

## POLICY CONTEXT

The international, national and sub-national context in which the Council will need to operate in 2021/22

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### 1. Coronavirus (COVID-19)

Coronavirus (COVID-19) was declared a pandemic by the World Health Organisation on 11 March 2020. Since then, its impact internationally, nationally and locally has been dramatic – not only its impact in health term, but also the economic and social impact of the response measures that have been implemented.

It remains to be seen what the specific impact of COVID-19 (its scale/nature) will be in 2021/22; what is certain is that there will be continuing implications for this Council, both direct and indirect.

As well as the potential direct financial and service impact for the Council (covered elsewhere), there will be wider social, economic and environmental impacts. These are addressed in the sections of this Annex that follow.

### 2. International Context

#### The Global Economy:

The operation of international financial markets, and the worldwide geopolitical landscape, will influence future global economic conditions, commodity prices, inflation and interest rates. These in turn impact on national economies and on the nature of the demands based on the Local Government Sector.

The coronavirus pandemic and the global response has seen significant reductions in global economic output, along with associated increases in unemployment, business closures and recessive pressures. Whilst governments around the world are taking a range of steps to mitigate this impact, their medium to long term success remains to be seen, with global economic uncertainty set to continue into 2021/22, and possibly beyond.

#### Brexit:

The Brexit transition period looks set to end on 31 December 2020, with the UK Government not having exercised the option to extend the transition agreement. Negotiations between the UK Government and the EU are ongoing in relation to a new UK-EU trade agreement, however a range of significant issues remain to be resolved, increasing the likelihood of a no-deal Brexit, which could have adverse effects on the UK economy. Until the details of any potential agreement become available it remains unclear what the potential economic and policy implications of Brexit will be for the borough. The Council will continue to monitor the advice and guidance issued by the Government and Local Government Association and take relevant steps to prepare for January 2021 and beyond into 2021/22. The Council also continues to engage with the Surrey Local Resilience Forum on emergency planning proposals related to Brexit.

#### Global Climate Change and Environmental Degradation:

The planet continues to experience a wide range of threats to the environment, including air pollution, waste plastics, loss of habitats & biodiversity, water scarcity, and, in particular, global warming and climate change. Unless addressed, these present significant risks to the continued security and quality of many people's lives globally, and to the global economy. These risks have been highlighted by the increased prevalence of extreme weather events, flooding and wildfires across the globe.

The Paris Climate Agreement, adopted by the UK and 195 other countries, represented a milestone in securing a commitment to limit global temperature increases and the emission of greenhouse gases. Whilst progress implementing this commitment has been impacted by other global events and interests, the need for nations to address the climate challenge has been gaining increased public recognition in recent months. To tackle this challenge requires global structural change, as well as national and local action (see below).

#### Recyclate Markets:

The price that the Council receives for the recycled material it collects is influenced by international markets. Demand from large economies (eg China) drives prices for materials, so when growth in these markets falters, the price for materials also reduces. Similarly, demand for plastic materials is impacted by the international oil market. The pandemic has resulted in even more market uncertainty, making it virtually impossible to predict future recyclate prices with any confidence.

In the past, the sale of recyclates has generated considerable income for the Council. However, the current market, coupled with the ongoing uncertainty arising from COVID, means that the Council cannot rely on this being the case in the coming year(s). Whilst paper prices continue to fluctuate, our income from paper is expected to net to zero this year, and costs associated with the disposal of mixed recycling are continuing to increase.

In addition, the current three year agreement over recycling management costs paid by Surrey County Council to the Borough Council expires this year and an agreement for future years remains to be finalised.

Recyclate costs are identified as an operational risk for the organisation, and this risk will continue to be monitored and managed as far as possible.

### **3. National Context**

#### National Economy and Industrial Strategy:

The impact of coronavirus on the national economy has been dramatic. The pandemic, and national response, tipped the UK into recession, with the country experiencing a dramatic fall in GDP, business closures and rising unemployment. At the same time public spending to support both healthcare services and businesses has increased public debt to the highest level in recent memory.

Whilst it has been projected that the economy will return to growth in 2021, the speed and nature of this return to growth is uncertain, as is its impact at a local level. More generally, it can be expected that Government spending in the coming years will need to be tightened, potentially impacting on future local government funding settlements (with the Fair Funding Review and Business Rates reform still awaited).

A potential 'positive' arising from the ongoing pandemic is the opportunity to 'build back better'. Government has confirmed its commitment to support economic recovery, with recent announcements about support for infrastructure delivery and 'green growth'. To achieve this ambition will require continued financial and policy commitments and support from Government, but the opportunity to capture local benefits in this area must be pursued by the Council as we move into 2021/22.

As noted above, Brexit continues to present a further risk to the national economy which will also shape national economic policy and industrial strategy in future months and years.

### Welfare System:

Changes to the welfare system, triggered by national austerity measures, continue to impact on the most vulnerable in our society.

