

	<h2>Policy and Resources Committee</h2> <h3>27 June 2017</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Monitoring the impact of Brexit on Barnet</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Assistant Chief Executive</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></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 and Resources Committee to consider the potential impact of Brexit on Barnet, in order to identify and respond to risks that may arise.</p> <p>On 5 October 2016, Policy and Resources Committee was presented with a paper that set out the approach to do this. This included agreeing and monitoring a basket of indicators which reflected the broad trend in the local economy, labour market, and local community cohesion, and providing a six monthly update for the Committee. This paper provides the second update. It includes 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>This report has sought views from local strategic partners including Middlesex University, Barnet &amp; Southgate College, Barnet Police, Barnet DWP, and business representatives including West London Business.</p>

## **Recommendations**

### **1. That the Committee note and comment on the performance of the indicators set out in this report**

#### **1. WHY THIS REPORT IS NEEDED**

- 1.1 A motion was passed at Council on 26 July that called on Policy and 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 On 5 October 2016 officers presented a paper to the Policy and Resources Committee proposing a set of indicators that would be monitored and reported to the Committee every six months. This paper provides the second update.
- 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. 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 It should be noted that any fluctuations in indicators could be attributable to a wide variety of factors and are not necessarily a result of Brexit. The indicators are designed to measure impact at borough level; therefore indicators which monitor fluctuations at a national level 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 usual 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 underway.

#### **Recent national context**

- 1.7 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 continue to suggest that growth has not been as negatively impacted as was expected, in spite of initial concerns immediately following the referendum. The Bank of England upgraded its growth forecast for 2017 to 2%; up from the 1.4% forecast in November and the 0.8% forecast made in August. The next set of official UK growth forecasts will be released by the Office for Budget Responsibility in autumn 2017 at Budget time.

- 1.8 After an initial dip, it was reported at the start of September that the UK's service sector has rebounded strongly. The UK manufacturing sector ended 2016 on a high, with rates of growth for production and new orders among the best seen in the last two and a half years, according to the Markit / CIPS UK Manufacturing Purchasing Managers' Index (PMI) report. The manufacturing PMI rose to 56.1 in December, up from 53.6 in November, marking the fifth month of continuous growth. The index – a monthly survey of buyers designed to track changes in activity, where a score above 50 indicates growth and a score below 50 signifies contraction – dropped slightly to 54.2 in March, down from 54.5 in February; however, April's score of 57.3 signifies a three year high – reflecting an increase in rates of expansion in output, total new orders, and new export work, underpinned by robust business confidence and driving further job creation.
- 1.9 At the time of writing the pound climbed 1.3 per cent to a five-month high of \$1.2729, reversing a half per cent fall to a low of \$1.2513. Against the euro, the pound strengthened 0.5 per cent, with £0.8421 needed to buy a unit of Europe's shared currency. This is the pound's highest level since late February 2017. The value of the pound is expected to continue to fluctuate.
- 1.10 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 2016, although sales in London were still decreasing. The UK housing market continues to lack impetus, with new buyer enquiries and agreed sales stagnant in March 2017. The number of properties coming on to the market also dropped further. High-end sale properties in central London remain under pressure, while the wider residential market continues to be underpinned by a lack of stock.

## Update on Indicators

- 1.11 Table 1 shows the updated figures for the monthly/quarterly indicators, with commentary on each of the categories to be found in paragraphs 1.12 – 1.20.

**Table 1: Quarterly Indicators**

CATEGORY	INDICATOR	<i>Rolling annual figures</i>	
		<i>April 2015 – March 2016</i>	<i>April 2016 – March 2017</i>
<b>Community Cohesion</b>	Reported incidence of	<b>552</b>	<b>717</b>

