Medium Term Resource Plan

1. Overview

1.1 The Medium Term Resource Plan (MTRP) is a key financial planning document and supports the council in ensuring it uses its resources in the best way possible to meet the needs of communities in the Bay and to plan effectively for the use of those resources in the medium term. For 2012 – 2015 the MTRP is more important than ever as the council faces an unprecedented financial challenge.

1.2 The purpose of this plan is to provide the context for which the Council needs to consider and address the implications of the next 3 years of the Comprehensive Spending Review (CSR) in conjunction with the new Mayor and administration and the development of the Council's Corporate Plan and priorities.

1.3 Members will be aware of the significant challenges the council faces due to the ongoing uncertainties about the international and national economic position as well as the impact upon the local economy. The government's deficit reduction programme is the policy used to resolve the country's national debt and is having a direct impact upon local authorities and Torbay with significant reductions in government grant over the 4 years of the Comprehensive Spending Review period.

1.4 The Plan highlights the financial challenges faced by the council and the fact this Plan estimates the Council will have to close a budget gap of approx £21m in the next three years based upon existing service demands and "normal" budget pressures including inflation and demographics for the Bay.

1.5 The format for this Plan is to provide a summary of the key outcomes of the Comprehensive Spending Review (CSR) and Local Government Finance Settlement, highlighting the planned reduction in core government funding to Councils of 28% in real terms over the four years of the CSR. The impact upon reductions to capital funding is set out within the council's capital Strategy

1.6 Whilst the council is committed to making further savings due to the scale of the challenge faced it is inevitable that some services will face reductions or will be subject to significant changes. The Council has a good track record in making savings while improving its performance and the quality of its services – as part of the 2011/12 budget savings £3.9m were efficiency savings.

1.7 Despite these difficult times, the council's strategy will be to deliver value for money services and quality services and an affordable council tax level for local residents. The council has already embarked upon a consultation exercise with residents and stakeholders on the scale and type of reductions to services to address the budget gap in 2012/13.

2. National Context

2.1 A new coalition Government was elected in May 2010 facing a large public sector deficit following the global financial crisis and the recession. The government, at the time, made reduction of the nation's budget deficit its top priority and immediately it gave an indication that it was expecting the public sector to shoulder a significant reduction in planned expenditure over the four year period from 2011. As a consequence Torbay will receive significantly less government funding during the period to 2015 and it is likely that any real terms increases to funding for local government may not occur during this decade. These reductions have to be set in context of the Council having to absorb the impact of rising costs, in particular to meet the care needs of an increasingly elderly and frail population as well as additional pressures within Children's Social Care.

2.2 One of the first moves the government made, in June 2010, was to announce a range of in-year budget reductions, both revenue and capital resources, as well as some planned policy changes. The council approved a revised budget in September 2010 and despite the reduction in the council's grant it was still able to declare an underspend at the end of the financial year.

2.3 The Chancellor announced the Comprehensive Spending Review on 20 October 2010 for the period covering the financial years 2011-12 to 2014-15. The CSR set out the government's plans for addressing the national deficit over the next four financial years. At a strategic level it indicated that Local Government would see a 28% real terms reduction in resources over the four year period. Initially the Chancellor indicated that the reductions would be phased equally over the 4 year period, but the figures for 2011-12 indicated that this would not be the case. The target reduction for local government was more severe than for most other parts of the public sector.

2.4 The CSR allocated spending levels for Government Departments and it was for each of the Departments then to allocate in detail the funding over areas of spend. The Department for Communities and Local Government (DCLG), which is responsible for Local Government spending, released provisional grant figures for 2011-12 on 13 December 2010, and 2012-13 and final allocations were confirmed in January 2011.

2.5 This announcement, along with other specific grant announcements, allows the Council to plan with a degree of certainty with respect to grant income levels for 2012-13 but will not be able to plan with such certainty for the following 2 years given the lack of detail. An early indication of years 3 and 4 allocations would greatly assist the council's medium term planning, however this is unlikely until the autumn of 2012.

2.6 For the last two years of the CSR, assumptions will have to be applied using the forecast figures included in the CSR and some form of pro-rata approach being applied. This forecasting has been further complicated by the government announcing during the summer its intention to "top slice" funding for local government to provide additional support for schools who become Academies. The council has estimated that this could result in a reduction in grant of £0.5m – (it is difficult to calculate the exact on funding due to the complexities of the local government finance system). The council is waiting for further details on the impact of this change which may not be known until later in the year.

