,739	3,720	3,701	3,682	3,749	3,729	3,692	3,655	3,618	3,749	3,719	3,663	3,608	3,554
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	275,526	274,862	274,197	273,540	272,891	274,170	272,287	270,410	268,555	266,723	272,810	269,721	266,654	263,635	260,666
Budget Surplus / (Gap) PRIOR to measures to balance the budget	(9,302)	(16,466)	(24,141)	(31,683)	(40,341)	(13,853)	(23,040)	(32,800)	(42,393)	(53,306)	(20,034)	(37,140)	(55,437)	(73,632)	(93,705)
Measures to Balance the Budget:															
Fees and Charges	1,257	2,529	3,818	3,416	6,447	838	1,686	2,545	3,416	4,298	419	843	1,273	1,708	2,149
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
NEW Management/Operational Savings	2,322	636	636	636	636	2,322	636	636	636	636	3	6	6	6	6
NEW Teachers Savings	700	700	700	700	700	700	700	700	700	700	1,674	3,403	5,188	7,031	8,933
NEW Service Concessions Savings	4,803	4,833	5,001	5,477	6,113	4,803	4,833	5,001	5,477	6,113	0	17	34	52	70
Total Measures to Balance the Budget	11,046	12,453	15,765	17,762	23,424	10,619	11,581	14,436	17,675	21,150	4,043	7,965	11,999	16,156	20,437
Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget	1,744	(4,013)	(8,377)	(13,921)	(16,917)	(3,234)	(11,459)	(18,364)	(24,718)	(32,156)	(15,991)	(29,175)	(43,439)	(57,476)	(73,268)
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	1,744	(5,757)	(4,364)	(5,544)	(2,997)	(3,234)	(8,225)	(6,905)	(6,354)	(7,438)	(15,991)	(13,184)	(14,264)	(14,038)	(15,792)

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 30% increase mid range, with a 0.5% tolerance for best and worst case.	30.00%	721,852
Council Wide	Gas	Due to current market condition for gas 50% increase mid range, with a 0.5% tolerance for best and worst case.	50.00%	247,358
Council Wide	Heating Oils	Due to current market condition for heating oils 50% increase mid range, with a 0.5% tolerance for best and worst case.	50.00%	133,424
Council Wide	Solid Fuel	Due to current market condition for solid fuel 25% increase mid range, with a 0.5% tolerance for best and worst case.	25.00%	57,594
Council Wide	Water Charges	Current rate of inflation with a 0.5% tolerance for best and worst case.	10.10%	59,103
Council Wide	Vehicle Fuel	Historic rate carried forward from last year - will be reviewed during 2022-23	4.97%	60,453
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.	3.39%	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.	10.10%	162,172
Council Wide Total				1,757,949
			9.86%	356,339
Education	Pre-Primary Partner Provider Uplift	Reflects estimated rate based on a combination of the recently announced increase in the Real Living Wage rate for staff costs and relevant uplifts for non-staff costs.		
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%	306,596
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.	11.86%	65,701
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 30% increase mid range, with a 0.5% tolerance for best and worst case.	30.00%	134,896
Legal & Regulatory Support	NPDO-Gas	Due to current market condition for gas 50% increase mid range, with a 0.5% tolerance for best and worst case.	50.00%	79,654
Legal & Regulatory Support	NPDO-Heating Oil	Due to current market condition for heating oils 50% increase mid range, with a 0.5% tolerance for best and worst case.	50.00%	34,401
Legal & Regulatory Support	NPDO-LPG	Due to current market condition for LPG 25% increase mid range, with a 0.5% tolerance for best and worst case.	25.00%	17,967
Legal & Regulatory Support	NPDO-Water	Current rate of inflation with a 0.5% tolerance for best and worst case.	10.10%	35,412
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				1,804,765
Customer and Support Services	ICT	Historic rate carried forward from last year - will be reviewed during 2022-23	15.00%	172,135
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 30% increase mid range, with a 0.5% tolerance for best and worst case.	30.00%	174,458
Executive Director Kirsty Flanagan - Total				1,006,919
Total Non-Pay Inflation in the Mid Range				4,569,633

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	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Chief Executive's Unit	Financial Services	Implementation of new IFRS16 system to manage leases and accounting requirements of the IFRS Finance Leases accounting standard.	15	15	15	15	15	15	15	15	15	15	15	15	15	15	
	Financial Services	Implementation of new Payroll System to manage the Council's monthly pay roll. Cost relates to the creation of a small project team for one year to configure and test the new system, prepare and test the data transfer from the current system and deliver end user training and post-implementation support to the payroll team.	85	0	0	0	0	85	0	0	0	0	85	0	0	0	0
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 and 2023-24 from carry forwards so the cost pressure is requested from 2024-25 onwards. The service will continually review their plans looking for efficiencies where possible.	0	327	327	327	327	0	327	327	327	327	0	327	327	327	327

