

BUDGET OUTLOOK 2024-25 TO 2028-29

1. EXECUTIVE SUMMARY

- 1.1 This report summarises the budget outlook covering the period 2024-25 to 2028-29 taking into consideration the budget decisions at the Council Budget meeting on 23 February 2023. This is the first outlook of the financial year and rolls forward previous estimates as well as updating some estimates and also extends the budget outlook out to 2028-29. The assumptions will continue to be updated and refined as the year progresses.
- 1.2 The estimates within the report are based on the mid-range scenario with best and worst case scenarios noted in Appendix 1.
- 1.3 The assumptions in respect of future years Scottish Government funding have been updated from those reported to full Council on 23 February 2023 and these now range between 0.5% increase (best case) and 0.5% reduction (worst case) with a mid-range of 0%. This assumption has been updated in light of the settlement over the last few years and the estimates within the spending review which indicate that a flat cash settlement in future years may be the most likely position, however this assumption will be kept under review and updated as necessary during 2023-24.
- 1.4 There are no changes to my previous assumptions around the growth in Council Tax. The Council tax base has been assumed to grow by 0.25% in the worst case scenario, 0.5% in the mid-range scenario and 0.75% in the best case.
- 1.5 The starting point for the 2024-25 budget is the approved budget for 2023-24 as agreed at Council on 23 February 2023 with the following updates:
- Removal of one-off release of £1.536m funding from the Earmarked Reserves in relation to the Capital Fund
 - Adjustment for £0.442m one-off 2023-24 cost pressures
 - Adjustment for £0.008m one-off 2022-23 Management/Operational savings
 - Adjustment for £2.581m one-off 2023-24 Management/Operational savings
- 1.6 The assumptions in respect of employee costs for Council services are as follows:
- The SJC pay award for 2023-24 has still to be agreed and may have an impact on the base budget if the pay award is greater than the 3.5% allowed for in the budget. The teachers' pay award for 2023-24 has already been agreed to 31 July 2024 and the current budget is sufficient to cover

- the deal.
 - For future years, the mid-range scenario has been estimated at 2% on the basis that it is expected that as inflation reduces it could take pressure off pay awards. . It also reflects what is affordable to Local Government and this 2% assumption is currently in line with many other Councils assumptions.
 - Increments are estimated between £0.329m and £0.657m with mid-range £0.657m.
- 1.7 For non-pay inflation, only unavoidable/inescapable inflation has been built in for the best case and mid-range scenarios with a contingency of £0.250m built into the mid-range. A further general inflationary increase has been built into the worst case scenario.
- 1.8 There are a number of cost and demand pressures for Council services built into each scenario:
- Universal Credit – HB Admin grant
 - Implementation of IFRS16 Software
 - ASN Support
 - SEEMiS Group – Education Management System
 - Sustainable Rate for Partner Providers
 - NPDO/HUB Schools 2023-24 inflation
 - Local Government Election
 - Leisure SLA's 2023-24 inflation
 - Waste
 - Impact of BMW Ban
 - Waste PPP contract 2023-24 inflation
 - Local Development Plan
- 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 of £0.500m per year (best case scenario £0.250m per year and worst case scenario £1m 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 2023, indicative allocations for 2024-25 to 2025-26 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 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 £40.888m with a gap of £10.663m in 2024-25.
- 1.12 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).

- Proposed increase to Council Tax (5% increase in 2024-25 in all scenarios, reducing to a 3% increase in the mid-range and worst case scenarios in future years with the best case scenario remaining at 5%).
 - Policy savings already agreed by Council in February 2022.
 - Management/Operational savings already agreed by Council February 2023.
 - Policy savings already agreed by Council in February 2023.
- 1.13 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £23.795m with a gap of £6.762m in 2024-25.
- 1.14 The budget gap in the best case scenario over the five years is £3.261m with a gap of £3.959m in 2024-25 and in the worst case scenario, the budget gap over the five years is £83.311m with a gap of £13.803m in 2024-25. A summary of all three scenarios is included within Appendix 1.
- 1.15 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2024-25 to 2028-29.

