

	<h2>Policy and Resources Committee</h2> <h3>5 October 2016</h3>
<p style="text-align: right;">Title</p>	<p>Monitoring the impact of Brexit on Barnet</p>
<p style="text-align: right;">Report of</p>	<p>Interim Chief Operating Officer</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>None</p>
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<h2>Summary</h2>
<p>A motion was passed at Council on 26 July 2016 that called on Policy & Resources Committee to consider the probable impact of Brexit on Barnet, in order to identify and respond to risks that may arise. This paper sets out the proposed approach for doing this.</p>
<p>It is proposed that a basket of indicators – which reflect broad trends in the local economy, labour market, housing market, and local community cohesion, together with comments from officers – are collated for review by the Committee on a six-monthly basis. Updates will also include details of other relevant announcements or developments which could have implications for the council or the wider borough, including changes to national policy which could impact Local Government, macro-economic fluctuations or changes to Government spending plans.</p>
<p>It is also proposed that views are sought from local strategic partners and reported through the six-monthly updates, to help ensure a wider borough view is considered. Partners include the Clinical Commissioning Group, Middlesex University, Barnet & Southgate College, Barnet Police, Barnet DWP, Community Barnet and business representatives including West London Business.</p>

Recommendations

- 1. That the Committee agree the suggested set of indicators to be monitored, as set out in Tables 1 and 2 of this report.**
- 2. That the Committee agree to receive six-monthly updates based on the suggested indicators, together with accompanying comments from officers and a view from local strategic partners.**

1. WHY THIS REPORT IS NEEDED

- 1.1 A motion was passed at Council on 26 July that called on Policy & Resources Committee (P&R) to “properly consider the probable impact of Brexit on Barnet so that this can be communicated to Barnet’s three Conservative MPs in order that they can raise these issues in parliamentary debates and fight for the best outcomes for the Borough”.
- 1.2 This paper sets out the proposed approach for doing this, which includes monitoring a basket of indicators reflective of local trends in relation to the labour market, housing market, local economy, and community cohesion in the borough.
- 1.3 Due to the differing sources of data, some proposed indicators are only available on an annual basis, whereas others are released on a monthly or quarterly basis. It is proposed that indicators which are available on a monthly or quarterly frequency are collated every six months for review by P&R. Annual indicators will be reported through P&R alongside a summary of the key trends in the indicators once a year.
- 1.4 The indicators are designed to measure impact at borough level, therefore indicators which monitor fluctuations at a national level such as interest levels and exchange rates are not included. However, details of relevant national announcements or developments which could have implications for Local Government will be included in the report commentary.
- 1.5 This will include any changes to national policy or legislation which could impact Local Government, macro-economic fluctuations, trade agreements, or changes to Government spending plans. Changes to Local Government finance or spending plans will also continue to be reported to P&R through the annual Business Planning process in the normal way and reflected in the council’s budget forecasts.
- 1.6 Indicators that are linked to EU legislation, for example, recycling rates and air pollution levels are also not reported as these are unlikely to have an impact whilst negotiations following the referendum are still underway.
- 1.7 These indicators will be monitored in the context of broader trends across London and the rest of the UK to establish whether there is any disproportionate impact on Barnet. It is expected that the GLA will be producing a monitor covering a range of areas including business, housing, employment, population and migration, community safety, and household

finance, which if appropriate can be directly compared to the Barnet data. Commentary on this monitoring will be provided as part of the P&R updates as and when available.

- 1.8 Given that the referendum was only three months ago, it is too early to make firm judgments on the impact of Brexit – either nationally or at a local level. However, there have been some well documented macro-economic and currency fluctuations and national announcements since the referendum together with some local issues surrounding community cohesion which may be related. These are reported below.