2.7 Another feature of the finance system announced by the government in 2010 was for local authorities who froze their council tax in 2011/12, the resultant loss to their council tax income would be funded at a rate of 2.5 per cent in each year of the Spending Review period. All councils in England subsequently took advantage of this offer, and froze their council taxes. For Torbay this meant a council tax grant of £1.7m in 2011/12.

2.8 The government extended this for a further year in 2012/13. It is expected Torbay will receive a similar level of grant compared to the previous year but this grant is only available for one year. For financial planning purposes it is assumed the grant will not extend beyond one year. Therefore this loss of council tax income needs to be addressed in year three of the plan.

2.9 In addition, in terms of medium to longer term, the government has not confirmed what will happen in the next CSR period and whether the council tax grant announced in 2010 will become a permanent feature of the financing of local government. If it is removed this will create a budget pressure of £1.5m in 2015/16.

Local Government Resource Review

2.10 On 18 July 2011, the Secretary of State for Communities and Local Government, Eric Pickles MP, made a statement in Parliament and launched a consultation paper concerning proposals for business rates retention. The consultation paper sets out the government's general proposals for a business rates (NDR) retention system to be effective from April 2013.

2.11 The review, in line with the direction of general government policy, seeks to remove the centralised control of local government finance that currently exists, and provide local government with greater autonomy over locally raised resources, and a greater connection with the success and growth of local businesses.

2.12 As part of the consultation paper, the government has provided numerous complex options as to how the scheme will work and officers are assessing the implications and potential impact upon Torbay. It is expected that all local authorities will be guaranteed a base line position for the amount of Business Rate income they will receive. Local authorities will be able to retain any additional income above the baseline which provides all local authorities with a clear incentive to encourage business growth.

2.13 It is essential that Torbay's is not adversely affected by any changes introduced - given the lack of business income from the area. However this will not be clear until the government provides their recommended approach and details as to how the new arrangements will work in practice. Therefore this must be recognised as a significant risk to the council but for the purposes of this report the Council can only plan on an "equivalent regime" basis for the years in question.

2.14 Another significant change announced by the government is the proposal for the localisation of council tax benefit whereby local authorities will determine their own local scheme for council tax benefit from April 2013. This includes a 10% reduction in the council tax benefit grant allocated to all local authorities which equates to approximately £1.6m for Torbay. The consultation for this proposal closed on 14 October and a response from the government is expected later in the year.

2.15 Early analysis has identified that these changes will have a significant impact upon local residents within the Bay, which need to be considered in the context of other Welfare Reform changes. For the purposes of this plan no additional costs have been assumed for the introduction of the new scheme. However, this will be revisited once the government announce details of the final scheme and when officers can assess any additional cost pressures in 2012/13 in the run up to the implementation of the scheme. In addition, depending upon the outcome of the consultation process the council will need to consider the full impact of any reduction to the council tax benefit grant and whether this will be funded from reductions in benefit payments to residents or funded from council tax payers.

3. Income Assumption – Formula Grant

3.1 The CSR announcement in October 2010 suggested that, over the 4 year period, the level of grant from the Government would fall by some 28% in real terms. The early signs for Torbay indicate that the Council will see substantial falls in its formula grant when the grant settlement for Local Authorities was announced as shown in the table below:

	2011 – 2012 £	**2012 – 2013 £**	**2013 – 2014 £**	**2014 – 2015 £**
National Settlement	26.1 bn	24.4 bn	24.2 bn	22.9 bn
Torbay Settlement	62.421 m	57.920 m	n/a	n/a

3.2 Therefore, for planning purposes, we can be clear about the level of Formula Grant for 2012-13 but we need to make certain assumptions regarding the following 2 years. Nationally the level of grant is expected to fall by 1% between 2012-13 and 2013-14 and by a further 5.4% to 2014-15, which if applied to Torbay could mean levels of grant of £57.445m and £54.360m respectively. However, the national settlement included funding for the transfer of Public Health to local authorities in 2013/14 which will be a ring fenced grant. For planning purposes it is assumed that the formula grant available for existing local authority activities will be £55.024m.