BUDGET OUTLOOK 2024-25 TO 2028-29

2. INTRODUCTION

- 2.1 This report summarises the budget outlook covering the period 2024-25 to 2028-29 taking into consideration the budget decisions at the Council Budget meeting on 23 February 2023. This is the first outlook of the financial year and rolls forward previous estimates as well as updating some estimates and also extends the budget outlook out to 2028-29. The assumptions will continue to be updated and refined as the year progresses.
- 2.2 The budget outlook has been prepared using three different scenarios, best case, worst case and mid-range. Relatively small variations in assumptions can lead to fairly significant changes in the outcome. In the paragraphs that follow, the mid-range outlook is shown, however, all three scenarios are detailed within Appendix 1.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2024-25 to 2028-29.

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

- 4.1.1 In considering the assumption relating to future years funding, I have reflected on the funding change in the last 4 years after accounting for new policy commitments:

- 2020-21 funding reduction of 0.3%
- 2021-22 funding increase of 0.39%.
- 2022-23 funding decrease of 0.01%
- 2023-24 funding increase of 0.09%

The spending review published in May 2022 indicated that the total budget for Local Government would remain flat cash until 2026-27.

- 4.1.2 On further reflection since the budget meeting, the assumptions in respect of future years Scottish Government funding have been updated and these now range between 0.5% increase (best case) and 0.5% reduction (worst case) with a mid-range of 0%.

4.1.3 The table below summarises the mid-range scenario estimates based on a flat cash settlement.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Estimated SG Funding	223,738	223,738	223,738	223,738	223,738

Council Tax

4.1.4 The Council Tax base for 2023-24 was set at £58.896m which reflected a 5% inflation increase and 1.5% growth in the Council Tax base in 2023-24 and 0.5% growth in future years as agreed by the Council on 23 February 2023.

4.1.5 There are no changes to my previous assumptions around the growth in Council Tax. It has been assumed that there will be a 0.5% growth in the mid-range scenario for all years from 2024-25 (0.75% in best case and 0.25% in worst case).

4.1.6 As part of the 2023-24 budget setting process, a business process review was undertaken of the Revenues and Benefits Service where one of the outcomes was anticipated increased Council Tax recoveries equating to £0.264m in 2024-25. Furthermore, the creation of the self-funded Counter Fraud team also ensures minimum additional collections of £0.085m in 2024-25. These additional Council Tax recoveries totalling £0.349m in 2024-25 have now been built into the budget outlook.

4.1.7 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 2023-24.

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

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Estimated SG Funding	223,738	223,738	223,738	223,738	223,738
Council Tax Base	58,896	58,896	58,896	58,896	58,896
Council Tax Growth	294	590	887	1,186	1,486
Additional Council Tax recoveries (para 4.1.6)	349	200	202	204	206
Total Estimated Funding	283,277	283,424	283,723	284,024	284,326

4.2 Base Budget

4.2.1 The 2023-24 budget approved by Council on 23 February 2023 was £284.536m.

4.2.2 For future years, there are adjustments required to the base budget from decisions by Council on 23 February 2023 and other adjustments as noted in the table below:

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Base Budget 2023-24	284,536	284,536	284,536	284,536	284,536
Remove one-off release of funding from the Earmarked Reserves in relation to the Capital Fund	(1,536)	(1,536)	(1,536)	(1,536)	(1,536)
Adjust for one-off 2023-24 cost pressures	(442)	(442)	(442)	(442)	(442)
Adjust for one-off 2022-23 Management/ Operational savings	8	0	0	0	0
Adjust for one-off 2023-24 Management/ Operational savings	2,581	2,581	2,581	2,581	2,581
Revised Base Budget	285,147	285,139	285,139	285,139	285,139

