ARGYLL AND BUTE COUNCIL **POLICY AND RESOURCES COMMITTEE**

FINANCIAL SERVICES **7 DECEMBER 2023**

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 12 October 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 have been three changes to the base budget since the report on 13 October 2023:

- As detailed at paragraph 4.1.2 the cost of the teacher's pay award was £2.472m of which £0.080m will be funded from the £1.4m contingency set aside as part of the budget setting process. Both of these values have been adjusted for within the base budget.
- As part of the Council Tax Business Process Review £0.024m to fund posts associated with the work from the review is required to be built into the base and will be funded through the additional council tax generated.
- Confirmation has been received regarding the level of specific grant funding for ferries for 2023-24 and it is higher than budgeted and includes funding for items that we had previously funded in-house. It is assumed that the grant will continue at least at the same level into 2024-25 and therefore there is a surplus of £0.191m that can be removed from the base budget.

1.6 Assumptions in respect of employee costs for Council services are as follows:

- The SJC and Chief Officers pay award for 2023-24 has progressed further but has yet to be finalised 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 the in the budget and what Scottish Government are committing towards the pay deal. It is hoped that this will be finalised over the coming weeks and the financial impact can be calculated, however, the expectation is that there should be sufficient budget or additional funding to cover what is agreed. 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 13 October 2023 are:

- New – Waste – Increased gate fees for waste disposal in Helensburgh and Lomond. The contract with Barr Environmental is coming to an end and the extension for one year includes increased gate fees of £0.099m.
- Amended – Persistent Organic Pollutants (POPs) – the previous cost pressure has reduced by £0.023m due to updated information on tonnage rates.

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 £42.390m with a gap of £11.928m 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%). Note this is still included at this stage despite the Council Tax freeze detailed at paragraph 4.8.3 as Scottish Government have committed to fund the planned increase. This will be monitored closely.
- 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 £23.176m with a gap of £4.503m in 2024-25.

1.14 The budget gap in the best case scenario over the five years is £1.461m with a gap of £0.196m in 2024-25 and in the worst case scenario, the budget gap over the five years is £84.333m with a gap of £13.894m 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 utilities budgets are right sized by utilising £0.936m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process.

(c) Recommend to Council that the shortfall in the teachers pay award funding is met by utilising £0.080m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process.

(d) Note that Argyll and Bute Council were selected as a Scottish Local Authority for a Levelling Up Partnership (LUP) with the UK Government and will therefore receive up to £20 million to address specific local challenges and opportunities.

ARGYLL AND BUTE COUNCIL **POLICY AND RESOURCES COMMITTEE**

FINANCIAL SERVICES **7 DECEMBER 2023**

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 12 October 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 utilities budgets are right sized by utilising £0.936m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process.

(c) Recommend to Council that the shortfall in the teachers pay award funding is met by utilising £0.080m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process.

(d) Note that Argyll and Bute Council were selected as a Scottish Local Authority for a Levelling Up Partnership (LUP) with the UK Government and will therefore receive up to £20 million to address specific local challenges and opportunities.

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 October, 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 In respect of the 2023-24 pay award for teachers, the Scottish Government agreed to make a financial contribution of £155m towards the recurring costs associated with the pay award for 2022-24. Argyll and Bute Council's share of this funding is £2.392m and costs associated with the pay award are £2.472m, giving rise to a shortfall in funding of £0.080m. It is recommended that this shortfall is met from the £1.4m contingency for inflationary increases (which included pay) that was set aside as part of the 2023-24 budget setting process.

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

	2024-25 £000	**2025-26 £000**	**2026-27 £000**	**2027-28 £000**	**2028-29 £000**
Estimated SG Funding	223,738	223,738	223,738	223,738	223,738
Teachers pay award funding	2,392	2,392	2,392	2,392	2,392
Estimated SG Funding	**226,130**	**226,130**	**226,130**	**226,130**	**226,130**

Council Tax

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

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

4.1.6 As 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.

4.1.7 Within this report, I will present the budget gap, prior to any Member based decisions and therefore at this stage in the report, the Council tax base is assumed to remain at the same level as 2023-24.

