

THE CHANCELLOR'S EMERGENCY BUDGET 22 JUNE 2010 KEY ISSUES AND POTENTIAL IMPACT ON WAVERLEY

Budget Announcement	Potential Impact on Waverley's Budget
<i>Funding and Council Tax</i>	
<p>The budget announced there will be on average a 25% in real terms cut over the next four years from April 2011 across government departments other than the NHS and overseas aid.</p> <p>Officer Comment: It is unclear from the announcement how the cuts would fall across government departments and some departments may have less of a cut at the expense of other departments. Favoured departments could be education and defence. The Communities Secretary has suggested that some councils could face up to a 40% reduction.</p> <p>In addition it is unclear how much of the cuts would be met by the government departments themselves as opposed to them being passed onto local authorities to deliver.</p> <p>Also how will the cuts be introduced over the 4 years? Will they be evenly spread over the 4 years or will some years feature more or less cuts?</p>	<p>If cuts relate solely to Revenue Support Grant, the impact will be between £192k and £308k grant reduction by 2014/2015.</p> <p>If cuts relate to total formula grant, the impact will be between £1.5m and £2.4m reduction in grant by 2014/2015. However, 87% of this grant relates to the redistribution of business rates.</p>
<p>The exact detail of the cuts across government departments will be announced through the Comprehensive Spending Review (CSR) on 20th October 2010. An engagement programme will launch on 24 June 2010, giving public sector workers and members of the public an opportunity to feed in their ideas for how to reduce spending while protecting the quality of public services.</p>	<p>Waverley's figures will not be known until late November/early December when the local government finance settlement consultation will be issued.</p>
<p>The budget confirmed the freezing of Council Tax in England for 2011/12 with an option to extend this in 2012/13.</p> <p>Officer Comment: How this freeze will be put into practice will be</p>	<p>Up to £180k lost potential revenue assuming a 2% increase in council tax for 2011/12 if no Government</p>

announced over the coming months. This will include whether local government will be compensated in some form by central government for this loss of income. It is unclear as to the nature of compensation that will be offered and how.	compensation is forthcoming.
<i>Pay and Pensions</i>	
National Insurance - The earlier proposed 1% increase in employer's NI goes ahead from next April but employers will be compensated through raising the threshold for employer National Insurance Contributions (NICs) by £21 a week above indexation.	Additional cost of £43k pa from 2011/12. Approx £30k falls on General Fund and £13k on HRA
Public sector pay will be frozen for 2 years but there will be a £250 a year flat-rate pay rise for workers whose annual salary is less than £21,000.	Estimated additional cost of £10k pa from 2011/12 if applied in Waverley.
Review to be completed of senior managers pay across the public sector. The move is part of the Government's plans to ensure no public sector senior managers earn more than 20 times the salary of the lowest paid members of staff in their organisation.	No Impact. In Waverley the Chief Executive's pay is around 8 times the salary of the lowest paid staff (less than half the Government's maximum)
An independent commission headed by John Hutton, former labour minister, will examine the affordability and sustainability of public sector pensions.	Unknown. Also depends on the triennial actuary review of Waverley's pension fund which will impact from 2011/2012. It is likely that there will be an increase in the employee's contribution to share the deficit recovery.
CPI for indexation for public sector pensions	CPI has over recent years been 0.8% behind RPI. If this trend continues, there will be a significant reduction on the employer's contribution. This will help offset rises elsewhere in the fund.

Other	
The Office of Budget Responsibility has forecasted the Consumer Price Index to be over 3% in 2011 with a reduction to around 2% from early 2012 onwards.	Unknown. Most inflationary impact is linked to the March RPI figures
VAT Increased to 20% from January 2011	No direct impact if all fees and charges are increased to reflect the change in VAT.
Insurance Premium Tax (IPT) will increase on 4 January 2011, from five per cent to six per cent.	£6k pa from 2011/2012
Housing Benefit – Measures to introduce maximum limits on housing benefit, restrict Local housing allowances and cut certain other awards. Annual uplifts in benefits will be based on the consumer price index (CPI) rather than the retail price index. Officer Comment: It is unclear whether changes to housing benefit announced in the budget will have a direct financial implication for local authorities.	Unknown but if current regulations apply, the Council will receive full reimbursement of what is paid to claimants.
Borrowing – The Government will monitor lending from the Public Works Loans Board (PWLB) more closely and increase the transparency of the timing of borrowing relative to need.	The Council has approval to borrow up to £7m. Any new regulations or guidance will need to be considered carefully.