4.3 Employee Cost Changes

Pay Award

- 4.3.1 The SJC pay award for 2023-24 has still to be agreed and this may have an impact on the base budget if the pay award is greater than the 3.5% allowed for in the budget. The Scottish Government have agreed funding towards the SJC 2023-24 pay award equivalent to 2.5%, however negotiations are still ongoing..
- 4.3.2 The Teachers pay award for 2023-24 has already been agreed (28 months deal covering the period 1 April 2022 – 31 July 2024) and the current year budget is sufficient to cover the deal. As noted above, the teachers' pay award has been agreed to 31 July 2024 and future negotiations will have an impact on the budget outlook.
- 4.3.3 For future years, the mid-range scenario has been estimated at 2% on the basis that it is expected that as inflation reduces it could take pressure off pay awards. It also reflects what is affordable to Local Government and this 2% assumption is currently in line with many other Councils assumptions. The best case scenario also assumes a 2% increase (on the basis that the increase is not likely to be less than this) and the worst case scenario assumes a 5% increase. There remains a risk that the pay award could be higher and this will be monitored and updated throughout the year if more information becomes available. Every 1% over and above what is budgeted would add an additional pressure of circa £1.5m

Increments

- 4.3.4 The cost of employee increments for 2023-24 was £0.657m. There remains a fairly regular turnover of staff within posts and when this happens the cost of increments can, in some cases, be absorbed by the budget provision for the previous post holder, who may have been at the top of the spinal column point

for the grade. This is shown in adjustments to the employee base budget.

4.3.5 In terms of the budget outlook it has been assumed that for future years, the best case is assumed to be half of the previous year cost, for mid-range and worst case, assumes equal to the cost in 2023-24.

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.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Pay Award	3,049	6,159	9,331	12,567	15,867
Increments	657	1,314	1,971	2,628	3,285
Total Employee Cost Changes	3,706	7,473	11,302	15,195	19,152

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 Since the budget was set in February, officers have undertaken a review of areas of non-pay inflation of significant value and volatility. The principle of only budgeting for unavoidable/inescapable remains, however, it has to be noted that in this current financial climate, some budgets with no inflation allowed for are now stretched beyond the point of containing the cost within budget and therefore the budget will now buy less than what it used to be able to buy (so in effect, we will see some cuts as a result).

4.4.3 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 2024-25 budget is set.

4.4.4 The table below summarises the non-pay inflation in the mid-range scenario for Council services with more detail available in Appendix 2. The non-pay inflation increases relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.3.

Inflation Category	2024-25 Previous estimates (as at Feb 2023) £000	2024-25 Updated estimates £000	Increase £000
Utilities - Electricity, Gas, Oil, Water	661	644	(17)
Street Lighting Electricity	121	121	0
Vehicle Fuel	64	36	(28)
Central Repairs - Outside Contractors	68	68	0
Waste PPP/Landfill Tax	567	578	11
NPDO/HUB Schools	881	938	57
Community Pool Subsidies	94	95	1
Residential Schools	61	37	(24)
Pre-Primary Partner Providers	393	119	(274)
ICT	132	110	(22)
Catering Purchases and Milk	118	371	253
Insurance	88	53	(35)
Bitumen – Roads	28	17	(11)
Contingency for unidentified/insufficient inflation estimate	250	250	0
Total	3,526	3,437	(89)

4.4.5 The most significant movements in non-pay inflation since last reported in February 2023 relate to:

- Pre-Primary Partner Providers which have reduced by £0.274m due to a reduction in RPI percentage from 8% previously applied to 3%, as projected for the first quarter of 2023-24.
- Catering Purchases which have increased by £0.253m due to ongoing significant price hikes in food costs which have increased year on year by 17.1% as at January 2023 and indications suggest this will continue to rise.

4.4.6 The cumulative inflation for years 2025-26 to 2028-29 is noted in the table below and is based on future years estimates of inflation at this point in time, however, due to the volatility of inflation recently it is very difficult to predict and the estimates will be kept under close review.

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Unavoidable/Inescapable	5,897	8,528	11,344	14,359
Total Non-Pay Inflation	5,897	8,528	11,344	14,359

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 2023. Since the budget meeting on 23 February 2023 the following changes have been made to the cost and demand pressures:

- New – NPDO and HUB Schools contracts due to 2023-24 rate of inflation being higher than anticipated.
- New – Leisure Service Level Agreements due to 2023-24 rate of inflation being higher than anticipated.
- New – Waste PPP Contracts due to 2023-24 rate of inflation being higher than anticipated.

