

# Lewisham Liberal Democrat Group – Proposed Budget Amendment for 2014/15

## Financial and legal officer comments

### Introduction

1. The following paragraphs set out the officers financial and legal comments on the Liberal Democrat Group proposed amendment to the 2014 Budget.
2. The budget proposals are presented in outline without fully developed and costed plans. The individual proposals with financial implications attached to them would require further work before final financial and legal comment can be offered. The comments below are therefore provided on the proposals taken at face value, assuming the savings and costs will result in the implied outcomes.

### More affordable and better housing

3. Officers have established a cross-departmental New Homes Bonus (NHB) working party. This group was formed to review the empty homes data held within each department, cross-reference the data to ensure the long term empty status is correct and report on initiatives and progress within their respective areas to reduce long term empty properties.
4. Since the group formed, the number of empty properties within the borough has decreased. As at October 2011, there were 2,355 (2%) empty properties and 940 (0.8%) properties empty for more than six months. This was below the percentage of properties empty across London which was reported at 2.25% with 0.9% empty for more than six months.
5. As at October 2012, there were 1,511 properties reported as empty, 844 less than the previous year. Of these, 742 were empty for six months or more compared with 940 in 2011, a reduction of 198 properties.
6. The work to bring further empty and under-utilised properties back into full use, continues. This is supported by the decision of Council in January 2014 to apply the maximum increases on the Council Tax for under occupied properties to encourage freeholders to bring them back into use.
7. Contained within the Budget Report for 2014, is a specific recommendation to approve an allocation of £0.65m per annum of NHB over the next ten years 2014/15 and 2023/24. It is expected that the Council will continue to use a proportion of the NHB to progress the necessary plans and activities required to drive the regeneration of the borough, including maximising the potential affordable housing which can be achieved.
8. The Council produces an Annual Monitoring Report (AMR) each year which assesses the level of development which has taken place and reviews the performance on plan making and related steps being undertaken to progress the regeneration of the borough.
9. The latest AMR sets out that 1,805 net new homes were built during 2012/13, the highest amount of housing completed in the last nine years. The majority of

planned growth for the borough is yet to come. The AMR provides a housing trajectory and identifies the anticipated amount of residential development over the next 15 years (2014/15 to 2028/29).

### More jobs and business growth

10. The proposals to introduce a new small business loans scheme is possible. There would be a degree of risk in building this assumption into the budget for 2014/15. The detailed criteria for operating such a scheme would need to be fully worked up. If any loan is below market rate, then consideration would also need to be given to State Aid issues. The EU Treaty prohibits Public Authorities in Member States from giving aid to companies or organisations who are conducting economic activities which could distort competition and the internal market between Member States, unless the grant is de minimus (i.e. less than 200,000 Euros from all public sources over a period of three financial years).
11. The Council currently employs more than 40 apprentices who work in a range of different services across the Council. It would be possible to increase the number of apprentices in the Council. There is currently no match funding process in place to support these costs.
12. In April 2013, the business rates retention scheme was introduced. This served to provide a direct link between business rates growth and the amount of money the Council is able to spend on local people and local services. The system provides a financial incentive for Councils to promote economic growth. This resource forms part of the Council's overall settlement funding assessment and is therefore used to support the overall General Fund budget for spend on local people and local services.
13. Under the new national business rate arrangements, the Council retains 30% of the business rates it collects. The remainder is pooled nationally and the Council then receives a balancing amount from the pool in the form of a 'top-up' allocation. At present, the value of business rates collected in Lewisham is well below the threshold where the Council would no longer be eligible for a 'top-up' via the national reallocation. Therefore, should the Council be able to grow its business rates base sufficiently, it will be able to retain 30% of any new growth it achieves, without any adverse impact on future funding levels. The Government does not intend to reset the system until 2020, at the earliest. The current collection rate is 98% and to achieve additional directly retained income of £0.8m in two years would therefore require a net increase in business rates collected of at least £2.4m to be generated on the current total net yield value of £46m. This represents an increase of 5%.

### A better start for families

14. The pupil premium is allocated to schools on the basis of the average number of children who are entitled to a free school meal in the past six years. Schools maintain the responsibility of how this is spent for those most in need and the Council continues to work alongside the Schools Forum to ensure that the resources are allocated appropriately and benefit those in greatest need. This includes the Council providing its support to troubled families initiatives.

## Building a future for Lewisham

15. Lewisham was among the first London boroughs to decide to pay its Council employees and sub-contracted employees the London Living Wage (LLW) from 2012 and this is an initiative which the Council continues to support and promote. The LLW is a voluntary initiative for Councils and employers. Companies working in Lewisham, unless contracted to do so, have no legal obligation to implement it. Lewisham encourages the LLW to be paid in all its contracts.
16. The introduction of a community award scheme is possible. In December 2013, the Department for Environment, Food and Rural Affairs (DEFRA) produced a report into the 'evaluation of the waste and recognition scheme'. Its initial findings concluded that "reward and recognition schemes cannot be seen as a 'quick fix'. They require careful consideration, time and investment, if they are not only meant to be successful, but also to demonstrate their success and impact"
17. Lewisham has one of the lowest landfill rates in the country.
18. As part of the Lewisham Future Programme, a cross cutting review of Environmental Services is underway looking at refuse and recycling and a thematic review of Enforcement Activities underway looking at local standards in trading, licensing, environment and planning.

## A leaner, more responsive and more democratic public service ethos

19. There is a moderate degree of financial risk that the savings proposed to both communications and the future cost of management could not be achieved in 2014/15. There are no specific legal implications arising from these proposed savings, which are all legally permissible subject to proper due process being followed in implementing them, if Council were to approve them.
20. The number of members in the Cabinet is by law a matter on which only the Mayor may make a decision. Subject to statutory minimum and maximum, this is entirely a matter for his discretion. Again by law, full Council cannot make any binding decision on this.
21. Members' remuneration, including those of Cabinet members, is however a matter for the Council to decide. This again is a matter of law. In deciding the level of members' allowances, the Council must have regard to the advice of an Independent Remuneration Panel (IRP) which it is under a duty to establish and maintain. Lewisham retains the services of the London wide remuneration panel and when it last agreed the scheme of members' allowances Council had regard to this panel's advice, and engaged the services of Sir Rodney Brooke to advise it on the appropriateness or otherwise of the panel's suggested remuneration levels in the Lewisham context.
22. Any change to the Members' Scheme of Allowances would require a decision of full Council, having had regard to the IRP's recommendations. A new Scheme would be subject as usual to publication requirements.
23. The number of Councillors can be reduced, but only after a review by the independent Local Government Boundary Commission for England (BCE). Any reduction in the size of the Council has to conform to statutory criteria which

focuses on the need to achieve electoral equality in terms of electorate to councillor ratios, to secure effective and convenient local government and to reflect the identities and interests of local communities. The process involves a period of public consultation with local residents and interest groups. The final decision is taken by the BCE.

### Summary

24. Members should note that these proposals, taken as a package, would require the further use of once-off resources totalling £1.3m to ensure that a balanced budget could be set for the 2014/15 financial year. The use of once-off resources should be considered a temporary measure and adds to the savings target for the following year. In this case, the approach proposed for 2014/15 would add a further £1.3m to the already significant savings target for 2015/16.