

BUDGET OUTLOOK 2025-26 TO 2029-30

1. EXECUTIVE SUMMARY

- 1.1 This report provides an update to the budget outlook covering the period 2025-26 to 2029-30, reported to the Policy and Resources Committee on 9 May 2024.
- 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 9 May 2024 and range between flat cash (best case) and 1% reduction (worst case) with a mid-range of 0.5% reduction. This assumption is based on the settlement over the last few years and with the most recent year 2024-25 being a 0.5% reduction. Although the spending review published in May 2022 had indicated that the total budget for Local Government would remain flat cash until 2027-28, our Council relies on the floor mechanism to protect our funding and the floor was set at 0.5% below the annual change in 2024-25 and is likely to continue at this level.
- 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 9 May 2024 which relates to the Council's share of the Children's Social Care Pay Uplift (£0.063m).
- 1.6 Assumptions in respect of employee costs for Council services are as follows:
- The SJC and Chief Officers pay awards for 2024-25 have still to be agreed and may have a further impact on the base budget if the pay award is higher than the 3% allowed for in the budget. Two offers have been rejected by the Trade Unions recently, the first being an increase equating to 4.24% which would have increased the budget gap in 2025-26 by £1.446m, and the second proposed an increase of 3.2% which would have increased the estimated gap by £0.233m. It is still unclear at what level the pay award will be agreed for 2024-25 and subsequently the financial impact this will have on future years but this will be kept under review as further information becomes available.
 - The Teachers pay award for 2024-25 has already been agreed up to 31 July 2024 as part of a previous 28 month deal however any increase beyond that date is still in the negotiation stage.

- For future years, the mid-range scenario remains at 2% but a risk remains that it could be higher and this will be closely monitored.
 - Increments are estimated between £0.329m and £0.605m with a mid-range of £0.605m.
- 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 9 May 2024 are:
- Amended – Bus Transport Contracts – a further contract renewal has been received which has increased the cost pressure by £0.210m.
 - New – Education ICT Network Infrastructure – technology upgrade, improved security and reconfiguration to support in-school and at home learning (£0.295m). There is a separate report on the agenda providing Members with further detail.
 - New – Roads and Amenity Services Charging Saving – the saving is no longer fully achievable due to lower than anticipated income generation. This will now be considered as part of the Roads and Infrastructure Review (£0.100m).
 - New – Insurance premiums – renewal notices have been received which include inflation of 22% which is significantly higher than the inflation previously built into the budget outlook (£0.309m).
- 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 in February 2024 an indicative flat cash allocation for 2025-26 was agreed which has now increased by £0.180m, as detailed in paragraph 4.1.2, in relation to the HSCP's share of the Children's Social Care Pay Uplift. The indicative allocation for 2026-27 increases further by £3.053m to account for the cessation of the one-off saving in relation to the Strathclyde Pension Fund.
- 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 £48.118m with a gap of £13.314m in 2025-26.
- 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 2025-26 in the mid and worst case scenarios rising to 7% in the best case scenario, with a 5% increase in all scenarios in future years).
- Policy savings already agreed by Council in February 2024.
- Management/Operational savings already agreed by Council February 2024.

1.13 In the mid-range scenario, the budget gap estimated over the five year period 2025-26 to 2029-30 is £26.504m with a gap of £9.484m in 2025-26.

1.14 The budget gap in the best case scenario over the five years is £13.659m with a gap of £3.416m in 2025-26 and in the worst case scenario, the budget gap over the five years is £91.085m with a gap of £21.355m in 2025-26. A summary of all three scenarios is included within Appendix 1.

1.15 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2025-26 to 2029-30.

BUDGET OUTLOOK 2025-26 TO 2029-30

2. INTRODUCTION

- 2.1 This report provides an update to the budget outlook covering the period 2025-26 to 2029-30, reported to the Policy and Resources Committee on 9 May 2024.
- 2.2 The budget outlook has been prepared using three different scenarios, best case, worst case and mid-range. Relatively small variations in assumptions can lead to fairly significant changes in the outcome. In the paragraphs that follow, the mid-range outlook is shown, however, all three scenarios are detailed within Appendix 1.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2025-26 to 2029-30.

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

- 4.1.1 There are no changes to my previous assumptions around the level of future Scottish Government funding. In my report in May 2024 I advised that it would be prudent to assume a 0.5% reduction in future years within the mid-range scenario. Although the spending review published in May 2022 had indicated that the total budget for Local Government would remain flat cash until 2027-28, our Council relies on the floor mechanism to protect our funding and the floor was set at 0.5% below the annual change in 2024-25 and it is likely to continue at that level. The funding assumption has been set between a 1% reduction (worst case) and flat cash (best case) with a mid-range reduction of 0.5%. This will be closely monitored and updated during the year as required.
- 4.1.2 In respect of the Children's Social Care pay uplift, the Scottish Government notified us in June 2024 of Argyll and Bute Councils share of the £19.861m funding provided which totalled £0.243m. £0.180m of this funding is a straight pass through to the HSCP, therefore the payment made to them will be adjusted accordingly, and £0.063m is for the Education Service. The base budget for Education will be increased accordingly to pay for the uplift therefore this additional funding has no overall impact on the budget gap.
- 4.1.3 The table below summarises the mid-range scenario estimates based on a 0.5% settlement reduction each year.