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

	2024-25 £000	**2025-26 £000**	**2026-27 £000**	**2027-28 £000**	**2028-29 £000**

Estimated SG Funding	226,130	226,130	226,130	226,130	226,130
Council Tax Base	58,896	58,896	58,896	58,896	58,896
Council Tax Growth	294	590	887	1,186	1,486
Additional Council Tax recoveries (para 4.1.6)	349	200	202	204	206
Total Estimated Funding	**285,669**	**285,816**	**286,115**	**286,416**	**286,718**

4.1.9 As part of the UK Autumn Budget Statement announced on the 22 November 2023 Argyll and Bute Council were selected as a Scottish Local Authority for a Levelling Up Partnership (LUP) with the UK Government. Each Local Authority will receive up to £20 million through LUP to address specific local challenges and opportunities. A long list of options for the funding is to be prepared working with UK Government officials and will be presented to Members in due course.

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 have been three changes to the base budget since the report on 13 October 2023:

- As mentioned at paragraph 4.1.2 the cost of the teachers pay award was £2.472m of which £0.080m will be funded from the £1.4m contingency set aside as part of the budget setting process.
- As part of the Council Tax Business Process Review £0.024m to fund posts associated with the work from the review is required to be built into the base and will be funded through the additional council tax generated
- Confirmation has been received regarding the level of specific grant funding for ferries for 2023-24 and it is higher than budgeted and includes funding for items that we had previously funded in-house. It is assumed that the grant will continue at least at the same level into 2024-25 and therefore there is a surplus of £0.191m that can be removed from 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-	8	0	0	0	0

23 Management/ Operational savings					
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
Cost of Teachers Pay Award	2,472	2,472	2,472	2,472	2,472
Shortfall in funding of pay award taken from £1.4m contingency	(80)	(80)	(80)	(80)	(80)
Adjustment to base budget re Business Process Review	24	24	24	24	24
Adjustment to ferries budget.	(191)	(191)	(191)	(191)	(191)
Revised Base Budget	**287,380**	**287,372**	**287,372**	**287,372**	**287,372**

4.3 Employee Cost Changes

Pay Award

4.3.1 The SJC and Chief Officers pay award for 2023-24 has progressed further but has yet to be finalised 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 the in the budget and what Scottish Government are committing towards the pay deal. It is hoped that this will be finalised over the coming weeks and the financial impact can be calculated, however, the expectation is that there should be sufficient budget or additional funding to cover what is agreed.

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 as noted in paragraph 4.1.2 by utilising £0.080m from the £1.4m contingency set aside for inflationary increases as part of the 2023-24 budget setting process 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% is estimated to be £1.061m based on 2022-23 actual costs and this has been built into the budget outlook estimates in all scenarios. Note that these figures will be updated as salary calculations for the 2024-25 financial year are finalised. Options were presented to the Budget Working Group on 9 November 2023 as to how best to utilise the additional surplus in the first two years as a result of reducing contributions to 6.5% and this detail is included within the next report on the agenda.

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
Estimated 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 (Oct 2023) £000**	**2024-25 Updated estimates £000**	**Increase/ (Decrease) £000**
Utilities - Electricity, Gas, Oil, Water	930	834	(96)
Street Lighting Electricity	121	121	0
Vehicle Fuel	50	52	2
Central Repairs - Outside Contractors	72	68	(4)
Waste PPP/Landfill Tax	578	539	(39)
NPDO/HUB Schools	956	796	(160)
Community Pool Subsidies	95	68	(27)
Residential Schools	49	48	(1)
Pre-Primary Partner Providers	179	323	144
ICT	195	197	2
Catering Purchases and Milk	280	285	5
Insurance	81	81	0
Bitumen – Roads	24	24	0
Contingency for unidentified/ insufficient inflation estimate	250	250	0
Total	**3,860**	**3,686**	**(174)**

4.4.5 The most significant movement in non-pay inflation since last reported in October 2023 relates to NPDO/HUB schools, utility costs and Pre-Partner Providers. NPDO/HUB schools and utility costs are both estimated based on the projected inflation rate which has been reducing hence the reduction in value. Regarding Pre-Partner Providers, the 2024/25 uplift rate is based on an assumption that care staff will move to £12 per hour from April 2024 in line with the Scottish Government policy for Adult Social Care Staff which is matched for child care providers.

