

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 10 August 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 10 August 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 has been one change to the base budget since the report on 10 August 2023 and that relates to the provision of floral displays. The Environment, Development and Infrastructure Committee agreed to pursue a blended model of options for the provision of floral displays and recommended that £0.008m be built into the budget outlook for future years in relation to this. This was subsequently approved at Council on 28 September 2023 and therefore has been built into the base budget.
- 1.6 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, a 2% increase had previously been built into the mid-range scenario, however there is pressure on Local Authorities for an increase beyond this therefore it is prudent to amend the assumptions contained within the budget outlook to 3% in 2024-25 falling back to 2% in 2025-26 onwards.

- Increments are estimated between £0.329m and £0.657m with mid-range £0.657m.
 - A decrease to the long term employer contribution rate paid to Strathclyde Pension Fund (SPF) from 19.3% to 17.5% has resulted in a reduction to employee costs of £1.061m in all scenarios within the budget outlook.
- 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 10 August 2023 are:
- Removed - Public Transport Fares – shortfall in previously agreed saving is now able to be offset against underspends elsewhere within public transport therefore the cost pressure is no longer required.
 - New – Persistent Organic Pollutants (POPs) – regulations indicate there will be a ban on placing materials such as sofas and mattresses in landfill resulting in a cost pressure relating to their disposal.
- 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 £43.942m with a gap of £12.193m 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%).
 - Proposed implementation of 100% premium on Council Tax for second homes.
 - 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 £24.728m with a gap of £4.768m in 2024-25.
- 1.14 The budget gap in the best case scenario over the five years is £2.960m with a gap of £0.447m in 2024-25 and in the worst case scenario, the budget gap over the five years is £85.947m with a gap of £14.181m 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:
- (a) Consider the current estimated budget outlook position for the period 2024-25 to 2028-29.
 - (b) Recommend to Council that the budget for winter maintenance is right sized by utilising £0.326m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process.

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 10 August 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:
- (a) Consider the current estimated budget outlook position for the period 2024-25 to 2028-29.
 - (b) Recommend to Council that the budget for winter maintenance is right sized by utilising £0.326m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process.

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 August, 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 previously, 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 There has been one change to the base budget since the report on 10 August 2023 and that relates to the provision of floral displays. The Environment, Development and Infrastructure Committee agreed to pursue a blended model of options for the provision of floral displays and recommended that £0.008m be built into the budget outlook for future years in relation to this. This was

subsequently approved at Council on 28 September 2023 and therefore has been built into the base budget.

- 4.2.3 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
Provision of floral displays	8	8	8	8	8
Revised Base Budget	285,155	285,147	285,147	285,147	285,147

- 4.2.4 It should be noted that Phase 1 of the ASN review is currently in the early stages of planning and the revenue costs associated with this have been estimated at £0.500m. The Service have identified budget that can be used to fund this phase of the project through income received from Scottish Government. While the funding could have been used elsewhere it has the potential of reducing the increased demand pressure for ASN support therefore has an overall nil impact to the budget gap position.

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 total of what has been allowed for in the budget. The Council has set aside budget equivalent to 3.5%, and the Scottish Government has agreed funding equivalent to 2.5%, which gives a total pay award budget equivalent to a 6% increase.
- 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, a 2% increase had previously been built into the mid-range scenario, however, it is looking likely that this will be insufficient, based on the

pressure to increase the current years pay offer. It would therefore be prudent to increase the assumption from 2% to 3% for 2024-25, reducing back to 2% from 2025-26 on the basis that reducing inflation could eventually take the pressure off the pay award. The best case scenario remains at 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).

Strathclyde Pension Fund

- 4.3.5 The Strathclyde Pension Fund (SPF) has reported an exceptionally strong set of results with a surplus of almost £9bn which will allow a reduction in the employer contribution rate. The largest employers, including 12 councils of which Argyll and Bute Council is one, will see a reduction in their employer contributions from 19.3% to 6.5% over the next two years, before reverting to a sustainable long-term rate in the third year of 17.5%. The recurring saving associated with the long term reduction to 17.5% equates to £1.061m and has been built into the budget outlook estimates in all scenarios. Consideration will also be required as to how best to utilise the additional surplus in the first two years as a result of reducing contributions to 6.5%.
- 4.3.6 The table below summarises the employee cost movements 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	4,574	7,714	10,917	14,184	17,517
Increments	657	1,314	1,971	2,628	3,285
SPF Employers Pension Rate reduction to 17.5%	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)
Total Employee Cost Changes	4,170	7,967	11,827	15,751	19,741