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Estimated SG Funding	244,657	243,434	242,217	241,006	239,801
Children's Social Care Pay Uplift	243	243	243	243	243
Total Estimated SG Funding	244,900	243,677	242,460	241,249	240,044

Council Tax

- 4.1.4 The Council Tax base for 2024-25 was set at £63.278m which reflected no inflationary increase as agreed by the Council on 15 April 2024.
- 4.1.5 On 15 April 2024 it was reported to Council that an adjustment to the level of Council Tax received relating to the double charge on second homes would be prudent given the number of representations made in relation to this. As such anticipated Council Tax income was reduced by £0.261m within the budget outlook which will be monitored throughout the year. This adjustment is included within the base figure of £63.278m.
- 4.1.6 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 2025-26 (0.75% in best case and 0.25% in worst case).
- 4.1.7 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 £0.200m in 2025-26 which have been built into the budget outlook. This is a reduction of £0.149m from 2024-25 as recoveries are expected to be higher in the first two years of inception dropping down to an almost steady state from 2025-26 onwards.
- 4.1.8 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 2024-25.

General Fund

- 4.1.9 As reported in the budget pack in February 2024, reduced employer contribution rates payable to Strathclyde Pension Fund will result in one-off savings in 2024-25 and 2025-26. It was agreed that the saving in each of these years be transferred to the General Fund, with some being used to fund capital expenditure. £9.928m of savings will be transferred to reserves in 2025-26 in relation to this, this amount relates to the saving for the Council and the HSCP.
- 4.1.10 It was also agreed at the budget meeting in February 2024 that £2m of the pension fund gain would be released each year for a period of 3 years (2024-25 through to 2026-27) in order to help bridge the budget gap.

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

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Estimated SG Funding	244,900	243,677	242,460	241,249	240,044
Transfer to Reserves in relation to Strathclyde Pension Fund	(9,928)	0	0	0	0
Released Strathclyde Pension Fund Gain	2,000	2,000	0	0	0
Council Tax Base	63,278	63,278	63,278	63,278	63,278
Council Tax Growth	315	631	949	1,268	1,589
Adjustment to additional Council Tax recoveries (para 4.1.7)	(149)	(147)	(145)	(143)	(143)
Total Estimated Funding	300,416	309,439	306,542	305,652	304,768

4.2 Base Budget

4.2.1 The 2024-25 budget approved by Council on 22 February was £301.885m. An amendment in respect of re-running the Council Tax annual billing amounting to £0.080m was agreed on 15 April 2024 resulting in a revised base budget of £301.965m.

4.2.2 There has been one change to the base budget since the report on 9 May 2024, as detailed at paragraph 4.1.2, relating to funding received for the Children's Social Care Pay Uplift. The Council's share of this was £0.063m and the budget within Education is required to be increased accordingly.

4.2.3 For future years, there are adjustments required to the base budget from decisions by Council on 22 February 2024 and other adjustments as noted in the table below:

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Base Budget 2024-25	301,965	301,965	301,965	301,965	301,965
Adjust for one-off 2024-25 cost pressures	(130)	(130)	(130)	(130)	(130)
Adjust for one-off 2024-25 Management/Operational savings	1,694	1,694	1,694	1,694	1,694
Children's Social Care Pay Uplift	63	63	63	63	63
Revised Base Budget	303,592	303,592	303,592	303,592	303,592

4.3 Employee Cost Changes

Pay Award

4.3.1 The SJC and Chief Officers pay awards for 2024-25 have still to be agreed and may have a further impact on the base budget if the pay award is higher than the 3% allowed for in the budget. Two offers have been rejected by the Trade Unions recently, the first being an increase equating to 4.24% which would have increased the budget gap in 2025-26 by £1.446m, and the second proposed an increase of 3.2% which would have increased the estimated gap by £0.233m. It is still unclear at what level the pay award will be agreed for 2024-25 and subsequently the financial impact this will have on future years but this will be kept under review as further information becomes available.

The Teachers pay award has been agreed up to 31 July 2024 as part of a previous 28 month deal and any increase beyond that date has still to be negotiated.

4.3.2 For future years, the previous assumption of a 2% increase remains unchanged. The best case scenario also 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. The pay assumption is very difficult to predict but there is an expectation as general inflation reduces that pay inflation will also reduce, however, 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 £1.7m.

4.3.3 On 4 April 2024 a Scottish Statutory Instrument was passed regarding increasing councillors pay with effect from 1 April 2024, the detail of which was presented to Council on 25 April. The financial impact of this is an increase of £0.033m which has been adjusted for within the budget outlook. Discussions continue between the Scottish Government and the Scottish Local Authority Remuneration Committee (SLARC) regarding Councillors remuneration which may have a further impact on the budget outlook position and will be included within the budget estimates at a later date if required.

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 2024-25 (£0.605m).