Recent National Context

- 1.9 Nationally, there have been a number of developments following the vote. At the beginning of August, the Bank of England took the decision to lower interest rates to a record low of 0.25% to stimulate the UK economy. However, recent figures suggest that growth has not been as negatively impacted as was expected, in spite of initial concerns immediately following the referendum. The next set of official UK growth forecasts will be released by the Office of Budget Responsibility at the Autumn Statement on 23 November.
- 1.10 After an initial dip, it was reported at the start of September that the UK's service sector has rebounded strongly. The Markit/CIPS Purchasing Managers' Index, a survey of business managers which gauges whether their company's activity has increased – where a score of 50 or above indicates growth – revealed an index score of 52.9 in August compared to 47.4 in July. The manufacturing sector has also seen a similar increase, rising to 53.3 against July's 48.3.
- 1.11 Following the release of these figures – and at the time of writing - the pound has jumped to a one month high against the dollar after hitting a 31-year low in July, although it has still not reached pre-referendum levels. It is expected that the strength of the pound will continue to fluctuate over the coming months.
- 1.12 The housing market has also stabilised according to the Royal Institution of Chartered Surveyors (Rics), following a dip in property sales immediately after the referendum. Rics reported that the market had begun to stabilise in August, although sales in London were still decreasing. However, Rics members are now predicting that house prices will increase by 3.3% a year on average for the next five years, with more surveyors expecting house sales to increase than the number who expected sales to fall in the next 12 months.
- 1.13 Table 1 below shows the indicators which can be updated for each update to P&R, with initial commentary on each of the categories.

Table 1: Quarterly Indicators

CATEGORY	INDICATOR						
		<i>Rolling annual figures</i>					
		<i>April 14 – April 15</i>	<i>May 14 – May 15</i>	<i>June 14 – June 15</i>	<i>April 15 – April 16</i>	<i>May 15 – May 16</i>	<i>June 15 – June 16</i>
Community Cohesion	Reported incidence of racist and religious hate crime (– MOPAC)	480	489	500	534	557	566
		<i>Monthly figures</i>					
		<i>May 15</i>	<i>June 15</i>	<i>July 15</i>	<i>May 16</i>	<i>June 16</i>	<i>July 16</i>
Labour Market	Main out of work benefits (<i>Nomis</i>)	3,705	3,695	3,635	3,710	3,655	3,680
	Average house price (<i>Land Registry</i>)	£466,125	£473,322	£470,262	£521,511	£524,735	<i>Not yet released</i>
		<i>Quarterly figures</i>					
		<i>Oct – Dec 14</i>	<i>Jan– Mar 15</i>	<i>Apr – June 15</i>	<i>Oct – Dec 15</i>	<i>Jan – Mar 16</i>	<i>Apr – June 16</i>
Housing	Housing starts (<i>quarterly release – DCLG</i>)	320	1000	390	320	240	500
	Number of households approaching Barnet Homes for Housing Services (<i>quarterly release – internal</i>)	644	832	808	661	632	<i>Not yet released</i>

Commentary

Community Cohesion

- 1.14 Instances of racist and religious hate crime have been increasing steadily over the past year, although this increase is relatively low, and in line with the overall London increase. Following the referendum there was an increase in reported racist and religious hate crime nationally and in London. Barnet also experienced an increase in the rate of reported racist and religious hate crime in the two week period following the referendum but by the third week levels had dropped back to pre-referendum levels. Overall, Barnet's reported incidence of racist and religious hate crime remains considerably below the London average.

Labour Market

- 1.15 Claimants in receipt of out of work benefits have been relatively steady since February 2016 following a decline over the preceding 18 months. Numbers have been fluctuating up and down month to month through the year to date and July 2016 saw a slight (0.68%) rise – although the figure was still lower than that of May 2016. Claimant count has been known to increase during the summer months and this may be connected to high numbers transitioning from full time education to work at that time of year.
- 1.16 The July 2016 rise does appear earlier in the year than it did in 2015, where claimants dipped in July but increased in August (with a rise of 2.6%), and differs significantly from 2014 where claimant count dropped each month through the summer.

