

POLICY CONTEXT

The international, national and sub-national context in which the Council will need to operate in 2020/21

International Context

Brexit:

- 1.1 Brexit represents probably the greatest international uncertainty currently facing the Council. The potential impact of Brexit on the UK and EU economy will shape the context for (and role of) Local Government. Once finalised, the any negotiated Brexit package, or lack thereof, 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 At the time of writing, the precise nature of the potential Brexit impact is unknown; the current political debate leaves it uncertain how or when the UK will exit the EU. As of 28 October 2019, an in principle extension to the negotiating period, delaying the UK's formal exit from the EU until up to 31 January 2020, has been agreed. This is however a flexible extension, and the UK could therefore potentially leave at any point between 31 October and 31 January. At this stage, it is therefore remains unclear what the potential economic and policy implications will be for the borough, but we are continuing to work with government, local businesses and the local resilience forum to put the borough in the best possible situation to respond.
- 1.3 In addition to the future impact of Brexit; the ongoing negotiations and political challenges have diverted considerable Government/Civil Service resources, meaning that progress on other Government projects (such as the Fair Funding Review and Business Rates reform) has been slower than might otherwise have been the case. This slowdown is likely to continue until the uncertainty around Brexit is resolved, and throughout any transitional stage.

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.
- 1.5 Following the financial crisis of 2008, the world has generally experienced a period of sustained growth. There have however been a number of recent warning signs in the global economy, which have previously correlated with impending downturns. In a global context of increasing trade tensions, constrained monetary policy, and increasingly adverse impacts of climate, a degree of caution is therefore warranted when considering the global economic outlook.

The Environment and Climate Change:

- 1.6 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. Where these continue unaddressed, they present significant risks to the continued security and quality of

many people's lives.

- 1.7 Regarding global warming and climate change, there is a near-consensus that the world will need to reduce its net carbon emissions significantly in the near future, or face increasingly adverse consequences. The Paris agreement, adopted by the UK and 195 other countries in 2015, sets out an action plan to address this need and limit global temperature increases.

National Policy Context

- 1.8 The overarching national policy context in the past decade has been central government's programme of austerity. Whilst moderated somewhat from its initial conception, and more recently overshadowed in the public consciousness by Brexit, the underlying reduction in public spending has increased the demands upon local authorities, whilst simultaneously reducing the resources they have available. UK Government funding for local authorities is estimated to have decreased by almost 60% between 2010 and 2020.
- 1.9 More recent policy proposals from both the government and opposition parties have intimated a shift in attitudes and the potential for restoring some of the reduced support for public services. However, it remains to be seen when, or if, such a change might be implemented.
- 1.10 The 2019 government spending review delivered some minor increases in government departmental spending, but real spending remains well below pre-2008 levels. The expected longer term spending review has been repeatedly postponed and has yet to be completed. Given the current focus on Brexit and associated political concerns, any broader changes to policy may well take some time to enact.

Industrial Strategy:

- 1.11 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:

- 1.12 In line with wider austerity measures, previous Governments implemented reductions to most social security payments, such as Child Tax Credit and Working Tax Credit, in both real and sometimes nominal terms. Reductions and freezes to the Benefits Cap and Local Housing allowance rates for under 35s have particularly impacted on families and young people's ability to pay rent (exacerbated by 'affordable housing' rents now being linked to market rates).
- 1.13 Universal Credit, combining a range of previous benefits, continues to be rolled out nationally and has been being implemented in Reigate & Banstead since October 2018. 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 been working to address. As part of the actions taken to mitigate this risk, the Council has introduced a Money Support Service to advise residents and help prevent them encountering financial difficulties.

Housing and Homelessness:

- 1.14 The continued roll out of Universal Credit and other welfare changes continue to present affordability challenges when accessing housing that is affordable locally.
- 1.15 The Homelessness Reduction Act, which expanded our duties to assist those at risk of homelessness, is now in its second year. The Council received three years of ring-fenced funding from Government in 2017 towards preparing for and implementing the new legislation, although there remains a question mark over longer term funding.
- 1.16 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. Figures from Land Registry report the average house price in the borough is £513, 836; this equates to over 10 times the local average income and well above the national average of £233,181. House prices in the borough have largely plateaued in recent months, but wages would still need to increase significantly to meaningfully improve affordability for many.
- 1.17 To work to address these issues, the Council is developing a Housing Delivery Strategy to help enable the development of more housing that is more affordable to local people in the borough. Whilst the scale of the overall housing affordability challenge is beyond the resources available to the Council, this strategy will help drive work to improve the local housing context.