Strathclyde Pension Fund

4.3.5 As detailed in the budget pack presented to Council in February 2024, the employer contribution rate paid to the Strathclyde Pension Fund will fall from 19.3% to 6.5% in 2024-25 and 2025-26 and rise to a sustainable long-term rate of 17.5% in the 2026-27. The reduction in the first 2 years equates to reduced costs of £6.875m per annum relating to Council employees (excluding HSCP). From 2026-27 the costs will rise again to 17.5% therefore this increase is required to be built into projections from 2026-27 onwards.

Teacher Numbers

- 4.3.6 As part of the 2023-24 Local Government Finance Settlement the Scottish Government held back £45.5m on the condition that Council's maintained teacher numbers at the 2022 census level. The December 2023 census showed a reduction in teacher numbers of 160. Ultimately, Scottish Government released the £45.5m to all local authorities, regardless of whether they maintained teacher numbers. Scottish Government has, for 2024-25, removed £145.5m from the General Revenue Grant and has instead issued this as a specific grant, conditional on maintaining teacher numbers at the level set out in each Council's grant letter. For Argyll and Bute Council this is £2.1m and there is an expectation that we will maintain 848 teachers, this was the figure returned in the 2023 census and 13 teachers more than in the base budget. To maintain a figure of 848 teachers would result in a cost pressure of £0.880m. Discussions are continuing between COSLA and the Scottish Government and at this stage the additional cost has not been added into the budget outlook but there remains a risk that if we do not maintain the teacher numbers in our grant letter then some or all of the specific grant could be withheld.
- 4.3.7 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 4.6.4.

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Pay Award	3,448	6,651	9,918	13,250	16,649
Pay Award – Elected Members	33	33	33	33	33
Increments	605	1,210	1,815	2,420	3,025
Increase in costs after one-off reduction in Strathclyde Pension Fund rate ceases	0	6,875	6,875	6,875	6,875
Total Employee Cost Changes	4,086	14,769	18,641	22,578	26,582

4.4 Non-Pay Inflation

- 4.4.1 The Council only include non-pay inflation within the budget where it is deemed to be unavoidable or inescapable. In terms of the budget outlook, 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 2025-26 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 4.6.4.

Inflation Category	2025-26 Previous estimates (May 2024) £000	2025-26 Updated estimates £000	Increase/ (Decrease) £000
Utilities - Electricity, Gas, Oil, Water	192	179	(13)
Street Lighting Electricity	25	23	(2)
Vehicle Fuel	35	32	(3)
Vehicle Charging Point Electricity	0	5	5
Central Repairs-Outside Contractors	83	76	(7)
Waste PPP/Landfill Tax	206	206	0
NPDO/HUB Schools	424	391	(33)
Community Pool Subsidies	34	31	(3)
Residential Schools	36	33	(3)
Pre-Primary Partner Providers	227	227	0
ICT	203	210	7
Catering Purchases and Milk	123	64	(59)
Insurance	93	459	366
Bitumen – Roads	16	15	(1)
Contribution to Joint Boards	43	38	(5)
Annual External Audit Fee	10	9	(1)
Public Transport	220	220	0
School Transport	153	153	0
SEPA – Waste Disposal	0	7	7
Contingency for unidentified/ insufficient inflation estimate	250	250	0
Total	2,373	2,628	255

4.4.5 The most significant movement in non-pay inflation since last reported in May 2024 relates to insurance premiums which have seen a 22% inflationary increase in renewal prices. Previously an increase of 5% had been included within estimations however given that the renewal notices have increased by substantially more than this it would seem to prudent to include an increase of

20% for future years.

- 4.4.6 The cumulative inflation for years 2026-27 to 2029-30 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.

	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Unavoidable/Inescapable	4,989	7,487	10,136	12,951
Total Non-Pay Inflation	4,989	7,487	10,136	12,951

4.5 Cost and Demand Pressures

- 4.5.1 For a number of years, services have worked on the basis of having to contain any cost and demand pressures within current resources where possible, 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 2024. Since the Policy and Resources Committee on 9 May 2024 the following changes have been made to the cost and demand pressures:

- Amended – Bus Transport Contracts – a further contract renewal has been received which has increased the cost pressure by £0.210m.
- New – Education ICT Network Infrastructure – technology upgrade, improved security and reconfiguration to support in-school and at home learning (£0.295m). There is a separate report on the agenda providing Members with further detail.
- New – Roads and Amenity Services Charging Saving – the saving is no longer fully achievable due to lower than anticipated income generation. This will now be considered as part of the Roads and Infrastructure Review (£0.100m).
- New – Insurance premiums – renewal notices have been received which include inflation of 22% which is significantly higher than the inflation built into the budget outlook (£0.309m).

- 4.5.2 As with inflation, when creating a budget outlook beyond one year, there is a risk that unknown cost and demand pressures will emerge that have not been included within the outlook. It is suggested that a £0.250m general allowance for this is included within the best case scenario, £0.500m within the mid-range scenario and a £1m allowance included within the worst case scenario each year.

- 4.5.3 The cost pressures are detailed in appendix 3 and summarised in the table below and will be subject to review during the financial year.

