

CIPFA

The Chartered Institute of
Public Finance & Accountancy



CIPFA London Division The Coalition Government's First 150 days and the next 3 years

The PwC logo, consisting of the letters 'pwc' in a bold, lowercase, sans-serif font, with a red horizontal bar above the 'c'.

12th October 2010



The logo for CIPFA, consisting of the letters 'CIPFA' in a bold, purple, sans-serif font.

The Chartered Institute of
Public Finance & Accountancy

Welcome & introductions

Peter Gilmour
Chairman
CIPFA London Division



\Agenda

- **10:00 am** – Chairman’s Welcome & Scene Setting
- **10:05 am** - The Coalition Government - The first 150 days
- Part 1 (Simon Parker, Director , NLGN)
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- **10:30 am** - The Coalition Government - The first 150 days
- Part 2 (Andy Ford, Lead Partner for Local Govt., PwC)
- **11:00 am** - The outlook for Local Government Pensions –
(Bob Summers, Chair of CIPFA Pensions Panel)
- **11:30 am** - **Panel Debate**
- **12:00 pm** - **Lunch**

The Coalition Government - The first 150 days downturn

- Part 1

Simon Parker
Director
NLGN



The Coalition Government - The first 150 days downturn

- Part 2

Andy Ford
Lead Partner
PwC



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12 October 2010
The Coalition Government

The Coalition Plan – key themes for the public sector

Deficit reduction

Increased transparency and accountability

Decentralisation

“The deficit reduction programme takes precedence”

