

BUDGET OUTLOOK 2024-25 TO 2028-29

1. EXECUTIVE SUMMARY

- 1.1 This report provides an update to the budget outlook covering the period 2024-25 to 2028-29, reported to the Policy and Resources Committee on 11 May 2023.
- 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 11 May 2023 and range between 0.5% increase (best case) and 0.5% reduction (worst case) with a mid-range of 0%. This assumption is based on 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 There are no changes to the base budget since the report on 11 May 2023.
- 1.6 Similarly, there are no changes to the assumptions in respect of employee costs for Council services which were previously noted 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. Changes to these pressures since the report on 11 May 2023 are:
- Amended - ASN Support increased to reflect continued growth in demand
 - New - Repairs and Maintenance costs for the new Helensburgh Waterfront Leisure Complex
 - New - Depots – shortfall in previously agreed saving due to delays
 - New - Public Transport Fares – shortfall in previously agreed saving due to reduction in passenger numbers
 - New – Insurance premiums have risen higher than previous forecasts
- 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, 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 £42.793m with a gap of £11.481m 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 £25.700m with a gap of £7.580m in 2024-25.
- 1.14 The budget gap in the best case scenario over the five years is £5.121m with a gap of £4.848m in 2024-25 and in the worst case scenario, the budget gap over the five years is £85.031m with a gap of £14.554m 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 provides an update to the budget outlook covering the period 2024-25 to 2028-29, reported to the Policy and Resources Committee on 11 May 2023.
- 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 There are no changes to my previous assumptions around the level of future Scottish Government funding. In my report in May, I advised that in considering the assumptions relating to future years funding I have reflected on the funding over the last 4 years after accounting for new policy commitments, and also the spending review published in May 2022 which indicated that the total budget for Local Government would remain flat cash until 2026-27. As a result of this the assumptions in respect of future years Scottish Government funding range between a 0.5% increase (best case) and a 0.5% reduction (worst case) with a mid-range of 0%.
- 4.1.2 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

- 4.1.3 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.

- 4.1.4 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).
- 4.1.5 As reported in May, 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 are built into the budget outlook.
- 4.1.6 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.
- 4.1.7 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 4.1.5)	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, however 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 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 assumed to be half of the previous year cost, for mid-range and worst case, assumes equal to the cost in 2023-24 (£0.657m).
- 4.3.5 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 Officers continue to review areas of non-pay inflation 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 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 May 2023) £000	2024-25 Updated estimates £000	Increase/ (Decrease) £000
Utilities - Electricity, Gas, Oil, Water	644	831	187
Street Lighting Electricity	121	121	0
Vehicle Fuel	36	53	17
Central Repairs - Outside Contractors	68	68	0
Waste PPP/Landfill Tax	578	578	0
NPDO/HUB Schools	938	909	(29)
Community Pool Subsidies	95	95	0
Residential Schools	37	54	17
Pre-Primary Partner Providers	119	175	56
ICT	110	181	71
Catering Purchases and Milk	371	342	(29)
Insurance	53	83	30
Bitumen – Roads	17	24	7
Contingency for	250	250	0

unidentified/insufficient inflation estimate			
Total	3,437	3,764	327

4.4.5 The most significant movement in non-pay inflation since last reported in May 2023 relates to energy costs. Over the last sixteen months the wholesale cost of energy, particularly electricity, has risen significantly. During 2022-23, the Council was largely protected from the increase in prices as it had forward purchased its energy needs before prices increased. However, having reached the end of the period this covered, the Council is now exposed to the current market rates which are significantly higher. The non-pay inflation figures have been adjusted to account for early estimates of the potential impact on the Council however this will be monitored throughout the year and updated accordingly.

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	6,367	9,145	12,111	15,280
Total Non-Pay Inflation	6,367	9,145	12,111	15,280

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 Policy and Resources Committee on 11 May 2023 the following changes have been made to the cost and demand pressures:

- Amended - ASN Support increased to reflect continued growth in demand
- New - Repairs and Maintenance costs for new Helensburgh Waterfront Leisure Complex
- New - Depots – shortfall in previously agreed saving due to delays
- New - Public Transport Fares – shortfall in previously agreed saving due to reduction in passenger numbers
- New – Insurance premiums have risen higher than previous forecasts

4.5.2 As mentioned in paragraph 4.4.5, the forward purchasing of the Council's energy needs for 2022-23 largely protected the Council from the significant increases in energy costs, particularly electricity. As the Council re-contracts for its energy now and is exposed to significantly higher market rates, the increase in prices may exceed the existing 2023-24 budget and a cost pressure may be required. This will be monitored closely and updated as more information

becomes available throughout the year.