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Universal Credit – HB Admin Grant	40	80	120	160	200
ASN Support	202	410	624	624	624
SEEMiS Membership Fees	0	7	7	7	7

Maintenance/Repair of School Estate	360	360	360	360	360
Election costs	0	0	350	0	0
Education ICT Network Infrastructure	295	295	348	348	348
Compliance with BMW Ban	462	925	925	925	925
Local Development Plan	0	50	0	0	0
Increase to borrowing costs as a result of investment agreed at February 2024.	282	282	282	282	282
Civica Revenue and Benefits System	0	0	63	63	63
Bus Transport Contracts	710	710	710	710	710
Roads & Amenity Services Income - Saving no longer achievable	100	100	100	100	100
Insurance premium increases	309	309	309	309	309
Allowance for pressures in future years	500	1,000	1,500	2,000	2,500
Total Cost and Demand Pressures	3,260	4,528	5,698	5,888	6,428

4.5.4 The cost and demand pressures relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.4.

4.6 Health and Social Care Partnership

4.6.1 The Council, at the budget meeting on 24 February 2024, agreed a base allocation to the HSCP of £78.611m for 2024-25 as well as an indicative flat cash allocation for 2025-26. The indicative allocation for 2026-27 onwards increases by £3.053m to account for the cessation of the one-off employer contribution rate saving relating to the Strathclyde Pension Fund.

4.6.2 As detailed in paragraph 4.1.2, funding has been received in respect of the Children's Social Care pay uplift of which £0.180m is a straight pass through to the HSCP therefore the payment made to them will increase by this amount each year.

4.6.3 In the budget outlook, I have assumed flat cash allocations across all scenarios, with the exception of the Strathclyde Pension Fund adjustment. These are only assumptions and it will be a matter for Council to consider as part of the budget process next year.

4.6.4 Social Work services have already identified a number of cost and demand pressures and these are summarised below and included within Appendix 4 for information purposes. It is expected that the HSCP absorb their cost and demand pressures from their funding allocation. Note that these only extend to three years rather than the five years within this Council budget outlook.

	2025-26	2026-27	2027-28
	£000	£000	£000

Pay Inflation	1,049	2,301	3,590
Pay Increments	172	344	516
Non-Pay Inflation	969	2,017	3,126
Care Services for Older People	211	426	644
Care Services for Younger Adults	59	119	180
Adult Services - Supported Living	115	230	345
Adult Services – Mental Health	61	123	187
Continuing Care for Looked After Children	323	896	1,469
Unknown Cost and Demand Pressures	500	1,000	1,500
Total Cost Increase estimates for Social Work	3,459	7,456	11,557

4.7 Live Argyll

- 4.7.1 In the budget outlook, I have assumed allocations to Live Argyll on the same basis as the Scottish Government funding assumptions which range from a 1% reduction (best case) and flat cash (worst case) with a mid-range reduction of 0.5%. This is only an assumption and it will be a matter for Council to consider as part of the budget process next year.

The indicative allocation for 2026-27 onwards also increases by £0.118m to account for the cessation of the one-off employer contribution rate saving relating to the Strathclyde Pension Fund.

4.8 Estimated Budget Gap PRIOR to Measures to Balance the Budget

- 4.8.1 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.

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Base Budget	303,592	303,592	303,592	303,592	303,592
Employee Cost Changes	4,086	14,769	18,641	22,578	26,582
Non-Pay Inflation	2,628	4,989	7,487	10,136	12,951
Cost and Demand Pressures	3,260	4,528	5,698	5,888	6,428
Adjustment to HSCP Payment re SPF gain	180	3,233	3,233	3,233	3,233
Adjustment to Live Argyll Payment	(16)	102	101	101	100
Total Estimated Expenditure	313,730	331,213	338,752	345,528	352,886
Estimated Funding	300,416	309,439	306,542	305,652	304,768
Estimated Budget Surplus / (Gap) Cumulative	(13,314)	(21,774)	(32,210)	(39,876)	(48,118)

4.9 Measures to Balance the Budget

- 4.9.1 In 2024-25 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.
- 4.9.2 Some of the policy options were agreed at the Council meeting on 22 February 2024 that impacted on 2025-26 and beyond. These are now factored into the budget outlook, reducing the budget gap.
- 4.9.3 In terms of Council Tax, a 5% increase had been assumed in the mid and worst case scenarios and a 7% increase in the best case scenario for 2025-26 on the basis that the majority of Councils increased their Council Tax by at least 5% in 2023-24 prior to the freeze in 2024-25. From 2026-27 a 5% increase has been assumed in all scenarios. In light of the significant budget gap, this is an area that Members will require to give due consideration to as part of the budget setting for 2025-26 and beyond.
- 4.9.4 The table below summarises the proposed measures to balance the budget in the mid-range scenario.

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Fees and Charges Increase	385	771	1,156	1,541	1,927
Council Tax Increase	3,162	6,514	10,049	13,778	17,709
Previously agreed Policy Savings	248	724	1,360	1,829	1,943
Previously agreed Management/Operational Savings	35	35	35	35	35
Total Measures to Balance the Budget	3,830	8,044	12,600	17,183	21,614

4.10 Estimated Budget Gap AFTER Measures to Balance the Budget

- 4.10.1 The table below summarises the estimated budget gap in the mid-range scenario.