Emergency Budget: £6bn additional cuts
Spending Review 20 October

Tidying up government

Reduction in quangos

NHS reforms

Audit Commission abolition

RDA abolition

Public sector fat cats

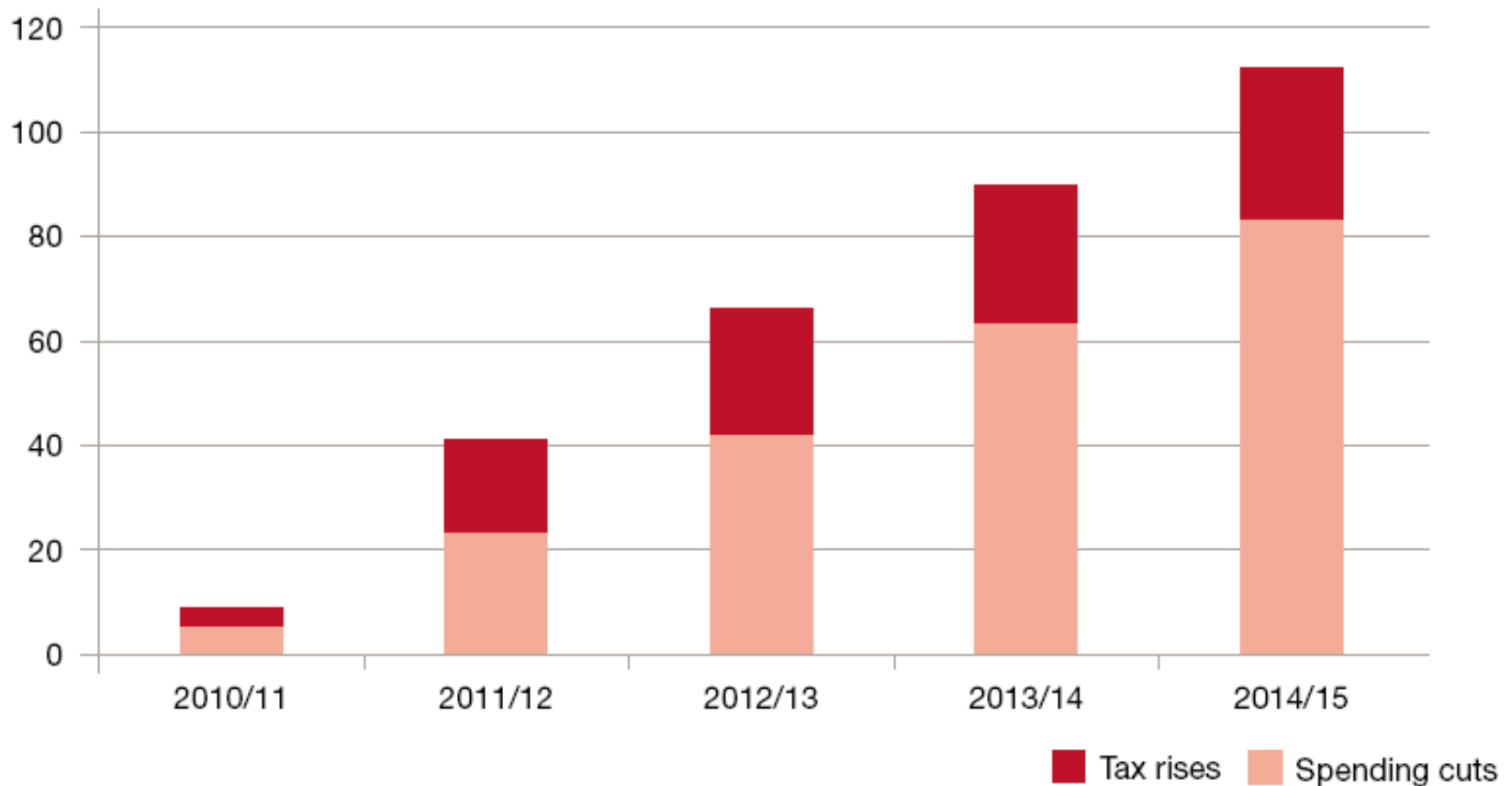
The shape of things to come

BSF

Cuts in benefits

The overall fiscal policy

Figure 1: Total discretionary consolidation (£ bn)



The overall fiscal policy

Table 1: Summary of tax changes

Rise in 2014/15 (£ bn p.a.)	Inherited from previous government	New measures in Emergency Budget	Total tax changes
Income tax	9.7	-3.9	5.8
National insurance	7.9	-3.7	4.2
VAT	0	13.5	13.5
Fuel, alcohol, tobacco and other indirect taxes	2.9	0.5	3.4
Corporate tax (including bank levy)	-0.6	1.1	0.5
Other tax changes	1.1	0.7	1.8
Total net tax rise	21.0	8.2	29.2

Source: HM Treasury estimates in Budget Red Books for March 2009, March 2010 and June 2010

Impact of the cuts – “Where will the axe fall?”

500,000 public sector jobs lost by 2014/15

- 122,000 in London (3% jobs)
- 112,000 in South East (3% jobs)
- 500,000 associated private sector jobs lost:
 - business services sector
 - construction sector
 - office machinery
 - weapons manufacture
- Will dampen pace of growth over next 4-5 years
- Unlikely to be sufficient to derail economic recovery altogether

Implementing the cuts

Protected areas:

- Year on year increase in NHS spending
- Overseas aid
- Concessions: pupil premium

Who will feel the pain?

- Benefits
- Local Government
- HE/FE

Problem areas:

- Prisons
- Police
- Defence

So what's the narrative?

Cuts are a painful necessity

Thatcher revisited?

- Future spending and tax
- Benefits reform – making work pay
- Big Society

- Unfinished business:
 - Public sector pensions
 - NHS reform
 - Long term social care
 - Local Government finance

How happy are the Lib Dems?

“We’re making the government less bad than if the Tories had free rein”

The acceptable face of the coalition

£6bn cuts – job creation

Increase in income tax allowance

Pupil premium

Tax avoidance

Electoral Reform

Power is appealing and addictive

Permanently in government?



And what does the public think?

We like Coalition Government

The cuts are necessary

Understanding of the cuts

Could attitudes change?

Vat increase

- Banker bonuses
- Child Benefit
- Higher Education cuts / tuition fees
- Double dip recession
- Labour revival



Citizen's Jury July 2010

Encourage people to take personal responsibility

Give us a long term future

Make administrative savings

Postpone “nice to haves”

Be prepared to start again

Invest to save

Share the pain

How long will it last?

Who will the public blame?

When will the pain be felt?

Electoral Reform

Labour revival

Local elections May 2011

US and China

Importance of interest rates

Timing is everything



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