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 - 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.	100	-50	-50	-50	-50	150	-50	-50	-50	-50	200	-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.	88	39	165	(107)	193	156	49	243	(86)	284	224	59	321	(65)	374
Executive Director - Kirsty Flanagan	Waste	Increase to tipping fees and haulage costs for H&L residual waste. Scottish Government laid an Amendment Order on Friday 1 July 2022 which came into force at 1700 on 1 July which indicates that Landfill tax will be due on materials previously not chargeable and we have now received notification of an increase in the cost.	478	478	478	478	478	646	646	646	646	646	839	839	839	839	839
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	IT	IT Support contract ceased with ACHA. £40k income received from this annually will now not be received.	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Executive Director - Kirsty Flanagan	Roads	Increased cost of Salt for Winter Maintenance, average usage of 15,000 tonnes of salt over the winter period would equate to £163k of additional costs.	176	176	176	176	176	196	196	196	196	196	216	216	216	216	216
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 increase in fuel costs in Roads and Infrastructure.	78	78	78	78	78	78	78	78	78	78	78	78	78	78	78
Executive Director - Kirsty Flanagan	Roads	Helensburgh Leisure Development - 2 hour free parking period resulting in the loss of parking income	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
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
TOTAL			1,647	1,782	2,098	1,919	2,459	2,203	2,555	3,122	3,136	4,046	2,784	3,348	4,401	4,608	5,887

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% and worst case of 5%.	671	1,355	2,053	1,174	1,868	2,576	1,677	3,438	5,287
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.	3,098	6,008	8,945	3,494	6,841	10,259	3,889	7,680	11,591
All Social Work	Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work.	96	197	303	96	197	303	106	217	335
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.	173	348	525	346	700	1,061	519	1,055	1,608
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	70	142	215	106	215	327
Adult Services	Learning Disability Budget Adjustment - The Learning Disability Supported Living budget is carrying a recurring unbudgeted commitment of circa £812k 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.	271	541	812	271	541	812	271	541	812
Adult Services	Further investment in Learning Disability Budget totalling £250k per annum, the mid range £500k per annum and the worst case £750k per annum given immediate and on-going budget pressures in this service area.	250	500	750	500	1,000	1,500	750	1,500	2,250
Adult Services	Physical Disability Budget Adjustment - The Physical Disability budget is carrying a recurring unbudgeted commitment of circa £316k 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.	105	211	316	105	211	316	105	211	316

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.	37	73	110	37	73	110	37	73	110
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	0	250	500	250	500	750
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.	0	0	0	0	0	0	0	0	0
Adult Services	Kintyre Care Centre - cost pressure as a result of transfer of KCC facility to HSCP Management.	750	750	750	750	750	750	900	900	900
TOTAL COST AND DEMAND PRESSURES		5,538	10,157	14,826	6,946	12,779	18,711	8,713	16,536	24,595

Service Area	Saving Summary	2023/24			2024/25			2025/26		
		Saving £'000	FTE	H/Count	Saving £'000	FTE	H/Count	Saving £'000	FTE	H/Count
Council Wide	Estimated saving in relation to additional voluntary contributions to the pension scheme.	100	0.0	0.0	100	0	0	100	0	0
Earmarked Reserves	Utilisation of Capital Fund to replace capital previously to be funded by earmarked reserves, thereby, releasing a one-off saving from earmarked reserves.	1,536	0.0	0.0	0	0	0	0	0	0
Commercial Services	Increase to commercial income and events	50	0.0	0.0	250	0	0	250	0	0
DEG - Development Management	Additional Planning Fees from major applications - one off saving. Note this could be increased to £390k if carry forward of 2022/23 additional income is allowed.	340	0.0	0.0	0	0	0	0	0	0
Roads and Infrastructure	Increase unbudgeted income from Commercial Waste (rightsizing of income budgets).	250	0.0	0.0	250	0	0	250	0	0
HR &OD	Pause A&B Manager programme for 1 year while the approach is redesigned which would provide a one-off saving then rightsizing would allow potential future recurring savings which cannot be quantified at this stage.	20	0.0	0.0	To be explored further			To be explored further		
Registrars	Introduced pilot for funerals service. The findings of the pilot will inform any future income projections. £6k represents the area the pilot is being undertaken for a limited time period.	6	0.0	0.0	6	0	0	6	0	0
Registrars	Reflecting on the pattern of income generated over the last 5 years.	10	0.0	0.0	10	0	0	10	0	0
Internal Audit	HSCP contract due for renewal in March 2024. Increase charge to HSCP for Internal Audit Services in line with benchmark of other Local Authorities.	0	0.0	0.0	10	0	0	10	0	0
Governance, Risk and Safety	10% inflation on recharge to HSCP for Governance Services.	10	0.0	0.0	10	0	0	10	0	0
		2,322	0.0	0.0	636	0.0	0.0	636	0.0	0.0