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 it 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	6,096	8,649	11,356	14,227
Total Non-Pay Inflation	**6,096**	**8,649**	**11,356**	**14,227**

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 13 October 2023 the following changes have been made to the cost and demand pressures:

- New – Waste – Increased gate fees for waste disposal in Helensburgh and Lomond. The contract with Barr Environmental is coming to an end and the extension for one year includes increased gate fees of £0.099m.
- Amended – Persistent Organic Pollutants (POPs) – the previous cost pressure has reduced by £0.023m due to updated information on tonnage rates.

4.5.2 The forward purchasing of the Council's energy needs largely protected the Council from the significant increases in energy costs in recent years, particularly electricity. However, the Council is now re-contracting for its energy needs and is exposed to significantly higher market rates, which exceeds the current year (2023-24) budget. This will create an in-year cost pressure and also create a cost pressure for future years. The value of this pressure has been calculated by the Energy Team at £0.936m.

4.5.3 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. As agreed in October 2023, the Winter Maintenance budgets will be right sized using funding from this contingency, and per paragraph 4.1.2 the shortfall in teacher's pay funding could also come from there. It is also recommended that the utilities inflationary pressure is funded from this contingency leaving a balance of £0.058m as detailed in the table below:

Pressure	**£000**
Right sizing Winter Maintenance Budgets as agreed at P&R Committee in October 2023	326
Utilities Cost Pressure	936
Underfunding of Teachers Pay Award	80
Total Inflationary Pressures to be funded from Inflationary Contingency	**1,342**
Balance remaining in Inflationary Contingency	**58**

4.5.4 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.

4.5.5 The Council faces further substantial cost pressures that are largely capital in nature however should borrowing be required to fund these pressures there will be an impact on the revenue budget position. These include a new school campus on Mull, the Councils response to the recent weather incident and the discovery of Reinforced Autoclaved Aerated Concrete (RAAC) in a school. Further information and options on how these could be funded will be brought forward in due course.

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 4.5.3.

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 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
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)	150	150	150	150	150
Waste – Increased Gate Fees for Waste Disposal	99	99	99	99	99
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	**2,361**	**3,857**	**6,154**	**7,528**	**7,768**

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	1,085	1,726	2,484
Pay Increments	152	304	456
Non-Pay Inflation	1,503	2,879	4,249
Care Services for Older People	444	895	1,353
Care Services for Younger Adults	419	846	1,282
Adult Services - Supported Living	150	299	299
Continuing Care for Looked After Children	0	250	500
Kintyre Care Centre	539	1,078	1,617
Unknown Cost and Demand Pressures	500	1,000	1,500
Total Cost Increase estimates for Social Work	**4,792**	**9,277**	**13,740**

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	287,380	287,372	287,372	287,372	287,372
Employee Cost Changes	4,170	7,967	11,827	15,751	19,741
Non-Pay Inflation	3,686	6,096	8,649	11,356	14,227
Cost and Demand Pressures	2,361	3,857	6,154	7,528	7,768
Total Estimated Expenditure	**297,597**	**305,292**	**314,002**	**322,007**	**329,108**
Estimated Funding	285,669	285,816	286,115	286,416	286,718
Estimated Budget Surplus / (Gap) Cumulative	**(11,928)**	**(19,476)**	**(27,887)**	**(35,591)**	**(42,390)**

