

RESPONSE TO ACTION POINT

AUDIT COMMITTEE	
21 SEPTEMBER 2015	PUBLIC

Budget Update

ACTION POINT – 29 JUNE 2015	
To provide an update to Members of the Audit Committee outlining any implications following the forthcoming July 2015 budget meeting.	
Contact Officer (s)	Steven Pilsworth – Service Director Financial Services Tel: 384564
1	Response: At this stage the Chancellors budget contained little detail as to where the £20bn of spending cuts will fall. Further detail will be announced in the Spending Review in the Autumn (now confirmed as 25 th November).
1.1	No further cuts in 2015/16 have been announced (nationally £200m is being taken from the Public Health grant. A pro-rata share for the Council would mean a loss of £663k. The Government has not yet launched its consultation on how it intends to reduce the grant at Council level)
1.2	From April 2016, a new National Living Wage of £7.20 an hour for the over 25s will be introduced. This will rise to over £9 an hour by 2020. It is claimed by the Treasury that businesses will be able to fund this through the reduction in corporation tax. The impact of this through the Council's partners needs to be considered further, with the care sector in particular expressing concern over the impact. The Medium Term Financial Strategy (MTFS) included a cost for the living wage of £7.85 for 28 members of staff costing £22k. A rise to £9.00 would be an approximate impact for the Council of £30k or £8k additional cost and not until 2020.
1.3	There will be £37bn of savings, including £12 billion by 2019-20 through welfare reforms, £5 billion by 2019-20 from measures to tackle tax avoidance, etc.
1.4	Plans for the remaining savings (£20bn) will be set out in the autumn following the spending review (now confirmed as 25 th November. The impact of this is that the local government finance settlement, and hence impact on Peterborough, is unlikely to be announced until later on in December at the earliest).
	From November 2015, the standard rate of Insurance Premium Tax will be

1.5	increased from 6% to 9.5%. Estimated impact for the Council is £30k.
1.6	Announcements were made regarding public sector pay, however it should be noted that the Chancellor does not control Local Government pay terms.
1.7	Public sector pay will increase by 1% a year for 4 years from 2016-17. MTFS currently assumes 2% increase. Whilst the Chancellor does not control local government pay, if the same 1% rates were to apply to the Council, the estimated impact of this is savings from £400k to £450k each year.
1.8	As part of the forthcoming Spending Review, the government will continue to examine pay reforms and modernise the terms and conditions of public sector workers. This will include a renewed focus on reforming progression pay, and considering legislation where necessary to achieve the government's objectives.
1.9	The government will work with Local Government Pension Scheme administering authorities to ensure that authorities pool investments to significantly reduce costs, while maintaining overall investment performance.
1.10	Climate Change Levy exemption for renewable electricity to be removed. Possible impact for the Council £150k loss of income for the Energy Recovery Facility (ERF) this year, rising to £280k in a full year. Further work is required here as this only takes into account the Council energy production, rather than possible impacts on contracts where renewable energy forms part of the cost.
1.11	The age group 18-21-year-olds will not be entitled to claim housing benefit automatically, with a new "earn to learn" obligation.
1.12	The government will lower the cap on the total amount of benefits an out of work family can receive, from £26,000 to £20,000.
1.13	The benefit reductions may impact on council tax support (as benefit and tax credit income reduces, entitlement to council tax support increases).
1.14	To help ensure Local Authorities are able to protect the most vulnerable housing benefit claimants due to the new Cap amount, the government will provide £800 million of funding for Discretionary Housing Payments over the next 5 years.
1.15	From September 2017, the free childcare entitlement will be doubled from 15 hours to 30 hours a week for working parents of 3 and 4 year olds.
1.16	From 2020/21 the government guarantees that all revenue raised from Vehicle excise duty (VED) in England will be allocated to a new Roads Fund and invested directly back into the strategic road network (i.e. not local authority control network).
1.17	The government intends to support towns and counties to play their part in growing the economy, offering them the opportunity to agree devolution deals, and providing local people with the levers they need to boost growth.
1.18	The government will consult on devolving powers on Sunday trading to city mayors and Local Authorities.