	racist and religious hate crime (MOPAC)						
		<b>Monthly figures</b>					
		<b>Nov 16</b>	<b>Dec 16</b>	<b>Jan 17</b>	<b>Feb 17</b>	<b>Mar 17</b>	<b>April 17</b>
<b>Labour Market</b>	Claimant Count (Nomis)	<b>3635</b>	<b>3535</b>	<b>3585</b>	<b>3620</b>	<b>3720</b>	<b>3690</b>
	Average house price (Land Registry)	<b>£530802</b>	<b>£523405</b>	<b>£532504</b>	<b>£543907</b>	<b>£554735</b>	<i>Not yet released</i>
		<b>Quarterly figures</b>					
		<b>Oct-Dec 15</b>	<b>Jan-Mar 16</b>	<b>Apr-Jun 16</b>	<b>Jul-Sept 16</b>	<b>Oct-Dec 16</b>	<b>Jan-Mar 17</b>
<b>Housing</b>	Housing starts (quarterly release – DCLG)	<b>320</b>	<b>240</b>	<b>500</b>	<b>160</b>	<b>170</b>	<b>670</b>
	Number of households approaching Barnet Homes for Housing Services (quarterly release – internal)	<b>832</b>	<b>808</b>	<b>695</b>	<b>738</b>	<b>634</b>	<b>703</b>

## Commentary

### Community Cohesion

- 1.12 Instances of racist and religious hate crime have been increasing over the past year. In the last 12 months<sup>1</sup> there were 717 reported racist and religious hate crimes reported in Barnet, up from 552 a year ago (this increase reflects the overall London increase seen over the same period). 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.
- 1.13 Overall, Barnet's reported incidence of racist and religious hate crime remains considerably below the London average.
- 1.14 The police continue to monitor the levels and reports of hate crime closely and deal with all forms of race and hate crime as a serious matter. Should any community tension issues arise or be identified, the police and council are

<sup>1</sup> Rolling 12 months to March 2017

ready to take any action necessary to address the issues in coordination with the Communities Together Network and Barnet Multi Faith Forum.

- 1.15 The Barnet Safer Communities Partnership recognises that the underreporting of hate crime is a long standing issue. To encourage more victims and witnesses of hate crime to report incidents, local hate crime reporting centres have been set up across the borough as part of a joint initiative lead by the Safer Communities Partnership Board and Safeguarding Adults Board, working together and with local voluntary and community organisations. The centres provide an alternative way for victims to report hate crime to trained staff and victims can receive information and advice about the support available to them.

### **Labour Market**

- 1.16 Claimants in receipt of out of work benefits have been relatively steady since February 2016 following a decline over the preceding 18 months. Since January 2017 (3585 claimants), figures had been climbing slightly, with March 2017 (3715 claimants) seeing the highest number of claimants since December 2015 (3600 claimants). However, in April 2017, the number of claimants fell 0.8% (to 3690 claimants) from the preceding month. The next update will give more insight into whether the increase at the start of the year is significant.

### **Housing and regeneration**

- 1.17 There was a large increase in housing starts in January – March 2017, which is likely attributable to work on some of the borough's large regeneration schemes. Phases of the various regeneration sites across the borough being implemented accounts for the fluctuations in housing starts, with large increases likely to coincide with the beginning of a new phase of development.
- 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. The average house price has increased by 4.5% since November 2016.
- 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 remains high, with 2781 in 2015/16 and 2770 in 2016/17. The trend across all

London boroughs is an increase in homeless demand as evictions rise from the private rented sector.

1.21 Table 2 shows the indicators which will be updated annually alongside a commentary on the current data (paragraphs 1.22 – 1.28).

**Table 2: Annual Indicators**

CATEGORY	INDICATOR	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
<b>Business</b>	Proportion of Liability Orders served ( <i>Internal</i> )	19.81%	15.72%	13.05%	12.08%	10.69%
<b>Household Income</b>	Median household income (CACI) <sup>2</sup>	£33,579	<i>Not available</i>	£38,147	£36,202	£35,812
		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Population</b>	Projected population size ( <i>GLA borough preferred option</i> )	369,203	375,030	379,806	384,847	389,834
	Projected net migration ( <i>GLA borough preferred option</i> )	2,217	2,889	2,019	2,198	1,684
<b>Community Cohesion</b>	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%	81% (Autumn 2016 survey)

## Commentary

### **Business**

1.22 Of all newly born businesses in 2014, 88.1% survived for 1 year; this is below all other outer London boroughs. This is the most recent data available.