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 (August 2023) £000	2024-25 Updated estimates £000	Increase/ (Decrease) £000
Utilities - Electricity, Gas, Oil, Water	831	930	99
Street Lighting Electricity	121	121	0
Vehicle Fuel	53	50	(3)
Central Repairs - Outside Contractors	68	72	4
Waste PPP/Landfill Tax	578	578	0
NPDO/HUB Schools	909	956	47
Community Pool Subsidies	95	95	0
Residential Schools	54	49	(5)
Pre-Primary Partner Providers	175	179	4
ICT	181	195	14
Catering Purchases and Milk	342	280	(62)
Insurance	83	81	(2)
Bitumen – Roads	24	24	0
Contingency for unidentified/ insufficient inflation estimate	250	250	0
Total	3,764	3,860	96

- 4.4.5 The most significant movement in non-pay inflation since last reported in August 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	6,532	9,384	12,431	15,688
Total Non-Pay Inflation	6,532	9,384	12,431	15,688

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 10 August 2023 the following changes have been made to the cost and demand pressures:

- Removed - Public Transport Fares – shortfall in previously agreed saving is now able to be offset against underspends elsewhere within public transport therefore the cost pressure is no longer required.
- New – Persistent Organic Pollutants (POPs) – regulations indicate there will be a ban on placing materials such as sofas and mattresses in landfill resulting in a cost pressure relating to their disposal.

4.5.2 As mentioned in paragraph 4.4.5, the forward purchasing of the Council's energy needs largely protected the Council from the significant increases in energy costs, particularly electricity. However, the Council is now re-contracting and is as the Council re-contracts for its energy now and is exposed to significantly higher market rates, which is likely to exceed the current year (2023-24) budget. This will create an in-year cost pressure which will be reported via the budget monitoring but will also create a cost pressure for future years. At the time of writing it is expected that this cost pressure could be in the region of £1m, however, a more precise estimate is currently being calculated by the Energy Team and will be reported in the Budget Outlook in December 2023.

4.5.3 The Council's contract with Civica for the Revenue and Benefits Management System ends in August 2024, this is the system that allows us to bill and collect Council Tax and administer Housing Benefit on behalf of the UK government under statute. In addition the contract for the corporate Electronic Document

Management system currently used by Revenue and Benefits services, Social Care, Human Resources and Creditors will end in September 2024. The Council is currently considering its options but there is pressure to migrate both of these systems to the Cloud as on premise support will not be available in the future which is likely to increase the annual costs although we do not have a definitive position on this as yet. The impact of this will be refined as conversations with our suppliers progress over the coming months therefore will be included within a future budget outlook once there is more certainty regarding the financial impact.

4.5.4 Over the last few years the Winter Maintenance budget has been overspent. Additional budget of £0.500m was allocated in 2019-20 however inflation over the last few years has put significant pressure on this budget. The average overspend over the last 5 years was £0.235m, with the smallest overspend being £0.044m and the largest £0.541m. Further information regarding this is included within appendix 5 which details that if treatment runs were similar to 2022-23, an additional budget of £0.326m would be required therefore it is recommended that the base budget is increased by this amount.

4.5.5 During the 2023-24 budget setting process a contingency of £1.4m was agreed which was circa 0.5% of the Councils budget at that time. This was included due to the volatility in prices, the increases in inflation together with continuing increased demand. This contingency could be used to offset the above mentioned pressures within utilities, ICT systems and Winter Maintenance, both in 2023-24 and future years, once their financial impact has been refined.

4.5.6 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. This contingency is over and above the £1.4m detailed in paragraph 4.5.5.

