

POLICY CONTEXT

The international, national and sub-national context in which the Council will need to operate in 2023/24

1. International Context

1.1 The UK and the Council are part of a global economic, political and environmental 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.

Global Economy

- 1.2 The global economy has recently faced a number of headwinds, limiting productivity and prosperity. These have most significantly manifested in elevated costs of energy, food and shipping, seemingly caused by a combination of the effects of the coronavirus (COVID-19) pandemic, political instability including the invasion of Ukraine, and climate factors.
- 1.3 The combination of these factors has manifested significant supply-side cost pressures across the globe. This has driven major increases in inflation in many countries and hindered the recovery of economies from the disruption of the pandemic.
- 1.4 The effect of these cost pressures has been felt unevenly. With pressures particularly affecting essential commodities such as food and energy, the effective cost increases have been greater where those components make up a greater proportion of spending – generally the least wealthy. By contrast, factors including loose monetary policy in the wake of the pandemic enabled corporate profits to remain generally strong.
- 1.5 A number of these supply-side factors are now stabilising or diminishing, with shipping and food costs reducing. However, energy prices remain elevated, and there are continued shortages in some key goods, such as semiconductors. Combined with the feed-through of cost pressures reducing demand and potential market disruption from declining stock prices, this may hinder economic activity in the coming year.
- 1.6 The short-term outlook for the global economy is therefore uncertain, with significant risks present. A number of indicators suggest the risk of recession – whilst this may be staved off, it is likely that real growth will be relatively weak in the near future. This may place additional pressures on the Council where residents require additional support.

International Relations

- 1.7 The invasion of Ukraine by Russia is perhaps the most visible factor in current international relations. The conflict has contributed meaningfully to the adverse economic conditions identified. With fighting ongoing and questions over its implications for the stability of Russia, a major nuclear power, the war is necessarily a significant risk factor for many nations.
- 1.8 More widely, broader trends of increased international tensions, the resurgence of more nationalist and authoritarian politics, and the retreat from the overarching trend towards globalisation of recent decades have continued. These trends have manifested relatively locally with the withdrawal of the UK from the European Union (EU) and challenges faced by the EU around the government policies of nations such as Hungary. The relatively recent election victory of strongly nationalist government in Italy may exacerbate these factors.
- 1.9 Across other areas, there are questions about the future international policy of the United States of America (USA), the role of China in global events and tensions between it and the USA, and a range of more regional concerns. These combination of these factors is likely to reduce international stability and may have adverse consequences for global prosperity in the coming years.

Climate and Environment

- 1.10 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 and 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.
- 1.11 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, the climatic changes that we are already seeing will continue to cause disruption, with wide ranging implications to food and resource security, migration, and international tensions, further exacerbating other global economic pressures.

Recyclate Markets

- 1.12 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. Recyclate prices, although reduced from their peak following the pandemic, are currently expected to remain at reasonable levels in the near future, and income from this source is therefore currently expected to be maintained in the coming year.
- 1.13 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, recycle 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 As with global conditions, whilst the Council is only a small piece of the national context, the general situation of the UK shapes the environment in which it must operate.

Cost of Living

- 2.2 Significantly influenced by those global conditions, the current national context for the UK is dominated by the cost of living crisis facing much of the population. Whilst the UK as a whole is a wealthy nation, the unequal distribution of resources has left many of the population facing challenging financial circumstances as costs of essential items such as food, energy and housing have undergone sudden increases.
- 2.3 Energy prices have risen significantly in the past year. This has presented both households and businesses with challenges around affordability of heating and other uses. These cost factors are now being mitigated through a combination of price caps, but the cost to consumers remains significantly higher than previously. Where this continues, it is likely to continue to effect the wellbeing of population, particular in coming winter conditions, and the viability of businesses.
- 2.4 Other goods and services have also been affected by cost increases, with the CPI measure of inflation peaking at 10.1% in July. Due to some of the causal factors, such as shipping costs, applying a relatively fixed uplift to goods prices, low-cost staple commodities have been disproportionately affected. This has therefore led to a significantly higher effective rate of inflation for those relying upon such goods. The least wealthy UK households have therefore generally been worst afflicted by current conditions.
- 2.5 Housing costs in the UK have also been at record levels, both in terms of absolute cost and relative to unaffordability. Whilst there have been a range of mitigating measures to support access to housing, there has not been a systematic effort towards addressing the limited supply, and this trend is therefore likely to continue in at least the near future. Costs to homeowners have been further pressured by recent increases in the Bank of England base rate leading to increases in mortgage interest rates.
- 2.6 These pressures are likely to increase demands upon Council services as residents struggle to afford essential items and turn to the public sector for assistance. They may also reduce Council income as additional persons may require Council Tax support measures, and uptake of discretionary services may be lower.

