

Appendix A – Breakdown of Financial Plan cost pressures 2017-18 to 2019-20

All figures in £'000s	2017-18	2018-19	2019-20
Legislative / regulatory changes	2,832	1,904	1,522
- Schools Funding Changes	0	695	699
- Grant related changes	2,832	1,209	823
Inflationary changes (pay and prices)	7,313	4,118	4,214
- Pay award	1,417	917	917
- Apprenticeship levy	500	0	0
- Waste management	797	425	405
- Pension contribution increase	500	0	0
- Social care inflation	4,515	3,000	3,000
- Levy and reserve contributions re 3 rd parties	(416)	(224)	(108)
Resource changes	(960)	(1,467)	(2,879)
- CCG Better Care Fund	333	0	0
- Improved Better Care Fund	(464)	(3,376)	(2,969)
- Change in New Homes Bonus	420	793	90
- School Improvement & Brokering Grant	(133)	0	0
- High Needs Strategic Review Grant	(80)	80	0
- Adult Social Care Support Grant	(1,036)	1,036	0
Demand led	3,074	1,650	5,500
- Learning Disability	1,215	900	1,000
- Care Act 2014	634	0	0
- Corporate parenting	1,225	0	0
- Potential future pressures	0	750	4,500
Corporate pressures	4,131	2,895	3,330
- Funding 2016/17 pressures	1,500	0	0
- Investment cost of borrowing	(1,000)	2,119	2,000
- Use of reserves	2,001	0	0
- Corporate changes	1,630	776	1,330
TOTAL	16,390	9,100	11,687

Description (Amount)	Schools Funding Changes (£0k in 2017-18)
How have the above amounts been calculated?	Estimate of changes to resources approved by the Schools Forum
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	The Authority secures funding from the Dedicated Schools Grant approved by the Schools Forum. This is reviewed on an annual basis by the Forum to determine the level of funding and associated activity required.
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?	Costs associated with the activities funded are reviewed to consider actions to mitigate the reduction in funding.
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?	Some areas of cost do continue such as pension costs.
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 council's 2017-18 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 (£2,832k in 2017-18)
How have the above amounts been calculated?	The value in 17/18 represent the reduction in Public Health grant (£322k), Education Services Grant (£1,419k), Local Council tax support and HB Admin Subsidy (£69k), Schools early years contribution (£575k) , Weekly collection Support Grant (£397k) and revenue match funding required for an HLF scheme (£50k)
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 2017/18.
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 council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Pay award (£1,417k in 2017-18)
How have the above amounts been calculated?	There are two components to this cost pressure – annual pay award (£917k) and National Living Wage (NLW) annual increase (£500k). The pay award calculation is based on an agreed pay award of 1% applied to 2016-17 staffing budgets (including salary, employer’s national insurance, and employer’s pension contributions). The Living wage is based on an estimate of taking the pay to the NLW minimum.
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?	National cap on public sector pay increases of 1%.
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 2017-18.
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 Council’s 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Apprenticeship levy (£500k in 2017-18)
How have the above amounts been calculated?	This cost pressure is based on the proposed 0.5% government levy applied to the 2016-17 staffing budget excluding non-community schools (approx. £100m).
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	This cost pressure is due to the introduction by the government of the apprenticeship levy.
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?	There may be some scope to reduce the net cost to the Council by claiming costs currently incurred relating to the training of apprentices from government, however, the guidance on the detailed operation of the scheme has yet to be published.
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, the cost pressure is based on our staffing costs. 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 2017-18.
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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Waste management (£797k in 2017-18)
How have the above amounts been calculated?	This cost pressure is based on a range of RPI-related inflation factors built into long-term contracts with third parties in addition to an increase in the number of households in the borough.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Contractual / market-led inflation on payments to third parties and increase in demand mainly related to the growth in households in the borough generating waste.
If the cost pressure is due to increased demand, what evidence exists to support this?	Contractual / market-led inflation on payments to third parties. In addition a long term grant supporting weekly refuse collection has ended.
What, if anything, can be done to mitigate the cost pressure?	Further behavioural change to divert waste away from landfill.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Inflation factors to be used to calculate inflationary increases are set out in the relevant contracts.
Does the activity causing the cost pressure need to continue?	Yes, the Council has a statutory duty to dispose of all waste collected.
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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Pension fund contributions (£500k in 2017-18)
How have the above amounts been calculated?	This cost pressure is an estimate (based on the annual average cost increase over the previous three years) based on the actuarial 2016 valuation of the Tyne & Wear Pension Fund.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	The estimated cost increase is due to various changes in the assumptions made by the actuary in the next three-year valuation of the pension fund. The main assumptions are the discount rate used to value pension fund liabilities (which is related to bond yields which are at a relatively low level due to the Bank of England's policy of quantitative easing and Brexit), pension fund performance, inflation and longevity.
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, the Council has a contractual obligation under Local Government Pension Scheme regulations to fund pension benefits for staff. 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 2017-18. In addition, approximately half of the estimated cost increase relates to repayment of the Council's historic pension deficit.
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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Social care inflation (£4,515k in 2017-18)
How have the above amounts been calculated?	This cost pressure is based on potential increases in rates payable to third party providers covering 2016-17 and 2017-18 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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Levy and reserve contributions re 3 rd parties (-£416k in 2017/18))
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)?	Is a cost reduction in 17/18
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 – reduction in cost
More generally, what is the impact of not agreeing funding for the cost pressure?	n/a – reduction in cost

