

Budget Pressures, Growth and COVID impact

The Council continues to face significant cost pressures from demographic growth and increased costs. In addition, the COVID19 pandemic has resulted in many service pressures and significant income reductions which result in a reduced resource base to fund our key services. The main cost pressures for 2021/22 are summarised below, with further analysis in the Directorate **Appendices 7 to 14**.

£5.3m Adults

Pressures reflect a combination of demographic changes resulting in increased demand for services, and cost increases in some areas, particularly where more complex care packages are required. Contractual cost pressures include staffing cost increases reflecting uplifts to the living wage.

| Pressures by Service Area 21/22 | £000s | Further Detail |
|--|---------------|-----------------------|
| Adults | 5,331 | Appendix 7 |
| Children's Services | 258 | Appendix 8 |
| Children's - Education | 1,030 | Appendix 9 |
| Population Health | 257 | Appendix 10 |
| Quality & Safeguarding | 4 | Appendix 15 |
| Growth | (314) | Appendix 11 |
| Operations and Neighbourhoods | 394 | Appendix 12 |
| Governance | 320 | Appendix 13 |
| Finance & IT | 812 | Appendix 14 |
| Capital and Financing | 6,440 | Appendix 14 |
| Corporate Costs | 8 | Appendix 14 |
| Contingency | 1,149 | Appendix 14 |
| Total | 15,689 | |

£0.8m Finance & IT

Pressure includes funding to bring forward IT investment that will enable more effective and efficient agile working both in response to COVID and to enable the rationalisation of the administrative estate.

£1.030m Children's – Education

Pressures almost entirely related to increased cost of Special Education Needs (SEN) Home to School transport costs due to increasing numbers of children with Education Health and Care Plans who are eligible for school transport. Increase in numbers and costs reflect local and national trends in pupil numbers, and a corresponding pressure on the schools high needs budget (see Appendix 5 for further detail).

£6.4m Capital and Financing

The 2020/21 budget and Medium Term Financial Plan approved in February 2020 included £6.4m of income from the Manchester Airport Dividend which will now not be paid for a number of years. The aviation industry is expected to take a number of years to recover and no income from the dividend is assumed before 2025..

Appendix 2 Pressures, Growth and COVID impact

| Nature of Pressures | Pressures £000s |
|--|--------------------|
| Demographic Pressures | 8,049 |
| Grant reduction | 0 |
| Inflationary Pressures | -340 |
| Other service pressures | -1,681 |
| Reduction in other fees/charges/income | 7,972 |
| Staffing related cost pressure | 1,689 |
| Total | 15,689 |

Inflation and Other Pressures

Negative figures reflect reduced use of reserves. In 2020/21 targeted use of reserves was approved on a one-off basis to fund specific investments and this is now being removed.

£1.689m Staffing costs

A 0% pay award is assumed for 2021/22 however additional costs due to increments and increases in the living wage and guaranteed minimum uplift for lower earners need to be funded. In addition, the 2020/21 budget assumed a pay award of 2% - the actual pay award was 2.75% meaning that a further 0.75% needs to be funded in 2021/22.

£8.049m Demographic Pressures

The Council continues to face significant cost pressures from demographic growth – pressures in this area are concentrated in Adults Services, where the needs of a growing older population continue to become more complex, and in Children's Services, where the number of children with an Education Health and Care Plan continues to increase, placing pressure on home to school transport budgets and the High Needs budgets in schools.

After significant additional investment in Children's Social Care last year, no further pressures are being funded for 21/22. Whilst numbers of Looked After Children have stabilised, placement costs continue to rise. There remains a significant risk that the Children's Social Care budget may be insufficient if numbers are not reduced and more appropriate placements found. Provision has been made in contingency for further pressures.

£7.972m Reduction in fees/charges/income

In addition to the £6.4m loss of income relating to the Manchester Airport Dividend (set out on the previous page), several service areas are experiencing income losses as a result of the COVID pandemic.

In Operations and Neighbourhoods, income losses are being experienced in Markets as a result of the economic conditions, and car parking income is significantly reduced due to reduced footfall in the town centres.

Additional income targets for Estates income are also not yet being delivered due to the economic impacts of COVID19 which have hampered the ability of the team to identify additional income sources during 2020/21.