Housing and regeneration

- 1.17 A large increase in housing starts can be seen in January – March 2015, which is likely to be due to housing starts on some of the borough's big regeneration schemes as well as prior approvals being implemented. This same reasoning also accounts for the slight increase seen in April – June 2016.
- 1.18 House prices tend to fluctuate on a monthly basis but longer-term annual trends show house prices increasing on an annual basis, particularly in London. The rise was less significant from 2014/15 to 2015/16 at 9.65% compared with 15.91% the previous year.
- 1.19 Average rent price was considered as an indicator but discounted as the data is released on a six-monthly basis from the Valuation Office Authority with a note that the sample used is not statistical and may not be consistent

over time, therefore should not be used as a comparison over time or between areas.

- 1.20 The numbers of households approaching Barnet Homes for assistance fluctuate over the months, with figures rising above 800 in January – March 2015 and April – June 2015. It is expected that numbers for July – September 2016 will rise above 750. The trend across all London boroughs is an increase in homeless demand as evictions rise from the private rented sector, and it remains to be seen if this trend will be reflected in Barnet later in the year.
- 1.21 Locally, a major piece of positive news which occurred shortly after the referendum was the signing and sealing of an agreement between the council and its development partners, Argent Related and Hammerson and Standard Life Investments to progress with the Brent Cross Cricklewood regeneration scheme. The scheme will create a new town centre, incorporating 7,500 homes, 27,000 jobs, three re-built schools, redevelopment of Brent Cross shopping centre, new parks and community facilities, an additional Thameslink train station as well as major road and public transport improvements.
- 1.22 Table 2 shows the indicators which will be updated annually alongside an initial commentary on the current data.

Table 2: Annual Indicators

CATEGORY	INDICATOR	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Business	Proportion of Liability Orders served (<i>Internal</i>)	19.81%	15.72%	13.05%	12.08%
Household Income	Median household income (<i>CACI</i>)	<i>Not available</i>	£38,147	£36,202	£35,812
		2013	2014	2015	2016
Population	Projected population size (<i>GLA borough preferred option</i>)	369,156	374,980	374,978	376,065
	Projected net migration (<i>GLA borough preferred option</i>)	2,200	2,886	-2,935	-1,999
Community Cohesion	Per cent agreeing that their local area is a place where people from different backgrounds get on well together (<i>Spring Residents' Perception Survey</i>)	84%	84%	84%	85%

Commentary

Business

- 1.23 Business survival rates were considered as an indicator of business health but have not been included in this basket due to a lag in the data (the most recent being 2013).
- 1.24 Liability Orders served when businesses fall into business rates arrears were considered the best available proxy for monitoring business health in the borough. Since 2012/13 the proportion of liability orders served has been decreasing. Data for 2016/17 will be available in April 2017 at which point it will be possible to note any significant change in the proportion of Barnet businesses failing to pay their business rates.

Population

- 1.26 The GLA releases population figures and projections each year; these are estimates as the only accurate measure of population is the census (last carried out in 2011). Below are a few key points:
- From the 2012 round of projections the GLA predicted the Barnet population would increase by approximately 1.27% each year over the next ten years.
 - Revised estimates published in the 2015 round of projections estimate the Barnet population is expected to increase at a similar rate (roughly 1.21% each year up to 2022), although the total population is now expected to be much larger than what was originally projected in 2012.
 - Net migration figures are also projections; in 2012 it was projected that there would be a steady influx of around 1,000 – 2,000 migrants a year.
 - This was revised in 2015 to show that the increase in net migration was much more rapid than initially expected, and suggesting a sudden migration deficit is expected over the next two years.
 - At present, these figures are expected to increase again up to 2020, however this may be revised in future projection releases from the GLA.