3.3 However, we need to apply some sensitivity analysis to these figures for planning purposes and for this area it is suggested that a range of +1% and -8.5% be applied in the first year and +1% and -8.5% in the second with the lower percentages reflecting the maximum level of grant reduction which the Government allowed in the 2011-12 settlement. This would then give estimates of grant for the years in question of £55.024m (with a range between £57.445m and £53.000m) and £54.360m (range £54.903m and £52.560m).

	2011 – 2012 £	**2012 – 2013 £**	**2013 – 2014 £**	**2014 – 2015 £**
	Actual	Provisional	Estimated	Estimated
Torbay Settlement	62.421 m	57.920 m	55.024m	54.360m

3.4 In addition to these reductions it should be noted that Torbay continues to suffer through “grant damping”, with its formula grant allocation reduced by £4m in 2011/12 rising to £4.2m in 2012/13, to be transferred to top up the grant allocations for other local authorities. The estimated grant figures for 2013/14 and 2014/15 are based on the fact damping continues in the last two years of the CSR.

4. Income Assumption – Other Government Grants (Direct and Indirect)

4.1 In response to lobbying by the Local Government Association, successive Governments have moved to amalgamate a number of specific grants into either one, large, specific grant or absorb grants into the Revenue Support Grant. The Government has made a significant move to this overriding objective by significantly reducing the number of grants received by the council and ending almost all ring fencing of revenue grants from 2011-12 – another issue local government has been lobbying for in recent years. The current position is that the main revenue grants received by the Council are:

- Early Intervention Grant (EIG)
- Council Tax Freeze Grant (CTG)
- NHS Funding (NHS)
- Dedicated Schools Grant

The Council does receive other grants such as DSG (where the majority goes directly to schools), Benefit Administration Grant (which is treated as part of the revenue account), Local Services Support Grant and a number of other smaller grants which are treated as "de minimus" for this purpose.

4.2 As with the formula grant, certain figures can be clearly identified and others can be inferred from the CSR and DCLG announcements. In terms of assessing the future years, whilst DFE grants are generally showing real increases, the initial projections for EIG are based upon the "8.5% maximum reduction", the CTG is due to be fixed for the period of the CSR and the NHS funding is supposed to remain at £2bn nationally for the period of the CSR. Therefore, using the same principles as shown in section 3, we might expect the following grant levels:-

Grant	Approach	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
EIG.	Local / National	6,007	6,117	5,600	5,120
CTG 11/12	Known	1,539	1,539	1,539	1,539
CTG 12/13	Estimated	n/a	1,539	0	0
NHS	Local / National	2,322	2,224	2,224 (estimated)	2,224 (estimated)
		9,868	**11,419**	**9,363**	**8,883**

5. Income Assumption – Council Tax

5.1 Council Tax income is dependent upon 3 elements in the calculations, namely the Council Tax base, the level of Council Tax and the assumed level of in-year collection. For 2011/12 the base rose by 0.56%, the Council Tax remained at the same level as the previous year (£1,261.17) and the in-year collection rate was assumed to continue to be 96.5%.

5.2 Despite the recession, the number of properties on the Council Tax list has continued to rise through a combination of new build properties, conversion of existing properties from one large unit into a number of smaller properties and a number of other properties being brought back into use. In terms of growth in the base, the 0.5% rise witnessed between 2010/11 and 2011/12 may be a reasonable assumption and therefore for planning purposes, a similar level of growth is projected across all years of the plan. In terms of sensitivity, it is considered that only a downward move is appropriate and therefore the sensitivity analysis looks at only 0.25% growth in the base.

5.3 Associated with the increase in the tax base, is the assumed level of collection in-year of Council Tax due. Due to the impact of the recession, the Council reduced its collection rate from 97.5% to 96.5% some years ago. However, the level of council tax collection has remained above the 96.5% so one option would be to increase this to 97%. However, this decision needs to be kept under review for two reasons:

i) with the continuing impact of the economic downturn, it may not be prudent to increase the rate of collection.

ii) in previous plans due to the relatively high level of Council Tax Benefit paid out, it was reasonable to consider retaining an assumption of 96.5% for the period of this plan. However depending on the final decision with respect to localisation of council tax benefit, this level of collection could be at risk if low income residents see a reduction in their council tax benefit and fall into arrears.

5.4 The above paragraph dealt with in-year collection rates but the Council still continues to collect outstanding debts in the following years which then fall into the Collection Fund and are applied in the following financial year following collection. In 2011/12 £1.2m was applied from the fund and given an assumption that the Council will continue to eventually collect 98.5-99% of the original debt and the in-year figure is not changing then it is reasonable to assume that the level of income from the Collection Fund will not vary.