4.5.7 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	10	10	10	10	10

inflation					
Repairs and Maintenance – Helensburgh Waterfront Leisure Complex	105	105	105	105	105
Depots – saving shortfall	108	108	108	108	108
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
Persistent Organic Pollutants (POPs)	173	173	173	173	173
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	2,285	3,781	6,078	7,452	7,692

4.5.8 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	3,770	7,564	11,513
Care Services for Older People	426	859	1,299
Care Services for Younger Adults	437	883	1,338
Adult Services - Supported Living	108	215	215
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	6,084	12,471	18,936

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	285,155	285,147	285,147	285,147	285,147
Employee Cost Changes	4,170	7,967	11,827	15,751	19,741
Non-Pay Inflation	3,860	6,532	9,384	12,431	15,688
Cost and Demand Pressures	2,285	3,781	6,078	7,452	7,692
Total Estimated Expenditure	295,470	303,427	312,436	320,781	328,268
Estimated Funding	283,277	283,424	283,723	284,024	284,326
Estimated Budget Surplus / (Gap) Cumulative	(12,193)	(20,003)	(28,713)	(36,757)	(43,942)

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. There has been an amendment to the fees and charges figure within the budget outlook in relation to Piers and Harbours where the 6% general inflationary increase has been removed (£0.476m in the mid-range) to ensure that any income generated is not in excess of expenditure.

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 Scottish Government recently carried out a consultation on Council Tax for second homes and the outcome was announced in September 2023 advising that Local Authorities will be able to charge a premium of up to 100% (double charge) on council tax for second homes from 1st April 2024 bringing it in line with the policy already in place for empty homes. This legislation has still to be approved by Parliament and will also be subject to Elected Members agreeing its implementation within Argyll and Bute, however if agreed it would not only generate additional income for the Council to support delivery of services but

may also help alleviate pressure on the local housing market and encourage long-term rental. Within the budget outlook £4m of additional income in respect of this has been included within the mid-range scenario, with £4.2m in the best case and zero in the worst case should Parliament not agree the legislation or Elected Members choose not to implement it within Argyll and Bute. A report will be brought to Council in November with further detail of this proposed policy change but currently it is assumed that Scottish Government will not impose that this income is ring fenced for any particular purpose.

4.8.5 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	372	744	1,116	1,488	1,859
Council Tax Increase	2,960	4,848	6,795	8,811	10,896
Council Tax Second Homes Consultation	4,000	4,120	4,244	4,371	4,502
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	7,425	10,088	13,007	16,158	19,214

4.8.6 The Scottish Government are currently undertaking a further consultation in relation to Council Tax, looking at a fairer council tax system for properties in bands E-H acknowledging the persisting regressive nature of the current structure where lower-value properties are taxed proportionately more than higher-value ones. This consultation closes on 20 September 2023 and at this stage no estimate has been built into the budget outlook until we are clear whether this is likely to happen. If agreed by Scottish Government, it will generate a significant amount of additional Council Tax income (circa £4m) that would reduce the budget gap. A further update on this will be provided at the December Policy and Resources Committee meeting.

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	(12,193)	(20,003)	(28,713)	(36,757)	(43,942)
Savings Measures	7,425	10,088	13,007	16,158	19,214

Estimated Budget Surplus / (Gap) Cumulative	(4,768)	(9,915)	(15,706)	(20,599)	(24,728)
Estimated Budget Surplus / (Gap) In Year	(4,768)	(5,147)	(5,791)	(4,893)	(4,129)

4.9.2 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £24.728m with a gap of £4.768m in 2024-25.

4.9.3 The budget gap in the best case scenario over the five years is £2.960m with a gap of £0.447m in 2024-25 and in the worst case scenario, the budget gap over the five years is £85.947m with a gap of £14.181m 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 10 August 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	(7,580)	(12,272)	(17,606)	(22,038)	(25,700)
Provision of floral displays	(8)	(8)	(8)	(8)	(8)
Increase pay award to 3% in 2024-25	(1,525)	(1,555)	(1,586)	(1,617)	(1,650)
Reduction in SPF Employers Pension Contribution	1,061	1,061	1,061	1,061	1,061
Adjustment to Non-Pay Inflation	(96)	(165)	(239)	(320)	(408)
Cost Pressure – Public Transport Saving shortfall offset from underspend within Public Transport	29	29	29	29	29
Cost Pressure – Disposal of Persistent Organic Pollutants (POPs)	(173)	(173)	(173)	(173)	(173)
Fees and Charges adjustment re Piers and Harbours	(476)	(952)	(1,428)	(1,904)	(2,381)
Council Tax Consultation on Second Homes	4,000	4,120	4,244	4,371	4,502
Revised Budget Surplus / (Gap) Cumulative	(4,768)	(9,915)	(15,706)	(20,599)	(24,728)

5. CONCLUSION

- 5.1 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £24.728m with a gap of £4.768m in 2024-25. Council officers are continuing to explore savings options during 2023-24 and these will be presented to members for consideration in December 2023. Consideration also needs to be given as to how best to utilise the two year surplus that will be created due to the temporary reduction in the Strathclyde Pension Fund employers contribution rate.
- 5.2 This is a very challenging budget outlook position and the level of Scottish Government grant, the pay award, the Council Tax consultations and the further potential cost and demand pressures outlined within the report could alter the figures significantly. These will be kept under close review and the budget outlook updated as and when further information becomes available.