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 is no general inflationary increase of 6% applied to Piers and Harbours 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 had 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 have considered for another year. However recently the Scottish Government announced a Council Tax freeze in 2024-25 and while they have committed to fully funding this freeze this will be monitored closely as more information becomes available. Until this clarity has been received there has been no further adjustment to the budget outlook in respect of this. 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 concluded 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 however if progressed 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. On 23 November 2023 Council agreed to implement the double charge on second homes from 1 April 2024 should the legislation granting these powers be passed. 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. 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**

4.9 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	(11,928)	(19,476)	(27,887)	(35,591)	(42,390)
Savings Measures	7,425	10,088	13,007	16,158	19,214
Estimated Budget Surplus / (Gap) Cumulative	**(4,503)**	**(9,388)**	**(14,880)**	**(19,433)**	**(23,176)**
Estimated Budget Surplus / (Gap) In Year	**(4,503)**	**(4,885)**	**(5,492)**	**(4,553)**	**(3,743)**

4.9.2 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £23.176m with a gap of £4.503m in 2024-25.

4.9.3 The budget gap in the best case scenario over the five years is £1.461m with a gap of £0.196m in 2024-25 and in the worst case scenario, the budget gap over

the five years is £84.333m with a gap of £13.894m 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 13 October 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	**(4,768)**	**(9,915)**	**(15,706)**	**(20,599)**	**(24,728)**
Cost of Teachers Pay Award	(2,472)	(2,472)	(2,472)	(2,472)	(2,472)
Funding from the £1.4m contingency for teachers Pay Award	80	80	80	80	80
Business Process Review – Council Tax	(24)	(24)	(24)	(24)	(24)
Funding for Teachers Pay Award	2,392	2,392	2,392	2,392	2,392
Increased Ferry Grant Income	191	191	191	191	191
Adjustment to Non-Pay Inflation	174	436	736	1,076	1,461
Cost Pressure – Increased gate fees for Waste Disposal	(99)	(99)	(99)	(99)	(99)
Cost Pressure – Disposal of Persistent Organic Pollutants (POPs)	23	23	23	23	23
Revised Budget Surplus / (Gap) Cumulative	**(4,503)**	**(9,388)**	**(14,879)**	**(19,432)**	**(23,176)**

5. CONCLUSION

5.1 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £23.176m with a gap of £4.503m in 2024-25. Council officers are continuing to explore savings options during 2023-24 and further information regarding these are included within the next report on the agenda. Consideration also needs to be given as to how best to fund the capital pressures faced by the Council and further information and options on how these could be funded will be brought forward in due course.

5.2 This is a very challenging budget outlook position and the level of Scottish Government grant, the pay award, the Council Tax freeze 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
7 November 2023

Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney

APPENDICES:
Appendix 1 – Budget Outlook, Best, Worst and Mid-Range Scenarios
Appendix 2 – Non Pay Inflation
Appendix 3 – Cost and Demand Pressures (Council Services)
Appendix 4 – Cost and Demand Pressures (Social Work)

For further information contact Anne Blue, Head of Financial Services
anne.blue@argyll-bute.gov.uk