Universal Credit, combining a range of previous benefits, is approximately 54% rolled out nationally (and within this borough), with implementation in Reigate & Banstead having commenced in October 2018. The current target for full national roll-out is September 2024. As has been the case in most areas where the scheme has been implemented, this has presented some challenges for recipients and the Council, which the Council has worked to address. The Council introduced its Money Support Service to advise residents and help prevent them encountering financial difficulties. The Council also administers Discretionary Housing Payments on behalf of the Government, with funding increasing by 34% in the last 2 years

The ongoing response to the pandemic is expected to lead to an increase in unemployment (see below), which will in turn mean that the pressure for welfare support will also increase, across a wider section of the population than in recent years. This will mean both increased direct pressures for the Council to administer and support this process, as well as wider demands for community support, money support and other engagement with residents. The Council has also been responsible for the administration of the allocation and distribution of business support grants and self-isolation payments as part of the COVID response and it is currently unknown whether this additional resourcing pressure will continue into next year.

### Planning Policy:

The Government has been consulting on major changes to the planning system. Whilst the outcomes of this consultation exercise remain to be seen, indications are that in the future, national planning policy will remove many elements of local choice and control, and replace them with centrally determined standards.

A central national objective of changes to the planning system remains securing the delivery of more homes: while the proposed changes may potentially remove some obstacles to housing development, there are significant concerns that it could also lead to a reduction in standards, and more low-quality housing, which does little to address the real needs of the population.

These changes have the potential to substantially change how development planning takes place in the borough.

#### Environmental Policy:

At a national level, in 2019 the UK Government amended the Climate Change Act 2008 to commit the country to a target of net-zero greenhouse gas emissions by 2050. This target is supported by a range of current and emerging legislation.

Earlier this year the Committee on Climate Change published its annual report to Parliament about reducing UK emissions. Their report identified that there are still gaps in policy at a national level which limit the ability to make progress against national targets, for example policy in relation to existing residential and commercial building stock. The report urged Government to make swift progress on ensuring the appropriate policy levers are in place, including to support the work of local authorities.

Future legislation will include a new Environment Act (currently the Environment Bill) which will set long-term legally binding environmental targets, beyond climate change mitigation. Targets in relation to issues such as air quality, biodiversity and waste reduction will be relevant to the Councils work in future years. The Environment Bill also proposes a new independent watchdog, the Office for Environmental Protection, which is intended to hold the Government to account on environmental issues. The Council will need to continue to have regard to the implications of its activities for the environment, both in terms of compliance with current and emerging legislation and to minimise contributing to worsening global conditions.

#### Local Government Reorganisation:

Whilst Surrey has not been included in the most recent wave of authorities invited to submit locally-led proposals for unitary local government, local government reorganisation remains a possibility that may need to be considered in future years.

## **4. Sub-National Context**

#### Health & Wellbeing:

Healthcare is a national issue, and one that has been at the forefront this year due to the ongoing pandemic. Whilst funded nationally, it is delivered locally, and remains of central importance to the health and wellbeing of Reigate & Banstead residents.

At the sub-regional level, Surrey Heartlands is the Integrated Care System (ICS) for the county. This partnership has been established with the aim of enabling health organisations, local authorities and other partners to take

collective responsibility for the health of the local population, and managing resources while providing high quality health services. Sitting below the ICS are integrated care partnerships (ICPs) which are groups of more locally based health and care organisations; whilst Surrey County Council has responsibility for Public Health.

There is an ongoing role for this Council to work closely with the Surrey Heartlands ICS, Surrey CC and the Surrey Downs ICP to ensure that health services are provided in a joined up and holistic way, and that the work that we do in relation to resident wellbeing complements that of the health sector. A wide range of our Borough Council services have the ability to contribute to securing resident wellbeing, including planning, greenspaces, leisure, community partnerships, housing, family support, economic prosperity, environmental health and licensing. COVID-19 has demonstrated the importance of local areas in supporting resident wellbeing (for example through increase use of our parks and countryside) and there is a continuing opportunity for the Council to maximise its support in this area.

### Economic Prosperity:

Reigate & Banstead sits at the heart of Coast to Capital Local Enterprise Partnership (LEP) area and the Gatwick Diamond. The LEP's Strategic Economic Plan identifies the pivotal role of Gatwick Airport and the surrounding area within the sub-regional economy, and sets out priorities for economic growth and investment in future years.

In its Coronavirus Economic Impact Assessment, dated August 2020, the LEP estimates that the Coast to Capital area could lose up to 17% of GVA during 2020 and that to return to pre-COVID GVA levels by 2029, regional GVA growth would need to at least double to 5% by 2026. It has therefore identified five 'foundations of productivity' – business environment, people, places, infrastructure and ideas – around which it will need to build a framework for economic recovery.

Analysis by the LEP suggests that as of August 2020 around 30% of Reigate & Banstead employees were on government support schemes. Analysis at a finer grain of detail by Surrey County Council through its COVID impact assessment work suggests that a number of wards within the borough saw over 25% of the working population being furloughed over the summer with some of the highest economic impacts being felt in the south of the borough. This may be as a result of the impact on airport-related employment in these areas.

It remains to be seen what the longer term economic implications are for the sub-region of the pandemic. It will be important that the Council continues to work in partnership with the LEP to target support and investment to support those sectors of the economy worst hit, to help support residents into education and training, and to do so in a way that facilitates a sustainable local economic recovery from COVID.