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 a £0.250m general allowance for this is included within the best case scenario, £0.500m within the mid-range scenario and a £1m allowance included within the worst case 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.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Universal Credit – HB Admin Grant	40	80	120	160	200
IFRS16 Implementation Software	18	18	18	18	18
ASN Support	75	206	206	206	206
SEEMiS Membership Fees	2	4	7	7	7
Sustainable rate for partner providers	327	327	327	327	327
NPDO/HUB Schools – 2023-24 inflation	480	480	480	480	480
Election costs	0	0	0	300	0
Leisure SLA's – 2023-24 inflation	10	10	10	10	10
Waste	(107)	87	(242)	128	128
Compliance with BMW Ban	0	608	2,433	2,433	2,433
Waste PPP Contracts – 2023-24 inflation	255	255	255	255	255
Local Development Plan	50	0	50	0	0
Allowance for pressures in future years	500	1,000	1,500	2,000	2,500
Total Cost and Demand Pressures	1,650	3,075	5,164	6,324	6,564

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 23 February 2023, agreed a base allocation to the HSCP of £76.253m for 2023-24 as well as indicative flat cash allocations for 2024-25 to 2025-26.
- 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.

	2024-25 £000	2025-26 £000	2026-27 £000
Pay Inflation	698	1,410	2,136
Pay Increments	152	304	456
Non-Pay Inflation	4,061	7,485	10,352
Care Services for Younger Adults	496	1,002	1,519
Adult Services - Supported Living	497	994	994
Continuing Care for Looked After Children	0	250	500
Unknown Cost and Demand Pressures	500	1,000	1,500
Total Cost Increase estimates for Social Work	6,404	12,445	17,457

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.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Base Budget	285,147	285,139	285,139	285,139	285,139
Employee Cost Changes	3,706	7,473	11,302	15,195	19,152
Non-Pay Inflation	3,437	5,897	8,528	11,344	14,359
Cost and Demand Pressures	1,650	3,075	5,164	6,324	6,564
Total Estimated Expenditure	293,940	301,584	310,133	318,022	325,214
Estimated Funding	283,277	283,424	283,723	284,024	284,326
Estimated Budget Surplus / (Gap) Cumulative	(10,663)	(18,160)	(26,410)	(33,978)	(40,888)

4.8 Measures to Balance the Budget

- 4.8.1 In 2023-24 a general inflationary increase of 6% was applied to fees and charges. For the budget outlook a range of between 3% (worst case) and 9% (best case) with a mid-range of 6% has been included.
- 4.8.2 Some of the policy options were agreed at the Council meeting on 23 February 2023 that impacted on 2024-25 and beyond. These are now factored into the budget outlook, reducing the budget gap.
- 4.8.3 In terms of Council Tax, a 5% increase has been assumed across all scenarios for 2024-25 on the basis that the majority of Councils increased their Council Tax by at least 5% in 2023-24 and this is something that Council could consider for another year. From 2025-26 the assumption on the Council Tax increase has been reduced to 3% in the mid-range and worst case scenarios and left at 5% within the best case scenario. It will be a matter for Council to decide the level of Council Tax increase.
- 4.8.4 The table below summarises the proposed measures to balance the budget in the mid-range scenario.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Fees and Charges Increase	848	1,696	2,544	3,392	4,240
5% Council Tax Increase	2,960	4,848	6,795	8,811	10,896
Policy Savings agreed February 2022	3	3	3	3	3
Management/Operational Savings agreed February 2023	45	80	80	80	80
Policy Savings agreed February 2023	45	293	769	1,405	1,874
Total Measures to Balance the Budget	3,901	6,920	10,191	13,691	17,093

