

How might COVID-19 impact our operating environment?

Scenarios & macro planning assumptions

The following slides consider the ‘most likely’ scenarios and trends over the next 12 months and beyond to inform these discussions

	Challenges	Opportunities
Covid-19	<p>The Government will continue to cautiously ease lockdown restrictions while monitoring key indicators for signs of further spikes (e.g. R number for infection reproductive rate), though it is taking localised measures where there are signs infection rates are increasing. It is not anticipated that a vaccine will be available until at least the middle of 2021, assuming one can be found. Social distancing measures are likely to remain in place for schools, workplaces, and businesses such as shops and restaurants for at least a year, and national test and trace programmes, combined with implementation of Local Outbreak Control Plans, will be crucial for avoiding future blanket national lockdowns.</p>	
<p style="text-align: center;">Page 70</p> <p>Political</p>	<ul style="list-style-type: none"> The shape of national fiscal policy is uncertain. The Prime Minister has confirmed the Government will not return to the austerity approach of the previous decade. The Comprehensive Spending Review (CSR) in the autumn is unlikely to alleviate local government funding pressures. Funding for this will possibly be raised through a combination of measures, such as more borrowing, higher taxes or public sector wage freezes The NHS is likely to be the main beneficiary from additional government funding to manage stored up demand (e.g. for non-Covid urgent and chronic conditions). Local authorities may also receive funds, but they are unlikely to be sufficient for responding to increased service demands. It may be aimed at reactionary over preventative spend to deal with increased acute demand pressures Development of a proposal for unitarisation of Surrey's local authorities in response to the Government's Devolution and Local Recovery White Paper may place additional pressure on local authorities' capacity. Agreeing the right structure of a unitary authority for the county may also be a challenge. 	<ul style="list-style-type: none"> The Government will invest more resources to help public services cope with increased demand, though it remains to be seen whether the level of investment is sufficient Green growth agenda gains momentum with more investment in active travel schemes (walking and cycling) and streets are repurposed for pedestrians over private transport users. Lobbying HM Treasury ahead of the CSR for fairer funding for Surrey and on service funding issues, e.g., Adult Social Care and SEND Renewed political appetite for devolution as a tool for economic recovery that also passes on political risk to local authorities - Government more willing to enter into more devolution negotiations with places to support economic renewal. Opportunity to simplify local government structures and transform services as Government actively encourages proposals to reorganise local government into unitary authorities.

Challenges

- National economy – Bank of England projecting national economy to **shrink by 9.5% this year** – the biggest annual decline in 100 years. The economy is forecast to grow back to pre-Covid size end of 2021.
- Surrey's **economy enters a very difficult period**. There were signs the economy was starting to decline before the Covid crisis and the issues underpinning this have been exacerbated. Most impacted sectors include travel, aviation, retail, hospitality and leisure. Surrey predicted to lose 14.3% annual Gross Value Added (economic output)
- **Uncertainty on the outcome of the Brexit negotiations negatively affects business confidence** and could lead to investment being redirected away from Surrey and the wider UK
- **Permanent business closures**, particularly impacting small businesses. The trend away from the high-street towards the internet has accelerated. Larger anchor businesses could leave Surrey further hindering growth and business rates income. This could **impact supply chain resilience** for Surrey County Council and partners
- Difficult economic conditions means it will be **even harder to attract infrastructure investment** to support sustainable, good growth.
- **University sector in crisis** due to weakened offer to students, dwindling (international) student numbers and increasing employment uncertainty post-graduation
- Responding to the pandemic has **taken its toll on local authority finances**. Costs spike as funding the Covid response coupled with managing pent-up demand unleashed after lockdown puts huge pressure on council finances. Some authorities may **issue section 114 notices**. Others will need to **review and update their efficiency plans** to cover widening budget shortfalls.
- Planning White Paper – Councils would only have 30 months to prepare new Local Plans, **putting pressure on capacity**. New system has no flexibility to respond to changes in circumstances at final consent stage.

Opportunities

- **New business models** emerge to allow for flexible working and social distancing. This may mean demand for office accommodation falls, leading to opportunities to use these spaces for community benefit
- **Town centres re-imagined** as geographical community and economic hubs
- **Pool of candidates** to draw from for jobs increases, with many newly attracted to public service roles
- Development of **local green industries**, such as recycling processing plants, to create jobs, while making efficiencies and reducing the county's carbon footprint.
- Assuming Brexit negotiations lead to a trade deal with the European Union, and deals are successfully negotiated with other countries around the world, Surrey could **capitalise and work with Government to further grow its export markets and capacity**.
- Opportunity through Public Service Reform to **lobby for creation of Surrey only Local Enterprise Partnership**, building on One Surrey Growth Board, so the county is better positioned to attract additional infrastructure investment from Government.
- Planning White Paper – zonal planning system **gives developers certainty** on what can and cannot be built on certain sites, speeding up delivery. Councils can forward fund infrastructure by borrowing against projected Infrastructure Levy receipts.