### The Local Housing Market:

Housing affordability in the borough and surrounding areas has for many years been such that local residents, young families and local employees on moderate incomes are often unable to buy their own homes. Recent years have

seen average house prices in excess of 12 times local wages. Whilst recent circumstances have led to some uncertainty in the housing market, demand appears to have been buoyed by stamp duty reductions such that there is no clear sign of any significant reduction in prices, and wages would still need to increase considerably to meaningfully improve affordability.

Similarly, private rents in the borough remain high, with the average 2 bed monthly rent being around £1,075. This compares to a maximum local housing allowance rate of just under £950. With local jobs at risk as a result of the pandemic, including in traditionally lower income sectors such as the service and hospitality sector, it is likely that more households will struggle with housing costs in the coming year.

At the same time, social housing (particularly social rented housing) remains in high demand in the borough, with higher cost affordable rented social homes being beyond the reach of many households. As well as demand from families for social housing, the Council is receiving more approaches from single people with more complex needs at risk of homelessness.

The Homelessness Reduction Act, which expanded our duties to assist those at risk of homelessness, is now in its third year. The three-year ringfenced funding from Government is therefore due to end this year, with uncertainty about whether the increased work and responsibility for the Council arising from the Act will continue to attract Government funding into future years.

The Government response to the initial COVID crisis resulted in the Council placing more households into emergency accommodation in the spring, in particular single households. Whilst many of these households have successfully been helped into private rented sector, social rented or supported accommodation, a number of these cases are still open. In the event of increasing unemployment, demand for the Council's housing services, and for affordable housing, will continue to increase.

#### The Local Commercial Market:

Local commercial markets have been reasonably buoyant in recent years; however the national (and global) economic impact of coronavirus has and will continue to have a local impact.

High street businesses and properties continue to experience challenges due to the COVID restrictions in place and competition with online retailers. Supermarkets have fared well throughout the pandemic, and anecdotally some local convenience shops have benefitted as people have chosen to shop closer to home. Increased and ongoing demand for on-line shopping suggests that the warehousing sector will continue to be strong.

The future of the office market remains uncertain. Greater levels of working from home may impact the demand for office accommodation, however in the medium term tenants may require additional space if social distancing regulations continue. It remains to be seen if demand for office space in local town centre (rather than city centre) locations increases as employers are more reluctant to commute into London daily – current rental yields certainly indicate this position at the moment.

In light of the widespread market uncertainty (both COVID and Brexit related) the income generated from Council assets remains potentially vulnerable, as recognised in the strategic risk register. The Commercial Ventures Executive Sub Committee will need to continue to monitor this and where necessary decide on mitigation actions.

Local Environmental Sustainability:

In 2020 Surrey County Council published its Climate Change Strategy. This sets out an ambitious plan for the county to achieve zero net carbon by 2050, and includes a range of actions and activities that will need to be implemented at the borough level, in conjunction with measures outlined in our own Environmental Sustainability Strategy.

It will be important that the Council works closely with Surrey County Council (and other local partners) to deliver on shared environmental and climate objectives, to lobby for further powers and funding from central government and to deliver maximum benefits from the resources that are available.

Transport and Other Infrastructure:

Funding and delivering the infrastructure to support growth remains a challenge, and one which is largely outside the control of the Council. Transport for the South East (TfSE) (the sub-national transport body) submitted its bid for statutory status in July 2020; and once formally established will have devolved responsibility for transport in the region. TfSE has recognised the important regional radial and orbital transport routes that cross Reigate & Banstead and is now instigating five area studies that will form the basis of its investment plans and future spending on road and rail in the future.

The recognition of key corridors such as the A23/M23/Brighton Mainline corridor and M25/North Downs Line by TfSE is to be welcomed, however it remains the case that the criteria for transport investment used by the government and other agencies render it challenging to justify transport spending in areas such as Reigate & Banstead, which are relatively prosperous and which do not have the capacity to deliver the large amounts of housing that are often expected to secure investment.

At a local level, the Council continues to collect the Community Infrastructure Levy, which is now being allocated to assist with the delivery of a range of infrastructure projects across the borough. However, the funds that the Levy generates will not be sufficient to address the overall infrastructure funding gap, which the most recent Surrey Infrastructure Study estimated at £96m for the borough.

In terms of aviation, the industry has been hard hit by the coronavirus pandemic, with Gatwick Airport predicting that could take 4-5 years for passenger and flight numbers to return to pre-COVID levels, and the organisation proposing a companywide restructure. The negative implications of this for local employment are highlighted above. Gatwick Airport has indicated that it is committed to understanding and taking account of local issues as it recovers, and the breadth of potential local impact (economic, social and environmental) must be recognised. At the time of writing, Gatwick Airport maintains that it remains committed to its plans to bring its existing

standby runway into routine use and that it intends to undertake public consultation on this proposal in mid 2021.

The Council will need to continue to monitor airport activity and engage constructively with the airport in relation to its response to the ongoing pandemic and any future growth plans.