BUDGET OUTLOOK 2024-25 to 2028-29 **APPENDIX 1**

POLICY AND RESOURCES COMMITTEE - 7 DECEMBER 2023

	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	2,844	2,836	2,836	2,836	2,836	2,844	2,836	2,836	2,836	2,836	2,844	2,836	2,836	2,836	2,836
Revised Base Budget	**287,380**	**287,372**	**287,372**	**287,372**	**287,372**	**287,380**	**287,372**	**287,372**	**287,372**	**287,372**	**287,380**	**287,372**	**287,372**	**287,372**	**287,372**
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	**3,224**	**5,394**	**7,685**	**10,104**	**12,659**	**3,686**	**6,096**	**8,649**	**11,356**	**14,227**	**3,898**	**8,398**	**12,820**	**17,423**	**22,221**
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)	66	66	66	66	66	150	150	150	150	150	324	324	324	324	324
Waste - Increased Gate Fees	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99
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	**2,017**	**2,587**	**3,328**	**4,795**	**4,835**	**2,361**	**3,857**	**6,154**	**7,528**	**7,768**	**3,045**	**5,109**	**7,849**	**9,842**	**10,532**
Total Estimated Expenditure PRIOR to measures to balance the budget	**294,938**	**301,109**	**307,641**	**315,092**	**321,315**	**297,597**	**305,292**	**314,002**	**322,007**	**329,108**	**301,541**	**320,024**	**339,676**	**359,354**	**378,545**
Scottish Government Grant	227,238	228,363	229,493	230,629	231,770	226,130	226,130	226,130	226,130	226,130	225,022	223,909	222,801	221,699	220,603
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	**286,925**	**288,346**	**289,926**	**291,516**	**293,114**	**285,669**	**285,816**	**286,115**	**286,416**	**286,718**	**284,416**	**283,306**	**282,350**	**281,401**	**280,459**
Budget Surplus / (Gap) PRIOR to measures to balance the budget	**(8,013)**	**(12,762)**	**(17,715)**	**(23,576)**	**(28,201)**	**(11,928)**	**(19,476)**	**(27,887)**	**(35,591)**	**(42,390)**	**(17,125)**	**(36,718)**	**(57,326)**	**(77,953)**	**(98,086)**
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	**(196)**	**(697)**	**(1,015)**	**(1,879)**	**(1,461)**	**(4,503)**	**(9,388)**	**(14,880)**	**(19,433)**	**(23,176)**	**(13,894)**	**(31,125)**	**(49,127)**	**(66,926)**	**(84,333)**
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	**(196)**	**(501)**	**(318)**	**(864)**	**418**	**(4,503)**	**(4,885)**	**(5,492)**	**(4,553)**	**(3,743)**	**(13,894)**	**(17,231)**	**(18,002)**	**(17,799)**	**(17,407)**

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%	634,822
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%	133,355
Council Wide	Heating Oils	Due to current market condition for gas 6.70% increase with mid range reflecting September 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.70%	20,075
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%	17,018
Council Wide	Water Charges	Due to current market condition for water 6.70% increase with mid range reflecting September 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.70%	28,895
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%	51,618
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.	4.30%	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				**1,285,443**
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%	322,964
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%	47,975
Commercial Services	Catering Purchases	Based on Office for National Statistics Inflation Rate for Food and Non-Alcoholic Beverages at September 2023, with a 0.5% tolerance for best and worst case .	12.20%	284,920
Legal & Regulatory Support	Leisure SLA-MAKI/Islay Pools	Based on average actual CPI rate for 2023 Q3, with a 0.5% tolerance for best and worst case.	6.70%	12,898
Legal & Regulatory Support	Leisure SLA-Atlantis	Based on RPI at September 2023 with a 0.5% tolerance in the best and worst case scenarios.	8.86%	55,289
Legal & Regulatory Support	NPDO-Variable Element	Based on average actual CPI rate for 2023 Q3, with a 0.5% tolerance for best and worst case.	6.73%	562,367
Legal & Regulatory Support	NPDO-Utilities Rebate	Based on average actual CPI rate for 2023 Q3, with a 0.5% tolerance for best and worst case.	6.73%	-21,274
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 6.70% increase with mid range reflecting September 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.70%	6,915
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%	3,863
Legal & Regulatory Support	NPDO-Water	Due to current market condition for water 6.70% increase with mid range reflecting September 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.70%	25,864
Legal & Regulatory Support	HUB-Variable Element	Based on average actual CPI rate for 2023 Q3, with a 0.5% tolerance for best and worst case.	6.73%	88,017
Executive Director Douglas Hendry - Total				**1,519,170**
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%	197,455
Roads and Infrastructure	Waste PPP-Private Contractor Inflation	Based on 85% of the Bank of England Monetary Policy Committee RPIX Rate at September 2023, with a 0.5% tolerance for best and worst case.	6.46%	470,067
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				**881,113**
Total Non-Pay Inflation in the Mid Range				**3,685,726**