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Estimated Budget Gap Prior to Measures to Balance Budget	(13,314)	(21,774)	(32,210)	(39,876)	(48,118)
Savings Measures	3,830	8,044	12,600	17,183	21,614
Estimated Budget Surplus / (Gap) Cumulative	(9,484)	(13,730)	(19,610)	(22,693)	(26,504)
Estimated Budget Surplus / (Gap) In Year	(9,484)	(4,246)	(5,880)	(3,082)	(3,811)

- 4.10.2 In the mid-range scenario, the budget gap estimated over the five year period 2025-26 to 2029-30 is £26.504m with a gap of £9.484m in 2025-26.
- 4.10.3 The budget gap in the best case scenario over the five years is £13.659m with a gap of £3.416m in 2025-26 and in the worst case scenario, the budget gap over the five years is £91.085m with a gap of £21.355m in 2024-25. A summary of all three scenarios is included within Appendix 1.
- 4.10.4 The changes from the previous anticipated outlook reported to the Council on 9 May 2024 are summarised in the table below:

	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2028-29 £000
Previously reported budget surplus / (gap) Cumulative	(8,315)	(12,294)	(17,800)	(20,497)	(23,849)
Non Pay Inflation Adjustment	(255)	(522)	(843)	(1229)	(1688)
Adjustment to Cost Pressure relating to bus contracts	(210)	(210)	(210)	(210)	(210)
New Cost Pressure – Education ICT Network	(295)	(295)	(348)	(348)	(348)
New Cost Pressure – Roads & Amenity Services - Saving no longer achievable	(100)	(100)	(100)	(100)	(100)
New Cost Pressure – Increased Insurance Premiums	(309)	(309)	(309)	(309)	(309)
Revised Budget Surplus / (Gap) Cumulative	(9,484)	(13,730)	(19,610)	(22,693)	(26,504)

5. CONCLUSION

- 5.1 In the mid-range scenario, the budget gap estimated over the five year period 2025-26 to 2029-30 is £26.504m with a gap of £9.484m in 2025-26. Council officers are continuing to explore savings options during 2024-25 and these will be presented to Members at a future date.
- 5.2 This is a very challenging budget outlook position and the level of Scottish Government grant and the pay award are two assumptions that 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.
6.9	The Rights of the Child (UNCRC) -	None

Kirsty Flanagan
Executive Director/Section 95 Officer
23 July 2024

Policy Lead for Finance and Commercial Services: Councillor Ross Moreland

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 2025-26 to 2029-30
POLICY AND RESOURCES COMMITTEE - 15 AUGUST 2024