5.5 The final determinant for external income is the level of Council Tax. In 2011/12 the Council set at rate of £1,261.17 per Band D property which reflected a nil increase over 2010/11. This was very much based upon the financial incentive given by the Government in the form of a specific grant for 4 years, irrespective of future Council Tax rises. The government announced a further one year incentive to local authorities to continue with a further freeze in council tax. The government announced this funding is for one year only.

5.6 For the purposes of this plan it is assumed the council will have a council tax freeze for a second year. The plan also assumes council tax income will increase by a further 2.5% in the last two years of the CSR period. If this proposal is approved by Members, this would mean the one year “discount” offered by the government in 2012/13 would have to be reversed in 2013/14 resulting in a council tax increase of 5% in 2013/14 and 2.5% in 2014/15. The impact of this decision is reflected in the table below.

	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Council Tax Base	48,820	49,073	49,318	49,554
Council Tax Level (Band D)	1,261.17	1,261.17	1,324.23	1,357.33
Council Tax Income	61,571	61,890	***65,308***	***67,261***

6. Summary Income Position

6.1 Pulling together all the information identified in sections 3, 4 and 5 gives the main sources of income shown in the table below.

	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Formula Grant	62,421	57,920	55,024	54,360
Council Tax	61,571	61,890	65,308	67,261
Collection Fund	1,209	1,200	1,200	1,200
Uncommitted Income	**125,201**	**121,010**	**121,532**	**122,821**
Other Grants	9,868	11,419	9,363	8,883
Total External Income	**135,069**	**132,429**	**130,895**	**131,704**

7. Reserves

7.1 The Council annually revises the level and appropriateness of the reserves being held by the Council following recommendations from the Chief Financial Officer taken in the light of the requirements of the Local Government Act 2003 and CIPFA guidance. A review of reserves is currently being undertaken in the Autumn of 2011 and it is not expected that any significant reserves will be released.

7.2 Due to a number of spending decisions and commitments in 2011/12 the level of uncommitted reserves will fall by the end of 2011/12. However, the final level of reserves will be dependant on how the council manages its in-year spending pressures and the cost of redundancies which will arise from the required reductions in staffing levels to meet the 2012/13 budget targets. Any redundancies will be funded from the CSR reserve and are estimated to be £1.5m – similar to the costs incurred as part of the 2011/12 budget.

8. Expenditure Pressures – Base Assumptions

8.1 To some extent the estimation of expenditure pressures facing the Council are assessable given certain assumptions. The starting point is clearly the 2011/12 base budget from which projections can be made using known or estimated data on such areas as:

(a) Existing commitments in future years;
(b) Projected inflation; and
(c) Demographic changes in the population.

although this is not a fully exhaustive list and the council has used zero based budgeting to challenge existing service budgets.

8.2 The starting figure for the plan is the 2011/12 budget and that the services provided in that figure will continue at the same level and performance. On top of this are certain key assumptions which have been applied and these are:

(a) Pay inflation: An assumption of a 0% rise is made for 2012/13 for staff in line with Government expectation followed by rises of 2% in each of the following years.

(b) Increments. These are gradually being reduced over the period of the plan to reflect the impact that job evaluation will have on pay and grade structures - £0.3m

(c) General inflation: Inflation is a routine and unavoidable cost pressure for Torbay and is part of the council's budgetary process. A unique inflationary factor is applied to over 40 individual items of expenditure with reference to ONS estimates - £2.0m.

Historically local authorities have suffered inflation that has been at a higher level than the RPI. However, due to the challenging financial environment faced by the Council, unless there are significant inflationary pressures for specific costs pressures a strategic decision has been taken that all inflationary factors will be no higher than 2% - which is significantly lower then the current rate of RPI and CPI.

If inflation continues to remain high, services will need to find additional savings or efficiencies to offset higher rates of inflation. However, all contractual inflation will be amended in line with the appropriate contract and an additional uplift will applied for energy costs such as electricity and gas. Other cost rises such as landfill tax are significantly in excess of any inflation index. The current level for landfill tax is £56 per tonne and will rise by £8 per tonne to £64 per tonne in 2012/13; this represents a 14.3% increase and will cost the Council an estimated £180,000 in 2012/13.

