

Annex 1: The international, national and sub-national context in which the Council will need to operate in 2019/20

International context

Brexit:

- 1.1 Brexit probably represents the greatest uncertainty facing the Council. The impact of Brexit on the UK and EU economy will shape the context for (and role of) Local Government. Once finalised, the negotiated Brexit package may influence future trade patterns, foreign direct investment and the nature of the labour market. It may also result in changes to the regulatory framework for some Council services (for example in relation to waste).
- 1.2 The precise nature of the Brexit impact is currently unknown: whilst the UK's formal exit from the EU will take place in March 2019 (just before the start of the 2019/20 financial year) at the time of writing proposals are still being developed which are likely to have economic and policy implications for the borough.
- 1.3 In addition to the future impact of Brexit; the negotiations stage that we are currently in, and any transitional phase, will divert considerable Government/Civil Service resources, meaning that progress on other Government projects (such as the Fairer Funding Review and Business Rates reform) will be slower than might otherwise be the case

The global economy:

- 1.4 More generally, the international financial markets and the worldwide geopolitical landscape will influence future global economic conditions, oil prices, inflation rates and interest rates. These in turn impact on national economies and on the nature of the demands placed on the Local Government sector.

National policy context

Industrial Strategy:

- 1.5 The Government's Industrial Strategy recognises the importance of continued economic growth, particularly in a post-Brexit world. It focuses on promoting innovation; jobs; infrastructure; business support and building prosperous communities and will shape the Government's approach to its investment in business and enterprise, and infrastructure, including at the sub-national level (see below).

Welfare reform:

- 1.6 Welfare and benefits account for a significant proportion of public spending and the Government has pursued a substantial reform agenda in this area. Changes to the Benefits Cap and Local Housing allowance rates for under 35s have impacted on families and young people's ability to pay rent (exacerbated by 'affordable housing' rents now being linked to market rates).
- 1.7 Universal Credit continues to be rolled out nationally and as of October 2018 is being implemented in Reigate & Banstead. The experience from areas where it has already been introduced suggests that the impact on residents and for the Council could be

substantial, and work is underway within the organisation to understand the likely impact on local residents and how the Council can best respond.

Housing and homelessness:

- 1.8 Closely linked to welfare reform is the issue of access to housing, and homelessness. In addition to the changes outlined above, reductions in working benefits and child benefits to families, a freeze on the local housing allowance and changes to supported housing funding will affect local people's ability to afford to live in the area, and the Council will need to respond to this challenge.
- 1.9 The Homelessness Reduction Act is expanding our duties to assist those at risk of homelessness including those without a local connection. The Council has received two years of ring-fenced funding from Government towards the new duty, although there remains a question mark over longer term funding.
- 1.10 More generally, housing affordability in the Borough is such that local residents and young families on even moderate incomes are unable to afford to buy their own home.

Planning:

- 1.11 Housing and homelessness issues are exacerbated by high house prices, a limited supply of new homes coming onto the market and a lack of genuinely affordable housing being built. The Government has clearly stated its ambition that the country should build more homes.
- 1.12 New national planning policy expects a much increased level of housing to be delivered in the borough which will impact on how the Council plans for development in the future and unless carefully managed through our Local Plan development work is likely to have detrimental impact on our environment, infrastructure and local communities.

The property market

- 1.13 Property market growth has slowed somewhat in the wake of the Brexit referendum, the 2017 General Election and ongoing Brexit preparations. This is notable in both house price growth plateauing and the commercial retail market slowing considerably; although the lack of supply is keeping house prices relatively high in the area and the commercial office market remains buoyant. Notwithstanding this, the property market (and thus the income generated from Council assets) remains vulnerable in light of the ongoing Brexit negotiations and global economic circumstances. As such this is included in our strategic risk register, which is regularly reviewed and for which controls and mitigating actions are in place.
- 1.14 Recyclate markets: Our recycling service generates significant income for the Council, as materials are sold to processing plants. The price for recyclates is, however, impacted by the 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. Demand for plastic materials is impacted by the international oil market. When the oil price is lower (as in recent years) it reduces demand, and thus the market price for, plastic. Our income projections for recyclate income are reviewed regularly through the Council's service & financial planning and

budget monitoring process recognising that this is an external financial risk for the Council. Market fluctuations have, in the past, led to large reductions in the Council's income from recyclates. Although the market now appears to be stable, this remains an area of uncertainty that needs to be addressed in our service and financial planning.

Sub-national context

Health and wellbeing and social care:

- 1.15 Healthcare is a national issue, but one that manifests itself at a sub-national and local level. Sustainability Transformation Plans prepared for the area will shape the future of healthcare provision for Borough residents. Continuing funding and capacity issues across the National Health Service, as well as demographic change, will increase residents' call on local services, and our most vulnerable residents will remain most at risk from these changes. We need to be alert to these changes as it may impact on the services this Council needs to provide. As such, partner decisions is recognised as a strategic risk which is regularly reviewed and for which controls and mitigating actions are in place.
- 1.16 An increasing focus of the health community in Surrey is around the wider determinants of health. This recognises that a wide range of activities carried out by the Council (and our partners) impact on and influence the wellbeing of our residents, including planning, greenspaces, leisure, community development activities, housing and family support, business support, environmental health and licensing. Current financial constraints make it more important that wellbeing is considered in a holistic way in the future.

Transport and other infrastructure:

- 1.17 Funding and delivering the transport infrastructure needed to support growth remains a challenge, and one which lies largely outside the control of the Borough Council. A sub-national transport body (SNTB) for the south east is being established which will have devolved responsibility for strategic transport spending. However, the difficulty of justifying transport investment in a relatively prosperous area such as Reigate & Banstead remains, and increasingly, central Government funding for infrastructure is linked to the delivery of large amounts of housing (the scale of which would be challenging in a constrained Borough such as this one). At the same time, spending on the local highways network is being reduced by Surrey County Council.
- 1.18 The Council now collects the Community Infrastructure Levy, with some initial priorities for spending having been agreed by the Executive. However the funds that this Levy generates will not be sufficient to plug the infrastructure gap, which the most recent Surrey Infrastructure Study estimates at £96m for Reigate & Banstead.
- 1.19 In terms of aviation, the expansion of Heathrow Airport has now been formally agreed by Parliament, although its construction is still a considerable way off. Whilst it is now less likely that Gatwick will get a second runway, even with a one-runway configuration, Gatwick Airport is continuing to grow its passenger numbers. This is resulting in more people moving through the Borough to access the airport, either by road or rail. The Government is preparing a new Aviation Strategy which will set out the long term direction for aviation policy to 2050 and beyond - this will undoubtedly have some impacts for authorities in the vicinity of major international airports (such

as Reigate & Banstead). In the meantime, it has confirmed that it is supportive of all airports making best use of their existing runways.

Economic prosperity:

- 1.20 Reigate & Banstead falls within the Coast to Capital Local Enterprise Partnership (LEP) and sits at an important strategic location within both the LEP area, and the Gatwick Diamond. The LEP – which has already agreed to provide funding towards securing the Horley Business Park road access – published its new Strategic Economic Plan over the summer, which sets out its priorities for economic growth and investment in future years. This will be the basis of negotiations between the LEP and Government about a new Local Industrial Strategy for the area and associated economic development funding for the sub-region.
- 1.21 It will be important that the Council continues to work in partnership with the LEP to promote the area as a place to do business, and to lobby for Government investment in the infrastructure required to support this.