

POLICY CONTEXT

The international, national and sub-national context in which the Council will need to operate in 2022/23.

1. International Context

- 1.1 The UK and the Council are part of a global economic system. The state of this system therefore shapes and influences the context in which the Council must operate. This includes factors such as international political stability, global productivity, international finance, and commodity prices and supply chains. Whilst the Council is a very small part of the system, the macro-trends shaping the global situation also have local implications, awareness of which is important for informing the work of the organisation.
- 1.2 At present, the global economy is facing challenges from a number of directions. Most prominently, the ongoing effects of the Covid-19 coronavirus pandemic have significantly hindered wellbeing and productivity across the world. In addition to the direct health implications for millions, this is particularly being felt in terms of supply of many resources, including some foodstuffs, fuels, and raw materials. Whilst vaccination levels in the most developed areas are enabling a return to near-normal levels of activity, other regions have so far had less access to these remedies, and the effects are therefore likely to continue to be felt for some time.
- 1.3 Underlying this effect, international instability is increasing. Increased tensions between the USA and China, a resurgence of a more nationalistic and authoritarian politics across many countries, and a retreat from the overarching trend towards globalisation of recent decades are pulling international relations away from the previous global order. These effects are already being felt in their impacts on supply chains and wider international trade, and may become more pronounced over time.

Climate Change and Environmental Degradation

- 1.4 The effects of climate change and environmental degradation are both increasingly evident, and increasingly harmful. 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 due to human-led carbon emissions. These risks have been highlighted by the increased prevalence of extreme weather events, flooding and wildfires across the globe.
- 1.5 Regardless of other economic factors, if determined action is not taken to address this crisis, the wellbeing and prosperity of everyone on the planet are likely to suffer greatly. The Paris agreement, adopted by the UK and 195 other countries in 2015, sets out a plan to address carbon emissions and global warming, but this will need to be supported and delivered by practical action at a national and more local level. Even where action is taken, there is likely to be continued disruption for some time, with wide-ranging implications to food and

resource security, migration, and international tensions, further exacerbating other global economic pressures.

- 1.6 At the time of writing, the 26th United Nations Conference of the Parties (to the United Nations Framework Convention on Climate Change) (COP26) is taking place, with all parties to the convention considering options for addressing climate change. The outcomes of this conference may have significant ramifications for future national and international responses to climate change, and will be monitored as part of ongoing work to support environmental sustainability.

Brexit

- 1.7 Brexit, the recent departure of the UK from the European Union, is an example of the wider trend away from multilateralism towards more nationalistic focus, as well as a reflection of the impact of these wider pressures on the function of the EU. It remains unclear how the longer term impacts of this move will manifest, with arrangements around sensitive elements such as Northern Ireland and fishing rights still being resolved. However, in the short term, it has introduced significant turbulence in the trading environment, leading to disruption to supply chains and increased costs for many businesses and customers. These increased costs filter through the economy, leading ultimately to increased pressures upon Council services.

Recyclate Markets

- 1.8 An international economic factor of particular note to the Council is the price of recycled materials. The Council is a supplier of these, using recycling collected locally, and the value of these materials is therefore a considerable income consideration for the organisation. The general constraint on resource availability means that the level of demand for paper is currently relatively high, which presents a good outlook for income from this source in the coming year.
- 1.9 However, prices in this sector have been historically highly volatile, and if demand diminishes again, due to either temporary pressures causing longer term economic slowdown, or alternatives becoming more readily available, then this income may not be realised. In parallel, cost associated with the processing and disposal of materials are expected to increase, reducing the net surplus of the Council's operations. On this basis, 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.

2. National Context

- 2.1 The national context, with regard to the Council, is currently dominated by the conjunction of two factors: the coronavirus pandemic, and real terms reductions to and constraints on public sector funding, both set within the wider trend of the stagnation in living standards of much of the population. These factors interrelate, and all present pressures upon the borough and the Council. Along

with these pressures, there are some potential opportunities which may emerge.