<sup>2</sup> Note that this is measured in calendar years as opposed to financial years – FY 2012/13 is therefore indicative of calendar year 2012.

Business survival rates were considered as a potential indicator but due to the lag in data, were not included as an indication of business health.

- 1.23 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, suggesting that fewer businesses are encountering financial difficulties.

## **Population**

- 1.24 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). The latest estimates are based on the projections released in February 2017. By 2022 the population is expected to increase from 389,834 in 2017 to 413,383 in 2022. This is an increase on average of 1.16% per year. These interim projections are higher than the 2015 projections which stated that the population would be 410,184 in 2022.
- 1.25 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 has been revised in the most recent dataset to show that the increase in net migration was much more rapid than initially expected and suggesting that this year the level will drop significantly, although an overall increase is still expected. This could be due to a variety of reasons; rising house prices pushing people out of London (which could also be bringing people to Barnet from inner London boroughs), and the uncertainty about post-Brexit Britain which could have an impact of the levels of EU migrants residing in Barnet.

## **Household Income**

- 1.26 Median household income has declined slightly in recent 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.
- 1.27 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). House prices rose again in 2016/17, with the average price being £532,884.

## **Community Cohesion**

- 1.28 The 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). The latest figures for this measure (Autumn 2016) show a slight decrease to 81% of residents agreeing that people from different backgrounds get along well together. The next update of this measure will be provided by the Autumn 2017 Residents' Perception Survey.

## Local Strategic Partners

- 1.29 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. This section sets out the views of these partners. Views have been sought from a number of partner agencies including business representatives, Middlesex University, Barnet Police, Barnet DWP, and Barnet & Southgate College.
- 1.30 West London Business (WLB) have a primary concern around the hospitality sector as members are finding it harder to recruit from other European countries as the pound weakened and the value of remittances reduces.
- 1.31 They have also reported some concerns from SMEs relating to managing exchange rate volatility since the vote, and are also monitoring levels of foreign direct investment. They stated that the case for businesses locating in West London is strong, but it may be harder to make that case on an international stage with the uncertainties of Brexit.
- 1.32 Around 15% of Middlesex University staff and 15% of students are from the EU member states. As such Brexit presents a potential risk for the University with income from EU student fees totalling £19m per annum, and EU research income totalling £2.5m per annum. The University wants to continue to attract staff and students from across Europe because they enrich the community and campus life. International students also make a very valuable contribution to the local and national economy. Middlesex will continue to work with key partners such as Universities UK to understand and mitigate the risks to Middlesex as the negotiations unfold.
- 1.33 The Metropolitan Police Service state that it is too early to determine the long term impact on crime, policing, and antisocial behaviour.
- 1.34 Barnet DWP note that since the referendum, the Department for Exiting the European Union (DExEU), the Department for Communities and Local Government (DCLG) and the Local Government Association (LGA) have been working with local government leaders on preparing to exit the EU. They intend to keep up this engagement, and DExEU ministers will meet local government leaders as an important part of their engagement with all regions of the UK.
- 1.35 Barnet and Southgate College note that the impacts of leaving the European Union could be profound for the Further Education (FE) and skills system and there are still many unanswered questions making it difficult to predict what the longer-term impacts on skills, employment and the UK economy will be.
- 1.36 Clearly, colleges have derived considerable value from our membership of the EU, whether it is through Freedom of Movement/access to EU nationals, the funding received through ESF grants, or the partnerships and networks that have been created between UK and other European colleges. Now, there is



an ever-pressing need for stakeholders to come together to deliver the skills that the UK needs in alignment with Government's Industrial Strategy. Whilst these challenges are considerable, Barnet and Southgate believes that there is also a great opportunity for FE. The framework to do so exists in the form of increased opportunities for devolved powers on a local and regional basis, as well through the development of national colleges and Institutes of Technology. Now it is a case of ensuring that the right partnership arrangements are in place to ensure that local areas, and the UK economy, can capitalise on the Brexit opportunity.

## **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; 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>

6.2 Policy and Resources Committee 5 October 2016 – Report: Monitoring the Impact of Brexit on Barnet

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=8730&Ver=4>

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