APPENDIX 1

	Best Case Scenario					Mid-Range Scenario					Worst Case Scenario				
	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Base Budget	301,965	301,965	301,965	301,965	301,965	301,965	301,965	301,965	301,965	301,965	301,965	301,965	301,965	301,965	301,965
Base Budget Adjustments	1,517	1,517	1,517	1,517	1,517	1,627	1,627	1,627	1,627	1,627	1,619	1,619	1,619	1,619	1,619
Revised Base Budget	303,482	303,482	303,482	303,482	303,482	303,592	303,592	303,592	303,592	303,592	303,584	303,584	303,584	303,584	303,584
Pay Award	3,448	6,651	9,918	13,250	16,649	3,448	6,651	9,918	13,250	16,649	11,414	22,873	34,905	47,539	60,805
Pay Award - Elected Members	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33
Pay Increments	329	658	986	1,315	1,643	605	1,210	1,815	2,420	3,025	605	1,210	1,815	2,420	3,025
Adjustment to Employee Base	0	6,875	6,875	6,875	6,875	0	6,875	6,875	6,875	6,875	0	6,875	6,875	6,875	6,875
Total Employee Cost Changes (Council Services)	3,810	14,217	17,812	21,473	25,200	4,086	14,769	18,641	22,578	26,582	12,052	30,991	43,628	56,867	70,738
Non-Pay Inflation - Council Services	2,068	4,097	6,240	8,511	10,919	2,628	4,989	7,487	10,136	12,951	4,789	9,085	13,544	18,182	23,017
Housing Benefits Admin Grant	40	80	120	160	200	40	80	120	160	200	40	80	120	160	200
ASN Support	202	410	624	624	624	202	410	624	624	624	202	410	624	624	624
SEEMIS Membership Fees	0	7	7	7	7	0	7	7	7	7	0	7	7	7	7
Maintenance/Repair of School Estate	360	360	360	360	360	360	360	360	360	360	360	360	360	360	360
Election Costs	0	0	327	0	0	0	0	350	0	0	0	0	370	0	0
Education ICT Network Infrastructure	295	295	348	348	348	295	295	348	348	348	295	295	348	348	348
Compliance with BMW Ban	462	925	925	925	925	462	925	925	925	925	2,116	925	925	925	925
Planning (Local Development Plan)	0	50	0	0	0	0	50	0	0	0	0	50	0	0	0
Borrowing to pay for weather incident costs	282	282	282	282	282	282	282	282	282	282	282	282	282	282	282
Civica Revenue and Benefits System	0	0	37	37	37	0	0	63	63	63	0	0	137	137	137
Bus Transport Contracts	710	710	710	710	710	710	710	710	710	710	710	710	710	710	710
Roads and Amenity Services saving no longer achievable in full	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Increase in insurance premiums	309	309	309	309	309	309	309	309	309	309	309	309	309	309	309
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	3,010	4,028	4,899	4,862	5,152	3,260	4,528	5,698	5,888	6,428	5,414	5,528	7,292	7,962	9,002
Adjustment to Health and Social Care Partnership Payment	180	3,233	3,233	3,233	3,233	180	3,233	3,233	3,233	3,233	180	3,233	3,233	3,233	3,233
Adjustment to Live Argyll Management Fee	(33)	86	85	84	83	(16)	102	101	101	100	0	118	118	118	118
Total Estimated Expenditure PRIOR to measures to balance the budget	312,517	329,142	335,751	341,644	348,069	313,730	331,213	338,752	345,528	352,886	326,019	352,539	371,399	389,946	409,692
Scottish Government Grant	248,129	248,129	246,129	246,129	246,129	244,900	243,677	242,460	241,249	240,044	245,670	243,236	238,826	236,440	234,078
Transfers to/from Reserves - Strathclyde Pension Fund	(7,928)	2,000	0	0	0	(7,928)	2,000	0	0	0	(7,928)	2,000	0	0	0
Council Tax	63,601	64,079	64,560	65,045	65,531	63,444	63,762	64,082	64,403	64,724	63,292	63,454	63,617	63,781	63,940
Total Funding	303,802	314,208	310,689	311,174	311,660	300,416	309,439	306,542	305,652	304,768	301,034	308,690	302,443	300,221	298,018
Budget Surplus / (Gap) PRIOR to measures to balance the budget	(8,715)	(14,934)	(25,062)	(30,470)	(36,409)	(13,314)	(21,774)	(32,210)	(39,876)	(48,118)	(24,985)	(43,849)	(68,956)	(89,725)	(111,674)
Measures to Balance the Budget:															
Fees and Charges	578	578	578	1,156	1,156	385	771	1,156	1,541	1,927	193	385	578	771	963
Council Tax Increase above SG Funding	4,438	7,854	11,465	15,280	19,310	3,162	6,498	10,017	13,728	17,640	3,154	6,474	9,968	13,644	17,512
Council Tax Increase (Growth element)	0	89	157	229	306	0	16	32	50	69	0	32	65	100	136
Management/Operational Savings agreed Feb 2023	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Policy Savings Agreed Feb 2023	248	724	1,360	1,829	1,943	248	724	1,360	1,829	1,943	248	724	1,360	1,829	1,943
Total Measures to Balance the Budget	5,299	9,280	13,595	18,529	22,750	3,830	8,044	12,600	17,183	21,614	3,630	7,650	12,006	16,379	20,589
Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget	(3,416)	(5,654)	(11,467)	(11,942)	(13,659)	(9,484)	(13,730)	(19,610)	(22,693)	(26,504)	(21,355)	(36,199)	(56,950)	(73,346)	(91,085)
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	(3,416)	(2,238)	(5,813)	(475)	(1,718)	(9,484)	(4,246)	(5,880)	(3,082)	(3,811)	(21,355)	(14,843)	(20,751)	(16,396)	(17,738)

NON-PAY INFLATION (COUNCIL)