4.5.3 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.

4.5.4 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	198	400	608	822	822
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
Repairs and Maintenance – Helensburgh Waterfront Leisure Complex	105	105	105	105	105
Depots – saving shortfall	108	108	108	108	108
Public Transport – saving shortfall	29	29	29	29	29
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
Insurances	126	126	126	126	126
Allowance for pressures in future years	500	1,000	1,500	2,000	2,500
Total Cost and Demand Pressures	2,141	3,637	5,934	7,308	7,548

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

4.6 Health and Social Care Partnership

4.6.1 The Council, at the budget meeting on 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	691	1,396	2,115
Pay Increments	152	304	456
Non-Pay Inflation	3,997	8,055	12,307
Care Services for Younger Adults	460	929	1,409
Adult Services - Supported Living	55	110	110
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	5,855	12,044	18,397

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	3,764	6,367	9,145	12,111	15,280
Cost and Demand Pressures	2,141	3,637	5,934	7,308	7,548
Total Estimated Expenditure	294,758	302,616	311,520	319,753	327,119
Estimated Funding	283,277	283,424	283,723	284,024	284,326
Estimated Budget Surplus / (Gap) Cumulative	(11,481)	(19,192)	(27,797)	(35,729)	(42,793)

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
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	(11,481)	(19,192)	(27,797)	(35,729)	(42,793)
Savings Measures	3,901	6,920	10,191	13,691	17,093
Estimated Budget Surplus / (Gap) Cumulative	(7,580)	(12,272)	(17,606)	(22,038)	(25,700)
Estimated Budget Surplus / (Gap) In Year	(7,580)	(4,691)	(5,334)	(4,432)	(3,662)

- 4.9.2 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £25.700m with a gap of £7.580m in 2024-25.
- 4.9.3 The budget gap in the best case scenario over the five years is £5.121m with a gap of £4.848m in 2024-25 and in the worst case scenario, the budget gap over the five years is £85.031m with a gap of £14.554m in 2024-25. A summary of all three scenarios is included within Appendix 1.
- 4.9.4 The changes from the previous anticipated outlook reported to the Policy and Resources Committee on 11 May 2023 are summarised in the table below:

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Previously reported budget surplus / (gap) Cumulative	(6,762)	(11,240)	(16,219)	(20,287)	(23,795)
Adjustment to Non-Pay Inflation	(327)	(470)	(617)	(767)	(921)
Cost & Demand Pressures – ASN Support	(123)	(194)	(402)	(616)	(616)
Cost Pressure – Repairs & Maintenance Helensburgh Waterfront Leisure Complex	(105)	(105)	(105)	(105)	(105)
Cost Pressure – Depots Saving Shortfall	(108)	(108)	(108)	(108)	(108)
Cost Pressure – Public Transport Saving Shortfall	(29)	(29)	(29)	(29)	(29)
Cost Pressure – Insurance Costs	(126)	(126)	(126)	(126)	(126)
Revised Budget Surplus / (Gap) Cumulative	(7,580)	(12,272)	(17,606)	(22,038)	(25,700)

5. CONCLUSION

- 5.1 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £25.700m with a gap of £7.580m 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
14 July 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
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BUDGET OUTLOOK 2024-25 to 2028-29
POLICY AND RESOURCES COMMITTEE - 10 AUGUST 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	3,307	5,671	8,184	10,857	13,701	3,764	6,367	9,145	12,111	15,280	3,970	8,665	13,313	18,180	23,283
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	198	400	608	822	822	198	400	608	822	822	198	400	608	822	822
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
Repairs and Maintenance - Helensburgh Waterfront Leisure Complex	105	105	105	105	105	105	105	105	105	105	105	105	105	105	105
Depots - saving shortfall	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108
Public Transport Fares - saving shortfall	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29
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
Insurances	126	126	126	126	126	126	126	126	126	126	126	126	126	126	126
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	1,881	2,451	3,192	4,659	4,699	2,141	3,637	5,934	7,308	7,548	2,651	4,715	7,455	9,448	10,138
Total Estimated Expenditure PRIOR to measures to balance the budget	293,713	300,078	306,832	314,537	321,049	294,758	302,616	311,520	319,753	327,119	300,047	318,725	338,603	358,545	378,041
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	(9,180)	(14,123)	(19,298)	(25,413)	(30,327)	(11,481)	(19,192)	(27,797)	(35,729)	(42,793)	(18,023)	(37,811)	(58,645)	(79,536)	(99,974)
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	(4,848)	(5,039)	(5,086)	(5,722)	(5,121)	(7,580)	(12,272)	(17,606)	(22,038)	(25,700)	(14,554)	(31,741)	(49,732)	(67,557)	(85,031)
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	(4,848)	(191)	(47)	(636)	600	(7,580)	(4,691)	(5,334)	(4,432)	(3,662)	(14,554)	(17,188)	(17,990)	(17,825)	(17,474)