Coronavirus (COVID-19)

- 2.2 Of these, the coronavirus pandemic and its impacts are the most striking at the present time. The pandemic, and the control measures it required, constituted a major disruption to the national economy, leading to significant reductions in productivity and surges in business closures and unemployment. Whilst the pandemic led to significant loss of life, and continues to present a major pressure on health services leading in to already challenging winter months, state action to mitigate its wider consequences appear to have worked relatively well, with current indications suggesting that the economy, and the lives of the population, are recovering strongly.
- 2.3 However, the majority of these support measures are now either being removed or scaled back, and the Council will therefore need to remain alert to potential negative shifts in conditions. Elements such as the removal of the temporary increase to universal credit and the backlog facing health services may yet lead to further economic and social difficulties, which will need to be addressed. Along with the broad international implications of the pandemic, the potential for these pressures to escalate remains a risk.

The Public Sector

- 2.4 The overarching national policy context in the past decade has been central government's programme of austerity. This real terms reduction in the resources available to public services has increased the demands upon local authorities, whilst simultaneously reducing the tools they have available to respond. The recent pandemic underscored the importance of the NHS in particular, along with the wider state sector and local authorities, in maintaining the functionality of the nation, but it remains to be seen if this lesson will be taken to heart.
- 2.5 There are indications, including in the Autumn 2021 budget, that central government may be moving away from its previous approach, and towards either restoring resources for key functions, such as education and health, to more normal levels, or at least preventing further real terms reductions in funding. However, many elements remain below pre-2008 levels in real terms, and even if this trend towards restoration is maintained, the underinvestment and its consequences will continue to be felt for some years.

The Economy and Living Standards

- 2.6 Real terms income for much of the population has been largely flat in recent years, with the benefits of economic growth during this period disproportionately accruing to the most wealthy. Whilst there have been some positive shifts in income distribution, the wealth disparity, increases in living costs associated with elements such as housing, and the challenges faced by public infrastructure, have meant that overall standards of living for most of the population have not significantly improved.

- 2.7 Overall levels of deprivation have therefore remained at constant or elevated levels, as evidence through phenomena such as increased demand for homelessness support, rising levels of personal debt, and expanded use of foodbanks in some areas. Combined with the ongoing demographic shift towards an older population, thereby increasing demand for adult social care, the burdens upon local authorities and other public services have thus generally increased over this period.
- 2.8 There are positive signs that the economy is shifting in ways which may ameliorate these issues over time. In addition to the initial steps towards undoing the reduction to funding for public services being taken by the government, employment levels and real average earnings have been increasing in the last year. However, caution must be applied to these observations, as they are significantly influenced by the rebound from pandemic conditions, and may therefore not be sustained.

Welfare System

- 2.9 Changes to the welfare system, triggered by national austerity measures, continue to impact on the most vulnerable in our society.
- 2.10 Universal Credit, combining a range of previous benefits, is now the default system for new benefit applicants. Initial implementation in Reigate & Banstead commenced in October 2018 and is now at 63%, with the current target for full national roll-out, including transferring previously existing benefits, 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.
- 2.11 The Council also administers Discretionary Housing Payments on behalf of the Government. The Department of Work and Pensions revised its funding methodology for these in 2021/22, leading to the Council now receives less funding for these payments. As these payments are under high demand, and work towards preventing the risk of homelessness, this could also potentially cause cost pressures in other service areas.
- 2.12 During the coronavirus pandemic, claimants received an additional £20 per week, reflecting the potential for increased costs due to the unusual circumstances. This additional benefit was removed again in October 2021. As a number of the potential cost pressures for those receiving universal credit remain, this may lead to further demand for other Council support services.
- 2.13 Unemployment levels increased during the pandemic, and rose during the early part of 2021. However, they have since trended downward in the borough, and remain at a lower rate relative to most English local authorities. As it had previously been anticipated that unemployment might remain at an elevated level, it is hoped that this reduction will reduce the demand for associated Council services. It remains uncertain if there will be a further uptick in demand following the removal of pandemic response measures.