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.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Estimated Budget Gap Prior to Measures to Balance Budget	(10,663)	(18,160)	(26,410)	(33,978)	(40,888)
Savings Measures	3,901	6,920	10,191	13,691	17,093
Estimated Budget Surplus / (Gap) Cumulative	(6,762)	(11,240)	(16,219)	(20,287)	(23,795)
Estimated Budget Surplus / (Gap) In Year	(6,762)	(4,477)	(4,979)	(4,068)	(3,508)

- 4.9.2 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £23.795m with a gap of £6.762m in 2024-25.
- 4.9.3 The budget gap in the best case scenario over the five years is £3.261m with a gap of £3.959m in 2024-25 and in the worst case scenario, the budget gap over the five years is £83.311m with a gap of £13.803m in 2024-25. A summary of all three scenarios is included within Appendix 1.
- 4.9.4 The changes from the previous anticipated outlook to 2026-27 (as noted at the budget meeting on 23 February 2023) are summarised in the table below. Note that the budget meeting report was not extended to 2028-29 which is why the table below only extends to 2027-28.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Previously reported budget surplus / (gap) Cumulative	(8,125)	(14,633)	(22,077)	(28,510)
Adjustment to Capital funding relating to pay award	(3)	(3)	(3)	(3)
Council Tax Calculation Adjustment	(27)	(30)	(33)	(36)
Correction re policy saving in future years			287	287
Updated funding assumptions to flat cash	1,108	2,221	3,329	4,431
Council Tax increase of 5% in 2024-25 instead of 3% previously included	1,184	1,225	1,261	1,299
Adjustment to Fees and Charges calculation		(11)	(34)	(68)
Adjustment to Non-Pay Inflation	89	1,219	2,528	4,039
Cost & Demand Pressures – general allowance increase	(250)	(500)	(750)	(1,000)
Cost Pressure – NPDO/HUB Schools 2023-24 inflation	(480)	(480)	(480)	(480)
Cost Pressure – Leisure SLA's 2023-24 inflation	(10)	(10)	(10)	(10)
Cost Pressure – Waste PPP Contract 2023-24 inflation	(255)	(255)	(255)	(255)
Counter Fraud Team increased income recovery	10	11	13	15
Rounding adjustment	(3)	6	5	4
Revised Budget Surplus / (Gap) Cumulative	(6,762)	(11,240)	(16,219)	(20,287)

5. CONCLUSION

- 5.1 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £23.795m with a gap of £6.762m in 2024-25. Council officers are continuing to explore savings options during 2023-24 and these will be presented to members at a future date to help balance the budget in future years.
- 5.2 This is a very challenging budget outlook position and the level of Scottish Government grant and the pay award are the two assumptions that could alter the figures significantly. Both will be kept under close review and the budget outlook updated as and when further information becomes available.

6. IMPLICATIONS

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|-------|------------------------|--|
| 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
21 April 2023

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
anne.blue@argyll-bute.gov.uk

