Appendix B – Breakdown of Financial Plan cost pressures 2019/20 to 2022/23

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Legislative / regulatory changes	**1.530**	**2.588**	**0.518**	**0.337**
- People Business Case (Community Hubs)	1.403	0.487	0.000	0.000
- Grant related changes (mainly reductions in relation to Adult Social Care, Public Health Grant and New Homes Bonus)	0.127	2.101	0.518	0.337
Inflationary changes (pay and prices)	**5.063**	**6.525**	**4.388**	**6.654**
- Pay award (Incl. pension)	2.058	3.500	2.000	2.000
- Waste management & environmental contracts	0.000	0.000	0.000	2.500
- Whitely Bay JSC	0.000	0.000	0.000	0.250
- PFI Inflation	0.000	0.600	0.600	0.000
- S256 CCG Funding	0.667	0.000	0.000	0.000
- Impact of the National Living Wage	2.318	2.405	1.768	1.884
. - Levies & Precepts	0.020	0.020	0.020	0.020
Resource changes	**(1.493)**	**0**	**0**	**0**
- Improved Better Care fund	(1.493)	0.000	0.000	0.000
Demand led	**2,375**	**1,576**	**1,339**	**1,349**
- Learning Disability	1,008	0.656	0.389	0.389
- Waste Growth	0.000	0.420	0.450	0.460
- Children's Social Care	1.367	0.500	0.500	0.500
Corporate pressures	**3.780**	**3.845**	**2.280**	**1.030**
- Use of MRP Reserve	2.000	0.000	0.000	0.000
- Investment cost of borrowing	0.459	1.843	(0.038)	(0.150)
- Corporate changes	1.321	2.002	2.318	1.180
TOTAL	**11.255**	**14.534**	**8.525**	**9.370**

Appendix B

Description (Amount)	Peoples Business Case (Community Hubs) (£1.403m in 2019/20)
How have the above amounts been calculated?	The pressure is the amount of funding required net of the ADM and PIP money
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Fall out of external funding
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can replace the grant funding, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	**Grant related changes (£0.127m in 2019/20)**
How have the above amounts been calculated?	The value in 2019/20 represents the reduction in Public Health grant (£0.328m) & Housing Benefit Admin Subsidy (£0.250m) partially mitigated by an increase in S31 grant £0.451m.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Fall out of external funding.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Where savings are possible they have been included in the savings proposals for 2019/20.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Appendix B

Description (Amount)	Pay award (£2.058m in 2019/20)
How have the above amounts been calculated?	The annual pay award (£2.058m) calculation is based on an agreed pay award of 2% applied to 2018/19 staffing budgets (including salary, employer's national insurance, and employer's pension contributions). The increase anticipated in 2020/21 relates to the 2% increase to pensions outlined in the March Pension Committee report.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Annual pay award agreed by employers as part of national pay bargaining / contractual obligation to move staff up an increment towards the top of the relevant pay scale.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Assumed public sector pay increases of 2%.
Does the activity causing the cost pressure need to continue?	Yes, staff are involved in delivering a range of statutory and discretionary services, which are being reviewed as part of the identification of savings to meet the Council's budget gap in 2019/20.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	S256 Clinical Commissioning Group (CCG) Income (£0.667m in 2019/2020)
How have the above amounts been calculated?	Valued of reduction agreed following negotiations with the CCG
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Fall out of external funding.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, service delivery is based on assessed need.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Appendix B

Description (Amount)	Impact of the National Living Wage (£2.318m in 2019/20)
How have the above amounts been calculated?	This cost pressure is based on potential increases in rates payable to third party providers for 2019/20 reflecting in particular the impact of the National Living Wage increases.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Inflation on payments to independent sector providers.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	Any savings from greater investment in preventative services and improved partnership working are set out in separate budget proposals.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Cost pressure is based on likely increases in rates with third party providers. Benchmarking will be used to ensure that actual rates agreed are appropriate.
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Appendix B

Description (Amount)	Levies & Precepts (£0.020m in 2019/20)
How have the above amounts been calculated?	These are estimates based on information provided by the third parties.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Our partners will apply inflationary price increases .
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Estimates based on third party evidence.
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Appendix B

Description (Amount)	Better Care Fund (£-1.493m in 2019/20)
How have the above amounts been calculated?	This value reflects the fall-out of the increase in the Improved Better Care Fund grant.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Fall-out of grant income
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	n/a
More generally, what is the impact of not agreeing funding for the cost pressure?	n/a

Description (Amount)	Learning Disabilities (£1.008m in 2019/20)
How have the above amounts been calculated?	This cost pressure is based on estimated client population growth in 2019/20 along with known growth pressures for 2018/19 (including the Winterbourne transforming care cohort).
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increasing adult population (18+) with learning disabilities.
If the cost pressure is due to increased demand, what evidence exists to support this?	Future population projections and review of those clients or potential currently known to Adult Services.
What, if anything, can be done to mitigate the cost pressure?	Any savings from the services are set out in separate budget proposals.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Appendix B

Description (Amount)	Children's Social Care (£1.367m in 2019/20)
How have the above amounts been calculated?	This is based on current projected net cost pressure from 2018/19
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	The cost pressure relates to the increase in complexity of cases.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	Existing work is ensuring that the number of cases is not increasing to add to the cost pressure the increased complexity of the cases is generating.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Appendix B

Description (Amount)	**Use Of MRP Reserve (£2.000m in 2019/20) & Investment Cost of Borrowing (£0.459m in 2019/20)**
How have the above amounts been calculated?	The MRP adjustment is the impact of the planned growth required following the MRP holiday related to the review of asset lives. The cost of borrowing is calculated to reflect the interest the payable to finance future capital and revenue budgets.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Planned MRP holiday reversal and interest costs to finance capital & revenue budgets.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Corporate changes (£1.321m in 2019/20)
How have the above amounts been calculated?	These are the adjustments required to remove elements of the joint venture contract which will no longer apply when the Kier staff transfer back to the Authority. Adjustments to engineer's fees recharge to reflect reduced ability to recharge these costs.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	These are corporate changes required due to the fall out of the Kier JV (£1.021m in 19/20), Engineers Fees (£0.300m in 19/20).
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to the Authority's 2019/20 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.