Challenges

- **Unemployment rises sharply** – particularly impacting younger people, women, low-paid and lower skilled workers - and there is a risk of longer-term unemployment as some sectors (e.g. hospitality, retail) struggle to recover. Bank of England projecting national unemployment rate to **rise from 3.9% to 7.5%** by end of 2020.
- In the short-term at least, public services will be managing **greater demands from the population** as the knock-on impacts of Covid become clearer
- Local health and care services, as well as children's safeguarding services, will respond to pent up demand as services are stood up again, putting **greater pressures on already stretched services**
- Most **school year groups will not return until at least September 2020**, meaning childcare and schooling issues continue for some households, impacting workers with children and hampering educational development for some children. The risk of a second Covid-19 wave or significant local outbreaks could extend this.
- **Inequalities will worsen** as there will be greater prevalence of mental health issues, domestic abuse, child poverty, unemployment and homelessness. This hardship could lead to **more crime** and **dampen community spirit**
- The voluntary, community and faith sector (**VCFS**) will face **pressures** from increased demand and reducing resources. Some organisations will have to close as cash flow problems persist.

Opportunities

- Focus on **re-skilling/up-skilling those workers who lost their jobs** as a consequence of the crisis, and opportunity to ensure lower skilled, lower paid residents have jobs that are fit for the future
- Community response to crisis leads to a **change in the 'social contract'** between citizens/patients and service providers
- **People are working less, or more flexibly, or are unemployed, meaning they may have more capacity to participate more in communities**, with the VCFS transforming to reflect this. This could strengthen community resilience and social cohesion.
- Extended closure of schools could mean initiatives are introduced to **support older children to undertake temporary work** to gain work experience and contribute to their communities.

	Challenges	Opportunities
Techno-logical Page 73	<ul style="list-style-type: none"> Some workers are unable to sustain remote working as they feel isolated, and remote working gains are not sustained. Assuming more people work from home, this could lead to sustained pressures on digital networks Lack of access to technology could increase inequality for young people if there are any further school closures or requirements for home learning 	<ul style="list-style-type: none"> Higher profile for digital infrastructure – increased importance of internet connectivity for work and service delivery (e.g. online retail) New health, care and community practices adopted and locked in e.g. use of digital platforms by residents/patients and clinicians Changes to ways of working e.g. remote social work contact with children, sustained to support effectiveness and modernisation of services Increased reliance on technology for education during lockdown, particularly for home schooling, leads to education reforms that challenge the traditional classroom model.
Legal	<ul style="list-style-type: none"> Risk of further Covid spikes may mean needing to use provisions in the Coronavirus Act (e.g. Care Act easements) adversely impacting resident outcomes Economic recovery will be hampered by fragmented and out-dated decision-making on planning, land use management and infrastructure at a time when places need to respond flexibly to implement structural economic changes 	<ul style="list-style-type: none"> Challenges for the care sector means government under more pressure to implement social care reforms, including a new legislative framework Exit from Brexit transitional arrangements leads to opportunities to influence key legislation affecting local government (e.g. procurement legislation)

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<p style="text-align: center;">Page 74</p> <p>Environmental</p>	<ul style="list-style-type: none"> Risk that as lockdown easing measures take effect, and with fewer people using public transport because of difficulties with social distancing, some people opt to increase their use of private transport, leading to congested roads and more air pollution If people are working from home more, this could lead to increased levels of household waste, adding further importance to the need to promote recycling and re-use with residents 	<ul style="list-style-type: none"> Transport and commuting patterns permanently affected, leading to better air quality, fewer road accidents and less need for highways interventions Transport infrastructure investment diverted towards active travel solutions, e.g., off-road cycleways to increase safety and cut air pollution. Greater investment in future proofed infrastructure (e.g. autonomous cars), low carbon energy production, green construction methods and environmental business opportunities Additional investment in green energy infrastructure (e.g. solar energy farms) as part of transition to green economy Renewed appreciation for local countryside and green spaces leads to increased resident use, better health and wellbeing outcomes and more demands for stronger environmental conservation policies
<p>Health</p>	<ul style="list-style-type: none"> Possibility of social care transferring from local government to NHS leads to significant uncertainty for business planning and service disruption, and loss of democratic accountability across health and care If health services cannot reduce the backlog of treatments and operations stored up during lockdown, health inequalities could worsen and/or there could be increased pressures on Surrey County Council services Long term impacts of lockdown will take time to materialise, but anticipate impacts on mental health, including PTSD, to be significant As lockdown easing measures take effect, there is a risk of further Covid-19 spikes which could add to the inequalities and demand pressures that local authorities need to respond to, and further damage the economy Fears of infection, coupled with Brexit uncertainty, means it is even more challenging to attract people into health and care professions 	<ul style="list-style-type: none"> Greater public awareness of responsibility for own and others health and well-being (e.g. hygiene) Health and social care integration accelerates, with more seamless service models developed Public Health plays a key role in the NHS Test and Trace programme, identifying further outbreaks early and initiating localised lockdown if needed. This will be supported by Surrey's Local Outbreak Control Plan.

Deeper, longer trends

- **Widening inequality** – The impacts of Covid-19 and lockdown measures are being felt differentially, with different responses and behaviours by age, race, property and wealth, leading to accentuation of differences, polarisation and exacerbated social and economic inequality. Likely recession will see some businesses close permanently, leading to increased unemployment and subsequent impacts, such as more child poverty and homelessness.
- **Increased pressures on public services** – The social and economic fall-out are likely to increase demands on public services. As a crisis impacting the entire population, public services need to anticipate the extra demands e.g. on mental health services. They will also need to manage declining revenues as an imminent recession will shrink the tax base, and the shape of fiscal policy once the crisis is over is unclear.
- **Opportunities for reform** – Crisis provides stimulus for potential reforms across range of policy areas. Includes new ways of working, reforms to the way children and young people are educated, more and better housing and removing barriers to health and care integration. Changes to ways of working and travel patterns could have long-term environmental benefits and strengthen economic productivity.

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