COUNCIL COST AND DEMAND PRESSURES 2024-25 to 2028-29 **APPENDIX 3**

			Best Case					Mid Range Scenario					Worst Case				
Department	**Service**	**Cost/Demand Pressure**	**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 - Douglas Hendry	Education	The demand for ASN support in Argyll and Bute has continued to grow with a significant increase in, and early identification of children and young people presenting with complex additional support needs, including mental health difficulties which manifests often in dysregulated behaviours. It is anticipated that growth continues over the next 5 years however the extent of this growth is difficult to determine. Scottish Government statistics show that the number of pupils identified with ASN has increased markedly since 2010 and there continue to be year on year increases. These increases are likely due to continue as we see the impact of the Covid 19 pandemic on children and young people who were born from 2020 onwards and as we work with partners to streamline assessment processes which help us to understand need more thoroughly. Scottish Government statistical datasets show that the percentage of school roll in mainstream schools of pupils with ASN has increased by approximately 3% year on year. Within many authorities, this means increased numbers of children accessing specialist provision. As Argyll and Bute do not have equitable access to Specialist provision in all areas, the cost pressure associated with offering appropriate support within our local schools continues to increase in line with need.	198	400	608	822	822	198	400	608	822	822	198	400	608	822	822
Executive Director - Douglas Hendry	Education	The SEEMiS group, provider of the Council's Education Management Information System, recently reviewed their long term financial plan and refreshed it to cover the period 2021/22 to 2025/26. As a result of this exercise there were implications on Membership fees with a cost pressure on the Education service arising from financial year 2023/24. Indicative membership fees were provided for financial years 2021/22 to 2022/23 and these have been factored in accordingly.	2	4	7	7	7	2	4	7	7	7	2	4	7	7	7
Executive Director - Douglas Hendry	Education	The Council has had a requirement to deliver 1140 hours of Early Learning and Childcare from August 2021. The Council has been notified that the ring fenced funding will be reduced by £1.124m from 2022-23. Also, as part of the 1140 expansion programme, the Scottish Government 'Funding Follows the Child' guidance, requires local authorities to set a rate locally that is paid to funded providers in the private and third sectors, including childminders, to deliver the funded entitlement that allows them to deliver a high quality ELC experience for all children. This rate should be sustainable and reflect national policy priorities, including funding to enable payment of the real Living Wage to all childcare workers delivering the funded entitlement and have a margin for re-investment built in. The service has worked hard to mitigate the effects of this and has reduced expenditure as far as possible. However there remains a funding gap, the service are able to cover the over spend for 2022-23 and 2023-24 from carry forwards so the cost pressure is requested from 2024-25 onwards. The service will continually review their plans looking for efficiencies where possible.	327	327	327	327	327	327	327	327	327	327	327	327	327	327	327
Executive Director - Douglas Hendry	Education	Adjustment to the base budget for the Schools NPDO and Hub Schools contracts due to the rate of inflation at February 2023 being higher than forecast when the 2023/24 budget was prepared.	480	480	480	480	480	480	480	480	480	480	480	480	480	480	480
Executive Director - Douglas Hendry	Legal and Regulatory Services	Estimated cost (to be borne by the Council) of carrying out local Government elections in May 2027 (and in financial year 2027/28). Operating approx. 100 polling stations and carrying out poll and count for 11 Multi member wards – requiring 11 separate counts	0	0	0	250	0	0	0	0	300	0	0	0	0	350	0
Executive Director - Douglas Hendry	Commercial Services	Adjustment to the base budget for the swimming pools service level agreements due to the rate of inflation at February 2023 being higher than forecast when the 2023/24 budget was prepared.	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Executive Director - Douglas Hendry	Commercial Services	There is an ongoing need for the Council to manage the maintenance and repair of its buildings. Now that the new Helensburgh Waterfront Leisure Complex is operational there are additional pressures on this budget for maintenance and inspection of fabric, mechanical systems and electrical systems for this new asset. The cost of maintenance and inspection over the next 9 years is estimated at £939k, averaging £105k per annum.	105	105	105	105	105	105	105	105	105	105	105	105	105	105	105
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