Central Government and the Public Sector

- 2.7 The leadership of the national Government has recently changed, following the departure of previous Prime Minister Boris Johnson. The new administration, under Prime Minister Liz Truss, had signalled a change in approach in many areas, particularly including fiscal policy. However, at the time of writing and following a change of Chancellor of the Exchequer, many of the proposed elements have been withdrawn and information on the updated approach is awaited. There is therefore considerable uncertainty as to the Government's emerging approach.
- 2.8 With this uncertainty, it is unclear what effect the policies of the national Government may have on the country and its economy. The previous proposals had prompted concerns regarding the stability of the UK's public finances as they appeared to be potentially dependent on significant economic growth to meet spending commitments. However, the pressures on cost of living facing much of the population continue to apply, and it is not yet clear how these will be addressed by national policy. If developing proposals lead to reductions in economic activity or cuts to essential services, there would be the potential for the financial and wellbeing pressures on the population to continue or even worsen. If plans are able to improve economic conditions, then this would be expected to help address these pressures.
- 2.9 Public sector efforts more broadly continue to operate within challenging conditions. Health and social care services in particular have faced major budgetary pressures in the last fifteen years, and with the recent effects of the COVID-19 pandemic, patients and those relying on care services are facing heightened levels of delay and limitations on services. Other public sector elements, such as education and local authorities have also been dealing with increasing financial pressures, which is likely to continue to hamper their efforts. With the likelihood of further cuts to Government departments having been indicated, these factors are anticipated to continue or worsen in the near term.
- 2.10 If Government policies to encourage growth are successful in the medium term, then the strengthening economy would be expected to help to improve standards of living and support the population through the challenging global economic environment. If the policies are ineffectual or counterproductive, this may lead to a further decline in circumstances, particularly in the event of any wider downturn in economic conditions.

Environmental Policy

- 2.11 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.
- 2.12 The new Environment Act was given royal assent in November 2021. The act set long-term legally binding environmental targets, both with regard to and beyond climate change mitigation. This included targets regarding air quality, biodiversity and waste reduction, which are relevant to the Council's activity.

- 2.13 In October 2021 the previous Government published its Net Zero Strategy setting out policies and proposals to decarbonise all sectors of the UK economy to deliver the national net zero target. The Net Zero Strategy was accompanied by a Heat and Buildings Strategy focusing specifically on change in relation housing, commercial, industrial and public sector buildings.
- 2.14 The Independent Committee on Climate Change, in June 2022, in their annual progress report, concluded that while the Net Zero Strategy was ‘solid’, important policy gaps still remain, and tangible progress is lagging the policy ambition.
- 2.15 At the time of writing, the new Secretary of State for Business, Energy and Industrial Strategy has commissioned an independent review of the Government’s approach to delivering its net zero target, looking specifically at the relationship between the strategy and the pro-business, pro-growth agenda. How the outcomes of this review influence future Government policy in this area remains to be seen.

Planning Policy

- 2.16 There have been a number of potential changes to national planning policy raised by central Government in recent years. At the time of writing, it is unclear as to which of the proposals are likely to be further pursued or implemented. Given this high level of uncertainty, this is an area which will need to continue to be monitored in the coming year.
- 2.17 Depending on the scope of any changes implemented, there might be implications for the nature and location of future development in the borough and for the Council’s ability to secure planning gain benefiting local communities. As any information emerges or is confirmed, these implications will be considered.

Waste and Recycling

- 2.18 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.
- 2.19 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 implementation and finalisation of this strategy as it progresses.