2.14 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-19 response. Whilst many of these measures have now been, or are being wound up, it remains uncertain what additional demands may continue to be made, or what administrative support any new measures may require. In addition, there are a number of local support measures, such as Council Tax support, which are continuing to be in higher demand.

Planning Policy

2.15 The Government has been consulting on major changes to the planning system, following the publication of a white paper in August 2020. Initial indications of the paper were that in the future, national planning policy might remove many elements of local choice and control, and replace them with centrally determined standards. These changes have the potential to substantially change how development planning takes place in the borough.

2.16 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.

2.17 With the recent change of Secretary of State, the proposed changes to the system are anticipated to be reviewed. However, there have been no significant announcements regarding plans for the system, and there is thus currently a high level of uncertainty regarding any changes to the planning system in the coming years. In the event that significant changes are applied, the Council may need to revise its local plan, which would incur additional costs to implement.

Environmental Policy

2.18 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 and policies, including the government's Net Zero Strategy and decarbonisation strategies around heat, industry and transport. Further commitments may emerge from the COP26 conference on climate change, taking place in Glasgow at the time of writing.

2.19 In June this year the Committee on Climate Change published its annual report to Parliament about reducing UK emissions. Their report identified that the government had committed to a range of positive steps, but that it was being too slow to implement these through policies and legislation. It identified that current policies would only deliver approximately 20% of the required cut in carbon emissions to meet the UK's targets, and act to limit the harm caused by climate change.

2.20 The National Audit Office also published its review of local government and net zero [carbon] in England in July 2021. It identified that local government would

have an important part to play in reaching the UK's net zero target, including through their responsibilities around waste, local transport and social housing, as well as their roles in community engagement. The report also noted that further support for local authorities would be required to help deliver this goal, and that challenges such as unclear responsibilities and piecemeal funding would need to be overcome.

- 2.21 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. The Bill is currently undergoing final parliamentary consideration.

Waste & Recycling

- 2.22 In addition to monitoring recycle prices, as identified above, there remains a significant degree of uncertainty for the Council's waste and recycling services around the government's forthcoming Resources and Waste Strategy. Emerging from legislation tied to the Environment Bill, this has the potential to impose additional requirements on local councils for the collection of waste and its composition.
- 2.23 The strategy has the potential to require the Council to undertake additional activity, whilst both providing no certainty of additional resources, and removing or reducing the Council's current options for generating related income. This would apply significant additional pressure to the Council's budget. Additionally, the ongoing uncertainty constrains the organisation's capacity to make decisions on investments in services. The Council will therefore need to continue to monitor the development and finalisation of this strategy as it emerges.

Local Government Reorganisation

- 2.24 Previous proposals from Surrey County Council around moving towards a unitary local government arrangements have not been progressed, but local government reorganisation remains a possibility that may need to be considered in future years. Following announcements earlier in the year from Government, Surrey County Council submitted an expression of interest to be a pilot area for a new-style 'County Deal', and a White Paper on Levelling Up is anticipated later in the year. The potential implications of these for the borough will continue to be tracked.

3. Sub-National Context

Health & Wellbeing

- 3.1 Healthcare is a national issue, and one that has been at the forefront in the last years due to the coronavirus pandemic. Whilst funded nationally, it is delivered locally, and remains of central importance to the health and wellbeing of Reigate & Banstead residents.
- 3.2 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.
- 3.3 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

- 3.4 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.
- 3.5 In its most recent update to its Coronavirus Economic Impact Assessment, dated July 2021, the LEP estimates that the Coast to Capital area could have lost up to 12% of GVA during 2020. This is a great reduction than the overall UK figure of 9.9%, but less than the previous forecast of a 17% reduction. To return to pre-COVID GVA levels by 2029, regional GVA growth would need to significantly increase from its 2010-2019 level of 3% by 2026. It has identified five 'foundations of productivity' – business environment, people, places, infrastructure and ideas – around which to build a framework for economic recovery.
- 3.6 Analysis by the LEP suggested that as of August 2020 around 30% of Reigate & Banstead employees were on government support schemes. Some of the highest economic impacts were felt in the south of the borough, likely as a result of the impact on airport-related employment in these areas. Since then,

the local status has markedly improved, with regional furlough rates dropping to 15% between December and March 2021, and Self-Employment Support Scheme take-up also decreasing from peak levels. The furlough scheme has now ended, as of August 2021, and it possible that this will lead to further challenges for some local residents who were utilising this support.