(d) Capital Programme. Whilst the overall capital programme will be considered as part of the Capital Strategy, there are inevitable impacts of the programme on the revenue budget. For the purposes of this exercise it has been assumed that any new additions approved by council to the approved capital plan in 2013 and beyond which have not already been identified, will be funded by capital grant (with no revenue borrowing implications) or if borrowing is used (assume to be prudential borrowing) then this will be offset by new revenue streams or assumed savings.

9 Service Pressures

9.1 Irrespective of the overall resources made available to the Council, there will continue to be increased demand for services and an expectation from residents that some service levels are at least maintained during this predicted period of austerity. However, in addition to the reduction in funding for the Council and the impact this will have, the expected cuts to all public spending across all government bodies will have a disproportionate impact in a deprived area such as Torbay as there is a general trend for more deprived areas to face relatively larger percentage cuts through the total impact of public taxation changes.

9.2 The Bay's economy is relatively weak when compared to other regions of England. The GDP in the Bay continues to remain low with low median earnings for local residents. A key risk of any public sector cuts is the impact upon the Bay which is heavily reliant upon the public sector for employment and wealth generation.

9.3 Furthermore, there is continued uncertainty as to whether the country will go back into a recession due to the ongoing concerns within Europe and North America. Locally the economic conditions are weak and if the country falls back into recession this will have a significant impact upon the Bay with the subsequent impact upon welfare advice, housing benefit applications and business support services. This year there was not the expected summer seasonal reduction in Benefit claims that would normally accompany increased business activity and employment in the tourist and retails sectors. The housing benefit case load, as at the end of September is over 20,108 live cases and is expected to continue to rise for the foreseeable future.

9.4 The Council needs to develop a realistic Strategy that is flexible and able to respond to the conflict of significantly reduced resources but ongoing services demands and needs reflected in the local economy of the Bay and the need to protect the most vulnerable members of the community.

9.5 A summary of some of the service pressures which the Council will still be faced with and emerging pressures that may arise once the full impact of the cuts to public expenditure are realised are listed below. This will need to be addressed from a diminishing resource base:

- The impact of rising unemployment and workless rates within the local economy and impact upon young adults not in education, employment or training (NEETS).

- The pressure within the Bay for affordable homes and the impact of public sector reductions on increased numbers of homelessness and increased demands for social housing.

- Service pressures within Children's Services with the increased numbers of children looked after within the Bay and the need to deal with the ongoing Safeguarding issues. The number of Children Looked After have increased steadily from 199 at November 2010 to 247 at the end of September and the number of Torbay children on child protection plans has risen from 220 at March 2011 to 249 at the end of August 2011.

- The changing demographics within the Bay mean service demands will continue within Adults Social Care due to increasing client numbers with ever increasing and complex needs. The Trust also has similar Safeguarding issues to deal with, along with the impact of the proposed restructuring and reform of Social and Health Care.

- The Waste agenda will have significant ongoing cost pressures for the Council. The Council has a contractual obligation with TOR2 and savings will be delivered over the course of the contract. However with the impact of increasing landfill tax charges for disposal of waste, the Council has recently approved the PFI procurement for the Energy to Waste plant in partnership with Devon and Plymouth council's and this will deliver long term savings for the Council.

- The Council has put significant sums of its own resources to fund the national Concessionary fares scheme, but increases in demand for this volatile budget are outside of the control of the Council and will need to be provided for in future years.

- The Council is currently reviewing its Workforce Strategy in response to the challenges the Council will face in the expected period of austerity. All new appointments must be approved by the Establishment Control Panel.

- The impact of the introduction on new Welfare reforms and the localisation of council tax benefit both in terms of the impact upon local residents and the demands placed upon the benefits department.

- Other base budget adjustments which are or may be unavoidable or are subject to previous decisions which have been included within the base are as follows:

    - The impact of major capital improvement to be funded from prudential borrowing e.g. Princess Promenade, Princess Pier
    - Any increases to the Carbon Tax
    - Impact of the actuarial review of the employer's pension contribution.
    - The requirement to set aside resources to replenish reserves for any invest to save initiatives.

Demographics

9.6 As well as the anticipated reduction in funding, the Council's budget is also being squeezed from the other direction with a continuing increase in the number of vulnerable people accessing Council services, notably within Adult Social Care, and Children's services.

