

Lewisham's response to the consultations on fair funding and the 100% business rate retention scheme - addendum

Lewisham is a vibrant inner London Borough, with a rapidly rising population, high levels of deprivation, and a small locally focussed economy. Rising population is a real signal of success for a place and a city (London's population was declining until the late 1980s), and while we should celebrate the fact that Lewisham is growing it does place stress on resources and public services.

We expect to see an additional 40,000 to 60,000 more people living here over the next 15 years, with around an additional 3,000 increase in population per year. As birth-rate is driving the growth in population Lewisham is becoming an increasingly young population and we expect to see an additional 7,000 people under 18 years of age by 2026. The ethnic composition of the Borough is changing: 67% of our 5-9 year olds and 76% of our school population are BME. This compares to a majority white British over 60s population. The overall population is currently 43% BME (and 59% non-White British), and this BME population will rise to over 50% by 2025. The North of the Borough is younger and more ethnically diverse compared to the South.

Lewisham (and London) is suffering a housing crisis. Although Lewisham has mid-table housing costs for London - our average rents are in the third quartile amongst London Boroughs - our private rented sector has doubled in a decade. Very little accommodation is available to Local Housing Allowance rates. Home ownership is high for an inner London Borough, but this is being impacted by increasing house prices (a 15% increase in house prices in 2015 alone). The income: house price ratio is now at an all-time high at 10.66; homelessness acceptances have risen to their highest level ever and our use of temporary accommodation use has become entrenched at 1,800 families a year.

The skills levels across the Borough are reflective of our inner / outer London position. We have lower numbers of people with degree level education and above than our inner London neighbours (54%), and higher numbers of people with no qualifications. Only 49% of students in our sixth forms go on to University (compared to the 68% of London jobs that require degrees). Low skills are concentrated in the South of the Borough.

Unemployment has reduced in the Borough, although we still have some of the highest rates in London. This is concentrated in a small number of residents with complex needs, or who have not worked for over two years (or have never worked). We have high concentrations of people claiming Employment Support Allowance (higher than most other London Boroughs) with mental health conditions.

This demography means that we have high costs of temporary accommodation, high numbers of families who have 'no recourse to public funds' and who need support, large numbers of children in need, children who need protection and looked after children. We also have high numbers of children with disability entering the adult social care system alongside an increasingly elderly population. This imposes a disproportionately high cost on the council which must be factored into any needs assessment, and baseline funding assessments in addition to population, deprivation indices and area cost adjustments.

We have responded to the fair funding review outlining these points in more detail.

Our low business rate base means that a local government finance system based wholly on business rates raises very serious concerns for the London Borough of Lewisham. Although the system of 50% retention has been in place since 2012, moving to 100% retention will leave places like Lewisham, with small economies, very vulnerable.

We have small amounts of commercial space in the Borough with more demand for commercial and office space than the existing supply. The commercial space we do have tends to be low value. We have a low business rates base, with our economy made up of predominantly small businesses and very few large or medium sized businesses. We have limited land supply and a booming residential land market which threatens to crowd out commercial space. Permitted development rights from office to residential further reduce commercial space. The exemption of very small businesses from paying any business rates will further reduce the overall business rates collected in Lewisham.

The issue of appeals, reliefs and fluctuations in the base from year to year mean that we have major concerns about how a London Borough like Lewisham could cope with a 100% business rate funded system. For these and other reasons we recognise the importance of a London wide pool for business rates retention as a way of mitigating the risks faced by any individual Borough. The pool will be able to distribute the necessary top ups and tariffs based on the Borough's needs (as determined by the national needs assessment), and ensure that monies are retained by GLA / London Councils for a safety net, with additional pots of funding to be distributed for funding change and innovation and for compensating Boroughs for their contribution to the London economy. From Lewisham's point of view this last point is crucial.

Lewisham's mission statement is to be the 'best place to live, work and learn' but in terms of the London economy, Lewisham's 'role' is predominately about providing relatively low cost housing for workers, providing skilled workers for the London economy, and providing relatively low cost business space.

Lewisham is part of the London economy; the majority of our residents travel out of the Borough to work either into the West End or the City. Lewisham's role in the London economy is vital. We house the London labour market. We provide good housing in places with high amenity value, good transport and good leisure facilities and green spaces. We have focussed on housing for a number of years and have a good record on delivering housing exceeding our London plan targets in recent years. We provide educated young people ready for the labour market: a vital part of the London economy. We are a Borough rich with green spaces, providing lungs for London.

For Boroughs such as Lewisham, we would argue that there needs to be additional incentives for economic development. As a Borough our economy is mainly one which services its locality – retail, hospitality and services. We also have an increasingly important creative and digital economy. Higher incentives to support drives for inward investment are necessary in order to:

- Balance the London economy
- Develop more locally sustaining communities with more local jobs and services to reduce the need for commuting/ transport
- Attract start-ups with lower commercial rental values.

We have such a low base of business rates that the nature of the incentive is critical to us. We believe that there should be higher rates of business rate retention for Lewisham to recognise the challenge of building from a very low base.

We will wish to be involved in the further consultation on these proposals as they develop.