- 3.7 In the longer term, underlying demand factors suggest that much of the reduction in economic activity is likely to be recovered, although there is the potential for some elements, such as business flights, to remain at a reduced level. Adjustments to employment patterns, with a move to more remote or 'hybrid' working, and fiscal developments, such as the recently announced business rates relief for leisure, retail and hospitality sectors may also influence the future shape of the local economy.
- 3.8 It remains to be seen what the longer term economic trends for the sub-region will be. 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 key to its recovery and resurgence, to help support residents into employment, education and training. The Council will need to monitor the effects of other shifts, and help the borough residents and business respond to the developing context.

The Local Housing Market

- 3.9 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. Demand in the preceding year was buoyed by stamp duty reductions, but whilst that scheme has now ended, there remains no clear sign of any significant reduction in prices, and wages would still need to increase considerably to meaningfully improve affordability at current price levels.
- 3.10 Similarly, private rents in the borough remain high, with the average 2 bed monthly rent being around £1,200. This compares to a maximum local housing allowance rate of just under £950 for most of the borough. Whilst the economy is now starting to recover from the pandemic, support measures are also now being reduced, and there remains the potential for further job local job losses, particularly in traditionally lower income sectors such as the service and hospitality sector. There therefore remains the risk that more households will struggle with housing costs in the coming year.
- 3.11 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.
- 3.12 The Homelessness Reduction Act, which expanded our duties to assist those at risk of homelessness, is now in its fourth year. The grant supporting this activity was extended in the 2021 Autumn Budget, but uncertainty remains

about whether the increased work and responsibility for the Council arising from the Act will continue to attract Government funding into future years.

- 3.13 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

- 3.14 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.
- 3.15 High street businesses and properties have experienced significant challenges due to the COVID restrictions in place, along with competition with online retailers, although some sectors, such as supermarkets have continued to fare well. Increased and ongoing demand for on-line shopping suggests that the warehousing sector will continue to be strong. Recent adjustment to business rates for some town-centre sectors may alleviate some of these pressures, but would not be expected to overturn the prevailing trends.
- 3.16 The future of the office market remains uncertain and is likely only to become apparent as leases come up for renewal. 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 measures continue, or general employer and employee appetites for working spaces shift towards less dense working in general. 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, but recent survey indicate that overall demand for high quality office space in the borough remains high.
- 3.17 In light of the widespread market uncertainty, particularly regarding future trends around office use, 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

- 3.18 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.
- 3.19 Surrey County Council has recently agreed its first Climate Change Delivery Strategy, focusing on the activity it, and partner organisations such as this

council will need to take to achieve county-wide targets. 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

- 3.20 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, including a regional transport strategy recognising the important regional radial and orbital transport routes that cross Reigate & Banstead. In October 2020, the government confirmed its support for the work of TfSE, but elected not to take forward statutory status or devolution of powers at that time.
- 3.21 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 (especially with the Government's current focus on Levelling Up) 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.
- 3.22 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.
- 3.23 In terms of aviation, the industry was hard hit by the coronavirus pandemic, with flights from Gatwick Airport dropping to near-zero levels at the low points. This would have had very significant economic downsides for the local area had it persisted. However, most recent indicators show that flights have now recovered to levels largely consistent with this seen pre-pandemic, and associated economic activity is therefore expected to similarly recover.
- 3.24 Gatwick Airport is currently undertaking a public consultation on its proposal to bring its existing standby runway into routine use, as part of an expansion of the airport's capacity. The Council will be monitoring and responding to this consultation, including with regard to both its potential impacts on the local economy, and around social and environmental impacts of such an expansion.