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 16% increase mid range, with a 0.5% tolerance for best and worst case.	16.00%	671,989
Council Wide	Gas	Due to current market condition for gas 15% increase with mid range based on latest information available from Property Services, with a 0.5% tolerance for best and worst case.	15.00%	111,310
Council Wide	Heating Oils	Due to current market condition for gas 8.70% increase with mid range reflecting May 2023 CPI rate, with a 0.5% tolerance for best and worst case.	8.70%	34,825
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.	4.40%	12,671
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.	4.40%	52,682
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%	68,225
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.	4.40%	83,328
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				1,285,030
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.	4.40%	174,527
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.	4.40%	53,796
Commercial Services	Catering Purchases	Based on Office for National Statistics Inflation Rate for Food and Non-Alcoholic Beverages at May 2023, with a 0.5% tolerance for best and worst case .	18.40%	342,949
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.	8.20%	15,707
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.	8.20%	684,863
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.	8.20%	-25,908
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 15% increase with mid range based on latest information available from Property Services, with a 0.5% tolerance for best and worst case.	15.00%	35,844
Legal & Regulatory Support	NPDO-Heating Oil	Due to current market condition for gas 8.70% increase with mid range reflecting May 2023 CPI rate, with a 0.5% tolerance for best and worst case.	8.70%	8,979
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.	4.40%	3,953
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.	8.20%	107,189
Executive Director Douglas Hendry - Total				1,574,284
Customer and Support Services	ICT	Estimate based on feedback from ICT staff in relation to significant price increases for ICT services and equipment.	10.00%	180,886
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.	4.40%	24,411
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				904,392
Total Non-Pay Inflation in the Mid Range				3,763,706

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	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
Executive Director - Kirsty Flanagan	Financial Services	Implementation of new IFRS16 system to manage leases and accounting requirements of the IFRS Finance Leases accounting standard.	18	18	18	18	18	18	18	18	18	18	18	18	18	18	
Executive Director - Kirsty Flanagan	Roads & Infrastructure Services	Previously agreed saving from 2018-19 for Depots (TB07) is now not fully achievable with a shortfall of £107,500. Delays in progressing the Depot Rationalisation programme and limited capital investment available has resulted in the savings not being realised. Cost pressure to remove this saving with further work ongoing on the Depot Rationalisation programme which will hopefully generate further savings in the future.	108	108	108	108	108	108	108	108	108	108	108	108	108	108	
Executive Director - Kirsty Flanagan	Roads & Infrastructure Services	Previously agreed saving from 2021-22 for Public Transport Fare increases (R&I17) is now not fully achievable with a shortfall of £29K. Report provided from Consultants Stantec outlining the proposed saving did not materialise due to a reduction in passenger numbers using local public transport.	29	29	29	29	29	29	29	29	29	29	29	29	29	29	
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	
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	Rightsize Council Insurance Budget - Insurance premiums have risen higher than previous inflationary forecasts due to changes in law, Increase in building values, higher contractor costs for building works, repairs and higher component parts for cars.	126	126	126	126	126	126	126	126	126	126	126	126	126	126	
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			1,881	2,451	3,192	4,659	4,699	2,141	3,637	5,934	7,308	7,548	2,651	4,715	7,455	9,448	10,138

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%.	691	1,396	2,115	691	1,396	2,115	1,729	3,544	5,450
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.	3,429	6,902	10,509	3,824	7,739	11,842	4,219	8,584	13,194
All Social Work	Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work.	160	287	420	173	316	465	187	344	510
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.	194	390	588	388	784	1,189	582	1,183	1,803
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.	36	72	109	72	145	220	107	218	332
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.	55	110	110	55	110	110	55	110	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 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		4,891	9,809	14,829	5,855	12,044	18,397	8,031	16,287	24,855