Appendix 2

Service	Category	Basis of Inflation	Inflation Percentage	Mid Range 2025/26
Council Wide	Electricity	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	121,998
Council Wide	Gas	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	22,187
Council Wide	Heating Oils	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	10,866
Council Wide	Solid Fuel	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	7,816
Council Wide	Water Charges	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	15,288
Council Wide	Vehicle Fuel	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	32,463
Council Wide	Central Repairs - Outside Contractors	Based on estimate for RPI at 2025 Q1 tracking the Bank of England forecast for CPI at May 2024, with 0.5% tolerance for best and worst case.	3.60%	76,392
Council Wide	Insurances	Mid-point set at 20% for 2025/26 per uplifts in 2024/25. Reduced to 15% in subsequent years, with 0.5% tolerance for best and worst case.	20.00%	459,473
Council Wide	Contribution to Joint Boards	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	37,903
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				1,034,386
Education	Pre-Primary Partner Provider Uplift	Estimate for the increase in the Real Living Wage, with a tolerance of 0.5% for best and worst case. To be updated when new RLW figure is announced in November 2024.	5.00%	226,603
Education	External School Placements	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	33,139
Commercial Services	Catering Purchases	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	64,389
Legal & Regulatory Support	Leisure SLA-MAKI/Islay Pools	Based on estimate for RPI at 2025 Q1 tracking the Bank of England forecast for CPI at May 2024, with 0.5% tolerance for best and worst case.	3.60%	7,206
Legal & Regulatory Support	Leisure SLA-Atlantis	Based on estimate for RPI at 2025 Q1 tracking the Bank of England forecast for CPI at May 2024, with 0.5% tolerance for best and worst case.	3.60%	24,454
Legal & Regulatory Support	NPDO-Variable Element	Based on estimate for RPI at 2025 Q1 tracking the Bank of England forecast for CPI at May 2024, with 0.5% tolerance for best and worst case.	3.60%	314,202
Legal & Regulatory Support	NPDO-Utilities Rebate	Based on estimate for RPI at 2025 Q1 tracking the Bank of England forecast for CPI at May 2024, with 0.5% tolerance for best and worst case.	3.60%	(11,886)
Legal & Regulatory Support	NPDO-Electricity	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	17,630
Legal & Regulatory Support	NPDO-Gas	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	7,145
Legal & Regulatory Support	NPDO-Heating Oil	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	2,801
Legal & Regulatory Support	NPDO-LPG	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	2,438
Legal & Regulatory Support	NPDO-Water	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	10,478
Legal & Regulatory Support	HUB-Variable Element	Based on estimate for RPI at 2025 Q1 tracking the Bank of England forecast for CPI at May 2024, with 0.5% tolerance for best and worst case.	3.60%	49,176
Executive Director Douglas Hendry - Total				747,775
Customer and Support Services	ICT	Estimate added at 10% to reflect input from ICT on increasing costs.	10.00%	210,112
Financial Services	Annual External Audit Fee	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	9,177
Roads and Infrastructure	Public Transport	Reflects a 3% uplift for annual inflation set within the terms of the contracts between the Council and the service providers.	3.00%	219,821
Roads and Infrastructure	School Transport	Reflects a 3% uplift for annual inflation set within the terms of the contracts between the Council and the service providers.	3.00%	152,562
Roads and Infrastructure	Waste PPP-Private Contractor Inflation	Based on 85% of an estimate for RPIX Rate at 2025 Q1 tracking the Bank of England CPI forecast for CPI at February 2024, with a 0.5% tolerance for best and worst case.	2.00%	149,861
Roads and Infrastructure	Waste PPP-Central Government Inflation	Based on Landfill Tax increase between 23/24 and proposed 24/25 rate with a 0.5% tolerance for best and worst case.	1.57%	55,237
Roads and Infrastructure	Scottish Environmental Protection Agency	Reflects the annual inflation trend in the 2023/24 and 2024/25 financial years with a 0.5% tolerance for best and worst case.	8.00%	7,043
Roads and Infrastructure	Roads - Bitumen for Road Surfacing	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	15,059
Roads and Infrastructure	Electricity - Street Lighting	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	22,801
Roads and Infrastructure	Electricity - Vehicle Charging Points	Based on the May 2024 Bank of England Monetary Policy Committee CPI Forecast for 2025 Q1, with a 0.5% tolerance for best and worst case.	2.60%	4,604
Executive Director Kirsty Flanagan - Total				846,277
Total Non-Pay Inflation in the Mid Range				2,628,438

COUNCIL COST AND DEMAND PRESSURES 2025-26 to 2029-30

APPENDIX 3

Department	Service	Cost/Demand Pressure	Best Case					Mid Range Scenario					Worst Case				
			2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Executive Director - Kirsty Flanagan	Financial Services	Universal Credit "Full" Service went live in Sept 2018, managed migration for working age claimants began in August 2023 and will be completed by December 2025. Details of the migration of Pension age Housing Benefit claimants have not yet been released initial indications was that the overall migration to Pension Credit will be completed in 2028/2029 although that looks unlikely now. 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 since implementation of Universal Credit but it is hard to predict just how quickly the rest of the caseload will migrate from Housing Benefit to Universal Credit between now and 2028/2029. 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 - 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.	202	410	624	624	624	202	410	624	624	624	202	410	624	624	624
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 it is anticipated there may be a small pressure from 2026-27 onwards.	0	7	7	7	7	0	7	7	7	7	0	7	7	7	7
Executive Director - Douglas Hendry	Education	There is an ongoing need for the Council to manage the maintenance/repair of Schools estate through the education central repairs budget. The demand on this budget has continued to increase due to the amount of statutory maintenance work and emergency repairs which no longer allows for any planned maintenance to be carried out. The cost of planned maintenance has fallen on the service which cannot be sustained. Failure to carry out planned maintenance will impact significantly on the cost of emergency repairs in the future. The Council has over 75 school buildings to maintain and more reactive maintenance work is required from Education Central Repairs due to reduced capital funding.	360	360	360	360	360	360	360	360	360	360	360	360	360	360	360
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	327	0	0	0	0	350	0	0	0	0	370	0	0
Executive Director - Douglas Hendry and Kirsty Flanagan	Education and ICT	The Education ICT Network infrastructure in its current design is no longer suitable to support the future delivery of the education digital learning vision and strategy. It requires a transformative technology upgrade, improved security, and reconfiguration to support in-school and at home learning. There are increased security threats and risks to the corporate and education networks by retaining the education network in its present state. ICT does not have the resource or capacity to undertake a strategic transformation of this scale and complexity without significant investment in hardware and software solutions, and additional engineering resources. It is anticipated a programme of works could take up to two years to fully deliver, and due to the rising security threats, commencement by Summer 2024 is recommended. Capital Costs and revenue costs for 2024-25 have been identified through repurpose of earmarkings. The cost pressure for Education from 2025-26 is £180k for specialist software licensing and an annual revenue requirement for additional engineering resource of £115k as a future cost pressure for ICT.	295	295	348	348	348	295	295	348	348	348	295	295	348	348	348