Description (Amount)	CCG Better Care Fund (£333k in 2017-18)
How have the above amounts been calculated?	This value reflects late decision by the CCG to reduce their contribution to the Better Care Fund in 2016-17 – the pressure relates to the element of the reduction in funding that could not be matched by a reduction in costs
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	The CCG has sought to pass some of the financial pressures in its own financial position to the Local Authority.
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?	All steps to match resource reduction with cost reduction were taken. The services supported are statutory services.
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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Improved Better Care Fund (-£464k in 2017-18)
How have the above amounts been calculated?	These are estimates provided by Government of likely increase in grant income re Better Care Fund as set out in the 2016 Local Government Settlement
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	n/a
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)	Changes in New Homes Bonus (£420k in 2017-18)
How have the above amounts been calculated?	These are estimates provided by Government of likely changes in grant income re New Homes Bonus
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Reduction in grant income in 17/18 – income is not tied to specific spend
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)	School Improvement and Brokerage grant (-£133k in 2017-18)
How have the above amounts been calculated?	These are estimates provided by Government as part of the Education Funding Settlement announcements of grant income of at least £1,800 per maintained school as at September 2017 to fund them continuing to monitor and broker school improvement provision for low-performing maintained schools and intervene in certain cases
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	n/a
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)	High Needs Strategic Review Grant (-£80k in 2017-18)
How have the above amounts been calculated?	These are estimates provided by Government of grant income re a Government requirement to perform a Strategic Review of their High Need provision as set out in the 2016 Local Government Settlement
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	n/a
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)	Adult Social Care Support Grant (-£1,036k in 2017-18)
How have the above amounts been calculated?	As part of the provisional Local Government Finance Settlement for 2017/18 a new dedicated £241m Adult Social Care Support Grant for 17/18 has been announced as a one-off for 2017/18. The North Tyneside allocation is £1.036m.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	n/a
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 (£1,215k in 2017-18)
How have the above amounts been calculated?	This cost pressure is based on estimated client population growth in 2017-18 along with known growth pressures for 2016/17 and projected savings.
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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Care Bill (£634k in 2017-18)
How have the above amounts been calculated?	This cost pressure is based on known continuing unfunded costs in 2016/17 as a result of demand following the introduction of the Care Bill
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increasing workload not covered by grant funding
If the cost pressure is due to increased demand, what evidence exists to support this?	Growth built in relates to pressure in 2016-17
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 Council's 2017-18 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 Parenting (£1,225k in 2017-18)
How have the above amounts been calculated?	This cost pressure is based on 2016-17 increase in care packages.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increased demand and complexity of need.
If the cost pressure is due to increased demand, what evidence exists to support this?	The amount has been calculated using in year pressure figures in 2016/17
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?	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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Funding 2016-17 pressures (£1,500k in 2017-18)
How have the above amounts been calculated?	This cost pressure is based on savings targets which are not achieved during 2016/17, which are therefore built into plans for 2017-18.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Targets set for 2016/17 that have not been achieved and are to be delivered in future years
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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.

Description (Amount)	Investment Cost of borrowing (-£1,000k in 2017-18)
How have the above amounts been calculated?	The £1,000k is an estimate of likely interest savings based on treasury forecasts
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	n/a
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)	Use of Reserves (£2,001k in 2017-18)
How have the above amounts been calculated?	This represents the reversal of the 16/17 Budget drawdown from reserves
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Returning to assumption that 2017/18 budget will be fully funded rather than continuing to draw from reserves
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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will be putting increased pressure on limited reserves which is not advised in the longer term

Description (Amount)	Corporate changes (£1,630k in 2017- 18)
How have the above amounts been calculated?	The 2017/18 value is made up of individual small value pressures, such as partner negotiation, school PFI reserve adjustments & feasibility funding.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	The majority relate to unavoidable cost increases where no alternative is considered possible
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 Council's 2017-18 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Council will overspend its budget.