COUNCIL COST AND DEMAND PRESSURES 2024-25 to 2028-29 **APPENDIX 3**

			Best Case					Mid Range Scenario					Worst Case				
Department	**Service**	**Cost/Demand Pressure**	**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	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	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	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.															
Executive Director - Kirsty Flanagan	Waste	Additional costs derived from the current waste model. Note that the treatment of waste going forward has not been fully costed due to uncertainty as to how the council will deal with the Bio Municipal Waste ban and the Deposit Return Scheme. Pressure has increased due to an updated waste model.	(117)	9	(263)	37	37	(107)	87	(242)	128	128	(97)	165	(221)	218	218
Executive Director - Kirsty Flanagan	Waste	Achieving compliance with ban on biodegradable municipal waste in 2025. This is the estimated revenue costs from potential scenarios, remaining in or coming out of the current waste PPP contract. Coming out of the Waste PPP contract would create an additional one-off cost. There are also capital cost implications that are not included within these estimates. Due to the complexity of the model, estimates are subject to change. The best case scenario reflects option 4 detailed in the report to the Environment, Development and Infrastructure Committee on 01/12/2022. The mid range and worst case scenarios reflects option 3 included in the same report and take into account the risk that the SG will not agree a derogation.	0	0	462	925	925	0	608	2,433	2,433	2,433	0	608	2,433	2,433	2,433
Executive Director - Kirsty Flanagan	Waste	Adjustment to the base budget for the Waste PPP contract due to the rate of inflation at February 2023 being higher than forecast when the 2023/24 budget was prepared.	255	255	255	255	255	255	255	255	255	255	255	255	255	255	255
Executive Director - Kirsty Flanagan	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).	66	66	66	66	66	150	150	150	150	150	324	324	324	324	324
Executive Director - Kirsty Flanagan	Waste	Contract with Barr Environmental for waste disposal in Helensburgh & Lomond is coming to an end with the option to extend by 1 year. This extension will result in an increase in Gate Fee Rates resulting in increased costs for the extended year. Work has been carried out to determine whether it would be more beneficial to go to market and tender for a new contract but indicative work suggests that this would result in further increases so contract extension is being sought. Negotiations will take place over coming months for contract ending on 31 December.	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99
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			**2,017**	**2,587**	**3,328**	**4,795**	**4,835**	**2,361**	**3,857**	**6,154**	**7,528**	**7,768**	**3,045**	**5,109**	**7,849**	**9,842**	**10,532**

SOCIAL WORK COST AND DEMAND PRESSURES - 2024-25 to 2026-27 **APPENDIX 4**

		Best Case			Mid Range			Worst Case		
Service	**Cost/Demand Pressure**	**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 2%, a mid-range of 3.5% for 2024/25 then 2% for 2025/26 and 2026/27 and a worst case of 5%. Adjusted for the impact of the reduction in the employer's pension contribution rate to 6.5% in 2024/25 and 2025/26 and to 17.5% in 2026/27.	620	1,252	1,999	1,085	1,726	2,484	1,549	3,176	5,155
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.	916	1,721	2,499	1,319	2,544	3,756	1,723	3,372	5,031
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	444	895	1,353	889	1,805	2,748
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.	179	360	543	359	725	1,098	538	1,092	1,663
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.	30	60	91	60	121	184	90	183	279
Adult Care	Phyisal 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.	52	103	103	52	103	103	52	103	103

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.	98	196	196	98	196	196	98	196	196
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
Adult Care	Kintyre Care Centre - Cost pressure as a result of transfer of KCC facility to HSCP Management at the end of 2022/23 including continued programme to transfer employees onto Council/NHS employment T&Cs as well as provision for any unknown service costs at time of transfer.	539	1,078	1,617	539	1,078	1,617	539	1,078	1,617
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		**2,930**	**5,727**	**8,472**	**4,792**	**9,277**	**13,740**	**6,828**	**13,674**	**20,789**