Department	Service	Cost/Demand Pressure	Best Case					Mid Range Scenario					Worst Case				
			2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
Executive Director - Kirsty Flanagan	Roads & Infrastructure Services	Achieving compliance with ban on biodegradable municipal waste (BMW) 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 (reflected in the worst case scenario in financial year 2025-26). Due to the complexity of the model, estimates are subject to change and Caledonian Economic Consultants are currently updating the figures in the original options appraisal. The best case scenario reflects option 4 detailed in the report to the Environment, Development and Infrastructure Committee on 01/12/2022. The worst case scenario reflects option 3 included in the same report and takes into account the risk that the SG will not agree a derogation. The mid-range scenario assumes that the positive discussions with the Scottish Government will result in the Scottish Government contributing towards the pressure facing the Council.	462	925	925	925	925	462	925	925	925	925	2,116	925	925	925	925
Executive Director - Kirsty Flanagan	Development & Economic Growth	Local development plan will require to be done under the new Planning legislation which is a revised process from the current one and will have a 10 year life. The new process has 2 stages where there is likely to be a cost pressure - a gate check followed by an examination some time later.	0	50	0	0	0	0	50	0	0	0	0	50	0	0	0
Executive Director - Kirsty Flanagan	Financial Services/Roads and Infrastructure Services	At the budget setting meeting in February 2024 it was agreed to borrow to pay for the £4.348m of costs relating to the weather incident that were not claimable through the Bellwin scheme. Whilst the Council secured additional funding in relation to the weather related costs, this allowed the Council to freeze the Council Tax, therefore the borrowing is still required, some in relation to the weather cost and some in relation to other capital investments.	282	282	282	282	282	282	282	282	282	282	282	282	282	282	
Executive Director - Kirsty Flanagan	Financial Services	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 has been engaged in discussions with the supplier of both systems, Civica for around a year to negotiate a reasonable way forward before Civica press ahead with plans to migrate their systems to the Cloud and remove its support and development of its existing on premise solutions. The outcome of these discussions is an extension to the contracts for current on premise solutions for three further years to August/September 2027 with full support, however with increases in annual recurring support and maintenance charges and licensing costs. Beyond that three year period we expect significant increases in charges as the supplier moves the systems to the Cloud. The cost pressure for 2027-28 onwards will be added when more information becomes available.	0	0	37	37	37	0	0	63	63	63	0	0	137	137	137
Executive Director - Kirsty Flanagan	Roads & Infrastructure Services	Bus Transport contracts have seen a significant increase in new contract prices due to increased costs for fuel, insurance, maintenance, regulatory compliance and driver wages. New contracts have seen a combined annual increase of £710k across Argyll and Bute Work ongoing on whether savings could be made by reducing services or providing services in a different manner.	710	710	710	710	710	710	710	710	710	710	710	710	710	710	
Executive Director - Kirsty Flanagan	Roads & Infrastructure Services	Previously agreed saving from 2018-19 for Roads and Amenity Services Charging (TB13b) is now not fully achievable with a shortfall of £100k. Limited resources within Roads and Infrastructure Services has hampered the ability to procure external work and therefore the income generation expected as part of this saving. Further possible methods to secure external income will be looked at as part of the RIS Review.	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
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 - Inflation 22%	309	309	309	309	309	309	309	309	309	309	309	309	309	309	
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			3,010	4,028	4,899	4,862	5,152	3,260	4,528	5,698	5,888	6,428	5,414	5,528	7,292	7,962	9,002

SOCIAL WORK COST AND DEMAND PRESSURES - 2025-26 to 2027-28

APPENDIX 4

Service	Cost/Demand Pressure	Best Case			Mid Range			Worst Case		
		2025-26 £000	2026-27 £000	2027-28 £000	2025-26 £000	2026-27 £000	2027-28 £000	2025-26 £000	2026-27 £000	2027-28 £000
All Social Work	Estimated Pay inflation reflecting a best case 2%, a mid-range of 3% 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.	699	1,526	2,369	1,049	2,301	3,590	1,748	3,583	5,802
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.	86	172	258	172	344	516	172	344	516
All Social Work	Non-pay inflation, best and worst case based on unavoidable/inescapable inflation and worst case.	777	1,606	2,476	891	1,847	2,861	1,003	2,090	3,255
All Social Work	Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work.	63	139	217	78	170	265	93	201	312
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	211	426	644	423	859	1,310
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.	29	59	89	59	119	180	88	179	273
Adult Care	Mental Health Demand Growth - There has been a continuing increase in demand for residential placements and supported living for mental health services. 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	93	61	123	187	92	187	285
Children and Families	Looked After Children Demand Growth - there is a continuing demand for placements of children 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	0	250	500
Children and Families	Looked After Children Budget Adjustment - to reflect significant increase in demand for placements in external residential care facilities.	323	646	969	323	646	969	323	646	969
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 2025-26, 2026-27 and 2027-28 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.	115	230	345	115	230	345	115	230	345
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		2,373	4,940	7,566	3,459	7,456	11,557	4,807	10,069	15,817