BUDGET OUTLOOK 2024-25 to 2028-29
POLICY AND RESOURCES COMMITTEE - 11 MAY 2023

APPENDIX 1

	Best Case Scenario					Mid-Range Scenario					Worst Case Scenario				
	2024-25	2025-26	2026-27	2027-28	2028-29	2024-25	2025-26	2026-27	2027-28	2028-29	2024-25	2025-26	2026-27	2027-28	2028-29
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Base Budget	284,536	284,536	284,536	284,536	284,536	284,536	284,536	284,536	284,536	284,536	284,536	284,536	284,536	284,536	284,536
Base Budget Adjustments	611	603	603	603	603	611	603	603	603	603	611	603	603	603	603
Revised Base Budget	285,147	285,139	285,139	285,139	285,139	285,147	285,139	285,139	285,139	285,139	285,147	285,139	285,139	285,139	285,139
Pay Award	3,049	6,159	9,331	12,567	15,867	3,049	6,159	9,331	12,567	15,867	7,622	18,892	30,725	43,150	56,196
Pay Increments	329	658	986	1,315	1,643	657	1,314	1,971	2,628	3,285	657	1,314	1,971	2,628	3,285
Adjustment to Employee Base	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Employee Cost Changes (Council Services)	3,378	6,817	10,317	13,882	17,510	3,706	7,473	11,302	15,195	19,152	8,279	20,206	32,696	45,778	59,481
Non-Pay Inflation - Council Services	2,984	5,214	7,592	10,127	12,833	3,437	5,897	8,528	11,344	14,359	3,640	8,182	12,671	17,374	22,309
Housing Benefits Admin Grant	40	80	120	160	200	40	80	120	160	200	40	80	120	160	200
IFRS16 Implementation	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
ASN Support	0	198	198	198	198	75	206	206	206	206	145	444	444	444	444
SEEMIS Membership Fees	2	4	7	7	7	2	4	7	7	7	2	4	7	7	7
Sustainable Rate for Partner Providers	327	327	327	327	327	327	327	327	327	327	327	327	327	327	327
NPDO and HUB Schools 2023/24 inflation	480	480	480	480	480	480	480	480	480	480	480	480	480	480	480
Election Costs	0	0	0	250	0	0	0	0	300	0	0	0	0	350	0
Leisure SLA's 2023/24 inflation	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Waste	(117)	9	(263)	37	37	(107)	87	(242)	128	128	(97)	165	(221)	218	218
Compliance with BMW Ban	0	0	462	925	925	0	608	2,433	2,433	2,433	0	608	2,433	2,433	2,433
Waste PPP Contract 2023/24 Inflation	255	255	255	255	255	255	255	255	255	255	255	255	255	255	255
Planning (Local Development Plan)	50	0	50	0	0	50	0	50	0	0	50	0	50	0	0
Allowance for Cost and Demand Pressures Future Years	250	500	750	1,000	1,250	500	1,000	1,500	2,000	2,500	1,000	2,000	3,000	4,000	5,000
Total Cost and Demand Pressures	1,315	1,881	2,414	3,667	3,707	1,650	3,075	5,164	6,324	6,564	2,230	4,391	6,923	8,702	9,392
Total Estimated Expenditure PRIOR to measures to balance the budget	292,824	299,051	305,462	312,815	319,189	293,940	301,584	310,133	318,002	325,214	299,296	317,918	337,429	356,993	376,321
Scottish Government Grant	224,846	225,971	227,101	228,237	229,378	223,738	223,738	223,738	223,738	223,738	222,630	221,517	220,409	219,307	218,211
Council Tax	59,687	59,983	60,433	60,887	61,344	59,539	59,686	59,985	60,286	60,588	59,394	59,397	59,549	59,702	59,856
Total Funding	284,533	285,954	287,534	289,124	290,722	283,277	283,424	283,723	284,024	284,326	282,024	280,914	279,958	279,009	278,067
Budget Surplus / (Gap) PRIOR to measures to balance the budget	(8,291)	(13,096)	(17,928)	(23,691)	(28,467)	(10,663)	(18,160)	(26,410)	(33,978)	(40,888)	(17,272)	(37,004)	(57,471)	(77,984)	(98,254)
Measures to Balance the Budget:															
Fees and Charges	1,272	2,544	3,816	5,088	6,360	848	1,696	2,544	3,392	4,240	424	848	1,272	1,696	2,120
Council Tax Increase	2,967	6,105	9,422	12,927	16,630	2,960	4,833	6,771	8,777	10,852	2,952	4,816	6,741	8,728	10,779
Council Tax Increase (Growth element)	0	59	122	188	259	0	15	24	34	44	0	30	48	67	87
Policy savings agreed February 2022	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Management/Operational Savings agreed Feb 2023	45	80	80	80	80	45	80	80	80	80	45	80	80	80	80
Policy Savings agreed February 2023	45	293	769	1,405	1,874	45	293	769	1,405	1,874	45	293	769	1,405	1,874
Total Measures to Balance the Budget	4,332	9,084	14,212	19,691	25,206	3,901	6,920	10,191	13,691	17,093	3,469	6,070	8,913	11,979	14,943
Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget	(3,959)	(4,012)	(3,716)	(4,000)	(3,261)	(6,762)	(11,240)	(16,219)	(20,287)	(23,795)	(13,803)	(30,934)	(48,558)	(66,005)	(83,311)
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	(3,959)	(53)	296	(284)	738	(6,762)	(4,477)	(4,979)	(4,068)	(3,508)	(13,803)	(17,132)	(17,623)	(17,447)	(17,306)