Household Income

- 1.27 Median household income has declined slightly over the years; looking more widely at the data a possible explanation for this is that the lower quartile has decreased year on year. This could be due to a larger proportion of people being in lower paid or part-time work.
- 1.28 Whilst average household income decreases and house prices rise, the ratio of household income to house price continues to increase, from 1:10 in

2013/14 (average house price £385,102), to 1:12 in 2014/15 (average house price £446,388), to 1:14 in 2015/16 (average house price £489,471).

Community Cohesion

- 1.29 The Spring Residents' Perception Survey measures levels of residents agreeing that people from different backgrounds get along well together. These figures have remained consistently high for the past four years (84% from 2012 – 2015, and 85% in 2016).

Local Strategic Partners

- 1.30 An important source of information – which will provide for a wider view of the potential impact of Brexit on the borough – are our local strategic partners. It is therefore suggested that future reports include a section setting out the views of partners, including the Clinical Commissioning Group, Middlesex University, Barnet & Southgate College, Barnet Police, Barnet DWP, Community Barnet and business representatives including West London Business.
- 1.31 An initial discussion has been held between senior council officers and senior representatives from partner organisations. West London Business (WLB) have reported some concerns from SMEs relating to managing exchange rate volatility since the vote and are also monitoring levels of foreign direct investment. WLB are taking a proactive approach to export growth by accelerating the development of partnerships and networks with similar business organisations in China, India and Eastern Europe and will also be hosting a number of Brexit events for member and non-member businesses.
- 1.32 Middlesex University are monitoring the situation closely, based on the fact that around 15% of university staff and 15% of students are from the EU member states. Brexit presents major potential risks for the institution, with EU student fee income totalling £19m per annum and EU research income totalling £2.5m per annum. The University is working closely with sector bodies that are in dialogue with the Government about mitigating these risks.

2 REASONS FOR RECOMMENDATIONS

- 2.1 The selected indicators and proposed method of monitoring are deemed appropriate to ensure that any potential risks are identified and mitigated against in a timely fashion to help ensure the best outcomes for the borough.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The council could decide not to monitor these indicators but this would not allow for the motion passed at Council on 26 July 2016 to be fulfilled.

4 POST DECISION IMPLEMENTATION

- 4.1 The indicators will be updated, reviewed and reported on, with a commentary reporting to Policy and Resources Committee on a six-monthly basis. Should any risks be identified, suggested approaches to risk management will be included in the commentary.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 This monitoring will help the council identify potential risk early on and respond appropriately to ensure the best outcomes for Barnet residents.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 There are no resource implications associated with this decision.

5.3 Social Value

- 5.3.1 This decision does not relate to a service contract therefore there are no social value considerations.

5.4 Legal and Constitutional References

- 5.4.1 Under the council's Constitution (Responsibility for Functions – Annex A) the responsibilities of the Policy and Resources Committee include:
- To be responsible for those matters not specifically allocated to any other Committee affecting the affairs of the council (4).
 - To be responsible for the overall strategic direction of the Council

5.5 Risk Management

- 5.5.1 There are no risks associated with the decision to monitor the suggested indicators.

5.6 Equalities and Diversity

- 5.6.1 No negative differential impact has been identified with regard to any of the protected characteristics in relation to this decision. The inclusion of community cohesion indicators will enable early identification of any potential negative impacts.

5.7 Consultation and Engagement

- 5.7.1 There has not been any specific consultation or engagement activity in relation to this decision.

5.8 **Insight**

- 5.8.1 Business intelligence drawn from across the council and wider sources has been used to populate the indicators and provide commentary.

6 **BACKGROUND PAPERS**

- 6.1 Council 26 July 2016 – agenda item 15.4 – Amendment in the name of Richard Cornelius, Parliamentary debate on Brexit – Getting the best outcome for Barnet:

<https://barnet.moderngov.co.uk/documents/s33816/Amendment%20in%20the%20name%20of%20Cllr%20Richard%20Cornelius.pdf>