Planning:

- 1.18 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, and has introduced a range of initiatives to 'unlock housing'.
- 1.19 New national planning policy expects a much increased level of housing to be delivered. Unless carefully managed through the Local Plan-making process, this risks having a detrimental impact on our environment, infrastructure and local communities.
- 1.20 The Council's Core Strategy was reviewed earlier this year, and was deemed to continue to be up to date for the purposes of planning decision-making across the borough, and the new Development Management Plan was adopted in September 2019. Together, these form the Council's Local Plan and as such, local planning decisions will continue to be made in line with its requirements, objectives and policies.

The Property Market

- 1.21 The property market growth has slowed somewhat in the wake of the Brexit referendum, the 2017 General Election and ongoing Brexit preparations. With real wages relatively stagnant, and interest rates already close to record lows, the limited capacity for new buyers to borrow at greater levels may also be limiting further growth in the market.
- 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.

Recyclate Markets

- 1.22 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 (e.g. 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. Given uncertainties around Brexit and wider trade tensions, this remains a potential risk area.
- 1.23 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 currently appears to be stable, this remains an area of uncertainty that needs to be addressed in our service and financial planning.

The Environment and Climate Change

- 1.24 At a national level, the UK recently amended the Climate Change Act 2008 to commit the country to a target of net-zero greenhouse gas emissions by 2050. This is supported by a range of current and emerging legislation, including a requirement for all new cars to be zero emission by 2040. There continues to be debate over whether the current targets are sufficiently ambitious, or if action to reduce emissions needs to be accelerated.
- 1.25 Some sustainable industries are now performing particularly well in the UK, with electricity from renewable energy overtaking that from fossil fuels for the first time in the last quarter, and power from offshore wind generation becoming available at cheaper rates than current wholesale energy prices. If this continues, there may be additional opportunities to move to more sustainable models in a range of areas.
- 1.26 The government has recently published a new environment bill. If adopted, it would establish a new independent watchdog, the Office for Environmental Protection. This would be intended to hold the government to account on environmental issues, particularly in the case of the UK leaving the EU and thus no longer being bound by associated commitments.

Sub-National Context

Health & Wellbeing and Social Care:

- 1.27 Healthcare is a national issue, but one that manifests itself at a sub-national and local level. 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. The Council needs to be alert to these changes as it may impact on the services this organisation 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.
- 1.28 An increasing focus of the health community in Surrey is around the wider

determinants of health. This is reflected in the Surrey Health and Wellbeing Strategy which was approved by the Surrey Health & Wellbeing Board in 2019. 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. The Council is currently preparing a Wellbeing Strategy to set some parameters to this aspect of our work in line with our Corporate Plan.

Transport and Infrastructure:

- 1.29 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, Transport for the South East, has been established and is working to develop a strategic transport approach. Pending approval of associated funding, this body will have devolved responsibility for transport in the region.
However, the criteria for transport investment used by the government and other agencies render it challenging to justify transport spending in a relatively prosperous area such as Reigate & Banstead, presenting challenges for sustaining the required capacity 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.
- 1.30 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.
- 1.31 In terms of aviation, Gatwick Airport has now formally announced its intention to bring the existing standby runway into use for some regular flights. This will require a Development Consent Order from Secretary of State, following an enquiry by the Planning Inspectorate. The Council will be consulted at various stages in this process, and is working with other surrounding Councils to consider priorities for the area. Any expansion to the airport will have consequences for the borough in terms of increased surface transport activity and economic factors, along with the direct impacts of additional flights.
- 1.32 Policy support for the expansion of Heathrow Airport has now been formally agreed by Parliament, although its construction is still a considerable way off. Whilst not as near to the borough as Gatwick, we will also be responding to consultations around the potential implications to residents and the local area from overflight noise, surface transport, and other matters.
- 1.33 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:

- 1.34 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 published its new Strategic Economic Plan in summer 2018, which set 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. The LEP has provided funding towards the Horley Business Park development.

- 1.35 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.

The Environment and Climate Change

- 1.36 Surrey County Council published an environmental sustainability policy statement in 2017, and recently declared a 'climate emergency'. Other nearby local authorities have also recently made a range of commitments to address climate change and other environmental considerations. There will be opportunities to consider how this Council can best work with these partners to progress our own approach to these matters.