

To: City Executive Board

Date: 11 May 2017

Report of: Finance Panel (Panel of the Scrutiny Committee)

Title of Report: The local financial impacts of Brexit

Summary and Recommendations

Purpose of report: To present the recommendations of the Finance Panel on the local impacts of Brexit

Scrutiny Lead Member: Councillor Craig Simmons, Chair of Finance Panel

Executive lead member: Councillor Bob Price, Council Leader and Board Member for Corporate Strategy and Economic Development

Recommendation of the Finance Panel to the City Executive Board:

That the City Executive Board states whether it agrees or disagrees with the recommendation set out in the body of this report.

Background

1. The Finance Panel is monitoring the impacts of Brexit on the Council's finances and on 29 March 2017 considered data on a range of financial indicators. The Committee would like to thank Nigel Kennedy, Head of Financial Services, for attending the meeting to present his report and answer questions.

Summary and recommendations

Treasury investments

2. The Panel noted that interest rates remain at a historic low and that the Council is only achieving an average return of 0.55% on its investments in banks and building societies (excluding property funds), down from 0.68% in August 2016. The Council's medium term financial plan assumes a 0.7% return so this is creating a financial pressure for the Council which is only likely to increase in the near term.

Property fund investments

3. The Panel found that Council's property fund investment values are recovering (having dipped after the referendum result) and remain significantly above the purchase values. However, any capital appreciation will only be realised when the Council exits from these long-term investments. In the meantime the Council's revenue income in the form of quarterly dividends remains secure.

Business Rates

4. The Panel heard that Business Rates income has remained buoyant since the Brexit vote. The Panel noted that there are 3,999 business premises in Oxford with a total rateable value of £255m. However, 24% of this value is attributable to the 22 properties with a rateable value of over £1m. The second highest rateable value is for the BMW plant. If BMW decided to move production to continental Europe the rating assessment could be drastically reduced, with a potential loss to the Council's Business Rates income of £450k per year.

Local economy

5. The Panel noted that in the event that BMW did decide to move production from Cowley to continental Europe there will be serious knock on effects to the wider Oxford economy, including significantly in the supply chain. This remains a big risk to jobs and the overall health of the local economy. The Panel also expressed concern that Brexit is impacting the higher education and language school sectors in the city and making it harder for them to recruit teaching staff, although the lower pound has also made it cheaper for foreign students to come to the UK to study. The Panel suggested that it will be useful to monitor the health of the local education sector, as well as the numbers of bankruptcies in the local economy.
6. The Panel questioned whether there is a mechanism in place for businesses to raise specific warnings or concerns to the Council and its partners at an early stage during the Brexit negotiation process. The Panel note that the Council has some discretion to potentially offer certain Business Rate Reliefs in some circumstances and could make representations to Government on behalf of smaller businesses that don't necessarily have a voice at a national level.

Recommendation - That the Council, perhaps through the LEP, considers whether there is a need for a mechanism for local businesses to express concerns at an early stage about the expected impacts of Brexit on their businesses and jobs in the local economy.

7. Scrutiny will continue to monitor the local impacts of Brexit at regular intervals.

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List of background papers: None