9.7 Torbay has a higher-than-average elderly population and it is expected that this will grow significantly over the next twenty years. The additional cost of providing care to this growing population will have to be accommodated within existing budgets at least until 2015. Provision has been made in the plan for demographic growth but this will be under significant pressure to resource within ongoing efficiencies and changes to service delivery.

9.8 In addition to the pressure on Adult Social Care there will also be general growth in population. It is anticipate that over the plan period the local population will grow by over 4,000 with a consequent pressure on services (e.g. housing, benefits, education, community facilities, transport).

10 Fees and Charges

10.1 The Council receives in excess of £11m from fees and charges. Some charges are set by legislation (e.g. licensing charges) whereas others the Council has discretion to determine the charge. Services are required to set their charges in accordance with the Council's Income Strategy which sets the criteria that need to be considered when setting charges.

10.2 No assumptions have been made with respect to fees and charges within the figures included as part of the Medium Term Resource Plan however, service managers will be expected to develop these in line with the Strategy and will need to consider all options for income generation in the context of the challenging financial period facing the Council whilst taking into account issues of subsidies to encourage usage and the impact of charges upon residents and their ability to pay in these difficult economic times. Officers have been developing a number of options to increase the amount of income generated by the council as part of the Resources Income Optimisation (RIO) project. Some of these options will be taken forward and consulted upon as part of the budget proposals for 2012/13.

11 Summary

11.1 Having taken in to account the service pressures identified above the table below summarises the estimated income and expenditure pressures faced by the council and shows the estimated funding gap.

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Estimated Income (Formula Grant,C.T.& Collection Fund – paragraph 6.1)	125,201	121,010	121,532	122,821
Expenditure	125,201	131,703	139,073	143,900
Total Estimated Cumulative Funding Gap	**0**	**10,693**	**17,541**	**21,079**
In- year Funding Gap	**0**	**10,693**	**6,848**	**3,538**

11.2 The gap identified for 2012/13 is based on the latest projections for expenditure and expected level of grant income. Officers are currently assessing how this budget gap can be addressed and the public consultation on the budget will be based on identifying savings that will bridge the funding gap.

11.3 It is clear that the Council continues to face its most challenging period since it became a Unitary authority in 1998 and it will need to develop a strategy which addresses the funding shortfall and take measures that will try to minimise the impact of the spending cuts to a deprived area such as Torbay.

11.4 The Council has in place a number of approaches for ensuring value for money and efficiencies are achieved across all services. The Council has already started to plan how it will attempt to address the shortfall in funding and is working with partners to assess the wider impact upon the Bay. Projects including Revenue Income Optimisation (RIO) have already identified where additional income can be raised and in year service reviews have identified savings which will be used in 2012/13 and beyond. Measures that will be used will include:

- Ongoing service reviews ensuring the council meets its statutory obligations.

- Continue to implement the Commissioning Model and explore new ways of working to achieve value for money through a combination of in-house services, partnership working, shared services, joint ventures and private provision of services where appropriate.

11.5 The Council must continue to explore new ways of delivering council services with an emphasis of maintaining service levels whilst maximising value for money and reducing its cost base through generating further efficiencies. However, in a number of services it is becoming increasingly difficult to generate further efficiencies without reducing service levels, and the Council must start to plan for a reduction in services provided to customers over the medium term.

Risks

11.6 The projected budget gap is an estimated position and is subject to change and is based upon a series of assumptions and projections that will need to be reviewed regularly to ensure they continue to be realistic. There is therefore a risk that the projections of the budget deficit prove to be under-estimates, possibly because of unforeseen changes in the way in which government funding reductions (e.g. the impact of Academy Funding) will flow through the distribution formulae to impact on Torbay, or because spending pressures prove to be understated. To mitigate this risk, the MTRP will be regularly updated to take account of changing circumstances and new intelligence.

11.7 The main financial planning risks that will affect the projections are likely to be:

- The effect of the Local Government Resource Review on grant levels for 2013/14 and 2014/15

- The “topslicing” by government of Formula Grant in order to transfer funding to academies. It is estimated the Council will lose £0.5m in grant in 2012/13 and has been reflected in the projections; but this figure has yet to be verified and could be more.

- Inflation continues to run at a much higher rate than the average 2% pa that has been assumed, with no sign of interest rates rising to provide an offsetting income stream.

- income projections built into the budget may not be achievable due to factors outside of the council’s control e.g. a worsening economic outlook.