Levelling Up and Devolution

- 2.20 The previous Government formalised its approach in February 2022 to drive national prosperity and address regional inequalities, described as ‘Levelling Up’. As the borough and the wider county of Surrey are within the more prosperous areas of the country, they fall outside of the primary focus of the programme. However, there are smaller funds available across the country, and any successes in strengthening the wider national economy would be anticipated to have secondary benefits for other areas, including the South East. Again, the recent change in leadership of the national Government introduces some uncertainty as to future support for the levelling up approach, and any developments in this regard will need to continue to be carefully monitored.
- 2.21 The Government has also been exploring a range of options for devolution of some powers, in conjunction with local authorities. Aside from the established arrangements in Scotland, Wales and Northern Ireland, the most extensive of these have been undertaken in regional metropolitan areas, such as Greater Manchester, associated with the levelling up approach. The previous Government was also investigating agreeing County Deals with additional areas, with the potential to devolve a selection of powers to the upper tier authorities. More information on the potential for Surrey is presented in the local context section below.

3. Local Context

Economic Prosperity

- 3.1 The borough of Reigate & Banstead continues to be a prosperous area, with local business activity and resident incomes higher than average for the UK. Compared to the UK average it has a higher proportion of jobs within the sectors of financial and insurance activities and human health and social work activities, and a lower presence in manufacturing. The nearby presence of Gatwick Airport is also influential for the south of the borough, particularly Horley. The borough falls within the Coast to Capital Local Enterprise Partnership, although it is anticipated that the role of the partnership may be devolved to a county level in future, should the current Government continue to pursue related proposals associated with the ‘levelling-up’ agenda.
- 3.2 The COVID-19 pandemic presented challenges for local businesses in recent years. These were mitigated through a range of measures, including business support grants administered by the Council, and local campaigns and activity to support local enterprises. However, the rate of business closures overtook the rate of business openings, with a reduction in the business population of approximately 3% between 2019 and 2022, with losses concentrated among the smallest businesses. Footfall levels have now largely, but not completely recovered, relative to pre-pandemic levels, which may benefit high-street businesses.
- 3.3 Figures for overall gross value added (GVA) are not yet available for the most recent years, but the years between 2015 and 2019 had shown an approximate 15% decline within the borough; this may have been influenced by one-off

factors such as changes in company headquartering, but there is a risk that recent conditions may have perpetuated the trend.

- 3.4 Local unemployment levels are at historically low levels, mirroring the wider national status, although they have increased slightly relative to pre-pandemic levels. Correspondingly, local vacancies are at an elevated level, with businesses reporting challenges in recruiting, and facing the need to offer increased salaries and other benefits. This has been particularly evident in Reigate, significantly influenced by the financial sector, with an increase of over 10% in average salaries reported since March 2022 – other areas of the borough have been less affected, with incomes remaining relatively flat.
- 3.5 Businesses are also reporting difficulties related to the increases in costs around energy and supply chains. Some measures to address the energy concerns were announced by the Government in September, but further detail is awaited, and they are expected to go only some way to addressing the pressures faced.
- 3.6 With the rising cost of living affecting disposable income levels, there is a risk that demand for goods and services may reduce in the near future. If this takes place it will place further pressures on businesses in the local area, and may consequentially also lead to increases in unemployment. It may also cause reductions in Council income as facilities such as parking receive lower levels of use. The Council will therefore need to continue to monitor the local and national economy and be ready to respond if conditions worsen and demand on its business support services increases.

Housing

- 3.7 Housing affordability in the borough and surrounding areas is such that local residents, young families and local employees on moderate incomes are often unable to buy their own homes. 2021 saw average house prices in excess of 13 times local wages. Similarly, private rents in the borough remain high, with the average 2 bed monthly rent being around £1,100. This compares to a maximum local housing allowance rate of just under £950. With mortgage prices currently increasing, along with other costs on households, housing affordability is likely to suffer further in the coming year, although the rate of increase in prices may also reduce.
- 3.8 Local demand for housing support is currently heightened, and the Council has been experiencing increased numbers of homeless approaches and emergency accommodation placements in 2022/23. Recent years during the pandemic saw an increased level of homelessness amongst the single person client group and a drop in family homelessness, but the numbers of households with children facing homelessness have risen again, whilst the level of single homeless persons remains elevated.
- 3.9 Cost of living pressures are anticipated to increase through the winter and spring, and the number of approaches and placements is therefore likely to continue to increase. The impact will be a higher spend on nightly paid emergency accommodation and, as it becomes harder to source all types of accommodation, households are being placed further away from the borough

which can cause further hardship at a time of crisis. Suppliers of nightly paid accommodation have also started to increase their charges due to their energy costs increasing.