NON-PAY INFLATION (COUNCIL)

APPENDIX 2

Service	Category	Basis of Inflation	Inflation Percentage	Mid Range 2024/25
Council Wide	Electricity	Due to current market condition for electricity 16% increase mid range, with a 0.5% tolerance for best and worst case.	16.00%	500,244
Council Wide	Gas	Due to current market condition for gas 10.4% increase mid range reflecting February 2023 CPI rate, with a 0.5% tolerance for best and worst case.	10.40%	77,176
Council Wide	Heating Oils	Due to current market condition for gas 10.4% increase mid range reflecting February 2023 CPI rate, with a 0.5% tolerance for best and worst case.	10.40%	41,627
Council Wide	Solid Fuel	Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case.	3.00%	8,640
Council Wide	Water Charges	Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case.	3.00%	16,280
Council Wide	Vehicle Fuel	Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case.	3.00%	35,945
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%	68,223
Council Wide	Insurances	Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case.	3.00%	53,034
Council Wide	Contingency for unidentified/insufficient inflation estimate	£250k built in to mid-range and £500k built in to worst case scenario		250,000
Council Wide Total				1,051,169
Education	Pre-Primary Partner Provider Uplift	Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case.	3.00%	119,156
Education	External School Placements	Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case.	3.00%	36,679
Commercial Services	Catering Purchases	Based on Office for National Statistics Inflation Rate for Food for Domestic Market, with a 0.5% tolerance for best and worst case .	17.10%	371,651
Legal & Regulatory Support	Leisure SLA-MAKI/Islay Pools	Based on Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.50%	16,282
Legal & Regulatory Support	Leisure SLA-Atlantis	Based on RPI at September 2022 with a 0.5% tolerance in the best and worst case scenarios.	12.64%	78,857
Legal & Regulatory Support	NPDO-Variable Element	Based on Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.50%	709,919
Legal & Regulatory Support	NPDO-Utilities Rebate	Based on Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.50%	-26,856
Legal & Regulatory Support	NPDO-Electricity	Due to current market condition for electricity 16% increase mid range, with a 0.5% tolerance for best and worst case.	16.00%	93,528
Legal & Regulatory Support	NPDO-Gas	Due to current market condition for gas 10.4% increase mid range reflecting February 2023 CPI rate, with a 0.5% tolerance for best and worst case.	10.40%	24,852
Legal & Regulatory Support	NPDO-Heating Oil	Due to current market condition for gas 10.4% increase mid range reflecting February 2023 CPI rate, with a 0.5% tolerance for best and worst case.	10.40%	10,733
Legal & Regulatory Support	NPDO-LPG	Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case.	3.00%	2,695
Legal & Regulatory Support	NPDO-Water	Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case.	3.00%	11,581
Legal & Regulatory Support	HUB-Variable Element	Based on Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.50%	111,111
Executive Director Douglas Hendry - Total				1,560,188
Customer and Support Services	ICT	Carried forward 2024/25 assumption from February 2023 budget outlook.	10.00%	109,842
Roads and Infrastructure	Waste PPP-Private Contractor Inflation	Based on 85% of the Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case.	7.00%	509,360
Roads and Infrastructure	Waste PPP-Central Government Inflation	Based on Landfill Tax increase between 22/23 and 23/24 with a 0.5% tolerance for best and worst case. Will be updated once the 2024/25 rate is published.	3.55%	68,777
Roads and Infrastructure	Roads - Bitumen for Road Surfacing	Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case.	3.00%	16,644
Roads and Infrastructure	Electricity - Street Lighting	Due to current market condition for electricity 16% increase mid range, with a 0.5% tolerance for best and worst case.	16.00%	120,958
Executive Director Kirsty Flanagan - Total				825,581
Total Non-Pay Inflation in the Mid Range				3,436,938