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
18 September 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)

Appendix 5 – Winter Maintenance

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 - 12 OCTOBER 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	619	611	611	611	611	619	611	611	611	611	619	611	611	611	611
Revised Base Budget	285,155	285,147	285,147	285,147	285,147	285,155	285,147	285,147	285,147	285,147	285,155	285,147	285,147	285,147	285,147
Pay Award	3,049	6,159	9,331	12,567	15,867	4,574	7,714	10,917	14,184	17,517	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	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)
Total Employee Cost Changes (Council Services)	2,317	5,756	9,256	12,821	16,449	4,170	7,967	11,827	15,751	19,741	7,218	19,145	31,635	44,717	58,420
Non-Pay Inflation - Council Services	3,394	5,822	8,404	11,152	14,077	3,860	6,532	9,384	12,431	15,688	4,075	8,843	13,572	18,526	23,725
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
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
Waste disposal of Persistent Organic Pollutants (POPs)	79	79	79	79	79	173	173	173	173	173	366	366	366	366	366
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	1,931	2,501	3,242	4,709	4,749	2,285	3,781	6,078	7,452	7,692	2,988	5,052	7,792	9,785	10,475
Total Estimated Expenditure PRIOR to measures to balance the budget	292,797	299,226	306,049	313,829	320,422	295,470	303,427	312,436	320,781	328,268	299,436	318,187	338,146	358,175	377,767
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	(8,264)	(13,271)	(18,515)	(24,705)	(29,700)	(12,193)	(20,003)	(28,713)	(36,757)	(43,942)	(17,412)	(37,273)	(58,188)	(79,166)	(99,700)
Measures to Balance the Budget:															
Fees and Charges	558	1,116	1,673	2,231	2,789	372	744	1,116	1,488	1,859	186	372	558	744	930
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
Council Tax - Second Homes Consultation	4,200	4,410	4,631	4,862	5,105	4,000	4,120	4,244	4,371	4,502	0	0	0	0	0
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	7,818	12,066	16,700	21,696	26,740	7,425	10,088	13,006	16,157	19,214	3,231	5,594	8,199	11,027	13,753
Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget	(447)	(1,206)	(1,815)	(3,008)	(2,960)	(4,768)	(9,915)	(15,706)	(20,599)	(24,728)	(14,181)	(31,680)	(49,989)	(68,139)	(85,947)
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	(447)	(759)	(609)	(1,193)	48	(4,768)	(5,147)	(5,791)	(4,893)	(4,129)	(14,181)	(17,499)	(18,309)	(18,150)	(17,808)

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%	167,923
Council Wide	Heating Oils	Due to current market condition for gas 6.80% increase with mid range reflecting July 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.80%	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.	4.30%	14,682
Council Wide	Water Charges	Due to current market condition for gas 6.80% increase with mid range reflecting July 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.80%	39,751
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.	4.30%	49,911
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%	72,360
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.	4.30%	81,435
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				1,382,876
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.	4.30%	178,872
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.	4.30%	48,515
Commercial Services	Catering Purchases	Based on Office for National Statistics Inflation Rate for Food and Non-Alcoholic Beverages at July 2023, with a 0.5% tolerance for best and worst case .	14.90%	280,280
Legal & Regulatory Support	Leisure SLA-MAKI/Islay Pools	Based on average actual CPI rate for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.40%	16,154
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 average actual CPI rate for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.40%	704,351
Legal & Regulatory Support	NPDO-Utilities Rebate	Based on average actual CPI rate for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.40%	-26,646
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 6.80% increase with mid range reflecting July 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.80%	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.	4.30%	3,953
Legal & Regulatory Support	NPDO-Water	Due to current market condition for gas 6.80% increase with mid range reflecting July 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.80%	26,250
Legal & Regulatory Support	HUB-Variable Element	Based on average actual CPI rate for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.40%	110,240
Executive Director Douglas Hendry - Total				1,559,177
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%	194,634
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.	4.30%	23,856
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				917,585
Total Non-Pay Inflation in the Mid Range				3,859,638

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 2023 and will not be completed until 2028. 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 2028. 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	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	Waste	Disposal of Persistent Organic Pollutants (POPs) as a result of the Persistent Organic Pollutants Regulation 2007 and the anticipated ban on placing these materials in landfill. Disposal of these will create a cost pressure to transport, shred and process the shredded material through Energy from Waste (EFW).	79	79	79	79	79	173	173	173	173	173	366	366	366	366	366
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	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			1,931	2,501	3,242	4,709	4,749	2,285	3,781	6,078	7,452	7,692	2,988	5,052	7,792	9,785	10,475

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.	3,188	6,387	9,687	3,586	7,229	11,020	3,985	8,077	12,373
All Social Work	Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work.	170	305	446	184	335	493	198	365	541
Adult Care	Older People Demand Growth: The number of older people is increasing and older people are living longer with significant health and support needs and significant expectations of the support they are entitled to receive. Demand pressure estimates 3% growth in homecare and care home placements, this increase is supported by the growth in clients and care requirements over a number of years although in some areas the service capacity is being fully utilised and service expansion is proving difficult. The best case assumes a 0% increase in spending reflecting the limited service capacity in the area, the mid-range reflects 1.5% growth and the worst case reflects 3% growth.	0	0	0	426	859	1,299	852	1,731	2,638
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.	188	378	570	375	758	1,149	563	1,144	1,743
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.	31	62	94	62	125	189	93	189	288
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.	26	52	52	26	52	52	26	52	52
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.	82	163	163	82	163	163	82	163	163
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 UNFUNDED COST AND DEMAND PRESSURES		4,702	9,395	14,105	6,084	12,471	18,936	8,680	17,569	26,704

The cost for Winter Maintenance during 2022-23 was £2.661M with a budget of £2.120M, equating to an overspend of £541k. There has been an overspend of winter maintenance for a number of years and in 2022-23 this overspend was higher due to inflationary increases (particularly for grit and salt) and the change in respect of the use of red diesel (which was banned from April 2022 – red diesel being subject to a lower excise duty).

Over the last 5 years we have seen an increase in Winter Maintenance costs. This is due to weather and more ‘treatments’ being required but also due to increased costs.

The costs for winter can split into fixed and variable, as per table 1 below. Fixed costs are for vehicles, standby and weather forecasting and variable costs are mainly for staff, salt and fuel.

Table 1

	2018-19	2019-20	2020-21	2021-22	2022-23
Fixed Costs	798,828.28	1,099,864.19	1,053,263.07	1,214,039.23	1,323,841.48
Variable Costs	1,122,355.24	1,080,858.54	1,225,741.02	1,053,587.73	1,337,508.74
	1,921,183.52	2,180,722.73	2,279,004.09	2,267,626.96	2,661,350.22

As per the Winter Policy, we have set treatment routes in each area, if each of these routes was treated once, this would equate to 1 treatment run. Table 2 below shows the variable cost per treatment run over the last 5 years.

Table 2

	2018-19	2019-20	2020-21	2021-22	2022-23
Full Fleet Runs (equivalent)	62	78	79	65	66
Variable cost per Full Fleet Run (equivalent)	18,102.50	13,857.16	15,515.71	16,209.04	20,265.28

As per table 1 above, the variable cost per run has increased significantly over recent years, particularly between 2021-22 and 2022-23.

Detailed analysis shows the increase in the variable costs is a result of increased salt costs and fuel costs and the increase in the fixed costs is a result of increased vehicle costs for hire and maintenance.

The budget for 2023-24 is £2.335M, an increase of £214k from 2022-23 for inflationary increases for salt and employee costs. This budget will allow 50 treatment runs based on the same variable and fixed costs as 2022-23 which is considerably less than the average treatment runs over the last 5 years.

The average treatment run over the last 5 years is 70. Budget required for this would be £2.742M, an increase of £407k.

If treatment runs were similar to 2022-23, an additional budget of £326k would be required and it is recommended that the base budget is increased by this amount. There is currently a £1.4m recurring contingency set aside for inflationary pressures that has not been used that could fund this budget increase from 2023-24 onwards.