COUNCIL COST AND DEMAND PRESSURES 2024-25 to 2028-29

APPENDIX 3

Department	Service	Cost/Demand Pressure	Best Case					Mid Range Scenario					Worst Case				
			2024-25 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000	2024-25 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000	2024-25 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,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.	(117)	9	(263)	37	37	(107)	87	(242)	128	128	(97)	165	(221)	218	218
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. The best case scenario reflects option 4 detailed in the report to the Environment, Development and Infrastructure Committee on 01/12/2022. The mid range and worst case scenarios reflects option 3 included in the same report and take into account the risk that the SG will not agree a derogation.	0	0	462	925	925	0	608	2,433	2,433	2,433	0	608	2,433	2,433	2,433
Executive Director - Kirsty Flanagan	Waste	Adjustment to the base budget for the Waste PPP contract due to the rate of inflation at February 2023 being higher than forecast when the 2023/24 budget was prepared.	255	255	255	255	255	255	255	255	255	255	255	255	255	255	255
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.	50	0	50	0	0	50	0	50	0	0	50	0	50	0	0
Council Wide	Council Wide	General provision for unidentified Cost and Demand Pressures	250	500	750	1,000	1,250	500	1,000	1,500	2,000	2,500	1,000	2,000	3,000	4,000	5,000
TOTAL			1,315	1,881	2,414	3,667	3,707	1,650	3,075	5,164	6,324	6,564	2,230	4,391	6,923	8,702	9,392

SOCIAL WORK COST AND DEMAND PRESSURES - 2024-25 to 2026-27

APPENDIX 4

Service	Cost/Demand Pressure	Best Case			Mid Range			Worst Case		
		2024-25 £000	2025-26 £000	2026-27 £000	2024-25 £000	2025-26 £000	2026-27 £000	2024-25 £000	2025-26 £000	2026-27 £000
All Social Work	Estimated Pay inflation reflecting a best case and mid-range of 2% and worst case of 5%.	698	1,410	2,136	698	1,410	2,136	1,745	3,578	5,502
All Social Work	Estimated Pay increments, best case is that 50% of the incremental changes based on 2023/24 are absorbed and in the mid-range and worst case, the increase is in line with the increase in 2023/24.	76	152	228	152	304	456	152	304	456
All Social Work	Non-pay inflation, best and worst case based on unavoidable/inescapable inflation and worst case.	3,514	6,390	8,670	3,862	7,123	9,819	4,210	7,862	10,982
All Social Work	Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work.	184	330	482	199	362	533	214	394	584
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.	210	422	636	420	849	1,287	630	1,280	1,950
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.	38	76	115	76	153	232	113	230	351
Adult Care	Learning Disability Budget Adjustment - The Learning Disability Supported Living and Residential budgets are carrying a recurring unbudgeted commitment. To address this situation, it is proposed to continue to realign the budget over 2024-25 and 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.	391	782	782	391	782	782	391	782	782
Adult Care	Physical Disability Budget Adjustment - The Physical Disability Supported Living and Residential budgets are carrying a recurring unbudgeted commitment. To address this situation, it is proposed to continue to realign the budget over 2024-25 and 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.	25	50	50	25	50	50	25	50	50

Service	Cost/Demand Pressure	Best Case			Mid Range			Worst Case		
		2024-25 £000	2025-26 £000	2026-27 £000	2024-25 £000	2025-26 £000	2026-27 £000	2024-25 £000	2025-26 £000	2026-27 £000
Adult Care	Mental Health Budget Adjustment - The Mental Health Supported Living and Residential budgets are carrying a recurring unbudgeted commitment. To address this situation, it is proposed to continue to realign the budget over 2024-25 and 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.	81	162	162	81	162	162	81	162	162
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 that additional demand in 24/25 be funded from existing resource with £250k per annum thereafter and the worst case reflects £250k 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.	250	500	750	500	1,000	1,500	750	1,500	2,250
TOTAL COST AND DEMAND PRESSURES		5,467	10,274	14,011	6,404	12,445	17,457	8,561	16,642	23,819