- 3.10 Additional pressures apply due to the observed reduction in vacant social tenancies over the last two years, at the same time as an increasing number of applicants on the waiting list for social housing. This has the knock on effect of increasing wait times for social housing for all those in need, including those homeless households in temporary and emergency accommodation. It is also becoming more difficult to source affordable private rented accommodation as there are more potential tenants than properties, leading to landlords adopting a selective approach and frequently preferring tenants not receiving benefit income.
- 3.11 The Council has plans to mitigate some of the challenges by purchasing more Council owned and managed family size temporary accommodation, as well as an emergency accommodation unit for single homeless applicants. Plans are also being worked up for a pilot downsizer scheme to make it easier for social housing tenants that are under-occupying family size homes to transfer to more manageable smaller homes, which would also make more family size units available for nominating homeless households. These measures are in addition to an established suite of options to assist households from becoming homeless and secure alternative housing whenever possible.

Health

- 3.12 Whilst, as a lower tier authority, the Council does not have a statutory responsibility for health or social care, several of our services do impact on the wider determinants of health, such as local environmental health and licensing matters, the provision of high quality greenspaces, planning policy, intervention services (including family and money support) and our community development activities. With the statutory establishment of Integrated Care Systems (ICS) in July 2022 and the associated focus on more integration between the health service and other public and voluntary sector organisations, we are committed to strengthening our already robust collaboration with all health sector and wider partners in the borough.
- 3.13 The borough falls within the Surrey Heartlands Integrated Care System area, with parts of the borough within both the East Surrey Place and Surrey Downs Place partnerships. At present, the Council has substantial strategic and operational collaboration in place with East Surrey Place (which covers the areas around Redhill, Reigate and Horley), from being a signatory to the East Surrey Place Alliance Agreement to collaboration between local GPs and our community development team. Our involvement in Surrey Downs Place is less developed, although there is strong frontline collaboration between the Banstead Primary Care Network and our community development team. We remain keen to achieve closer strategic collaboration with Surrey Downs Place in future.

Welfare and Support

- 3.14 As identified above, unemployment levels are currently low, having reduced following an increase during the pandemic. The economic inactivity rate is also particularly elevated at present, particularly influenced by long-term sickness. Whilst vacancies remain high, it is possible that the cost pressures being faced by businesses will lead to reductions in staffing demand, potentially causing unemployment to increase. This would require additional administration to support and would be likely to increase demand for other Council services.
- 3.15 At the time of writing, it is unclear if benefit levels will continue to be maintained in line with inflation. If the Government were to decide to increase benefits at a level below inflation, this would cause additional hardship for those in receipt of public support, and would likely cause additional local cost pressures and rising demand for auxiliary support, such as the Council's money support service and hardship support measures.
- 3.16 A number of national support measures to address cost of living have been administered by the Council's Revenue and Benefits service. Administering these items requires additional activity by the service, and if continued pressures on cost of living lead to further support measures, these may in turn place further demands upon the service.

Commercial Property

- 3.17 The local commercial property market both influences the Council's income from its property portfolio and is indicative of wider economic factors.
- 3.18 Despite changes to working behaviour presenting questions over longer-term demand for office space, property demand has remained at a good level in recent years. The borough has a historic undersupply of high-quality office space, and there is therefore expected to be continuing interest in this sector.
- 3.19 Retail property continues to face some challenges, particularly in respect of high-street premises, relating to the continued move of customers towards online purchasing. Retail warehousing has recently been performing strongly by counterpoint, but this trend may now be diminishing as disposal income levels become more limited.
- 3.20 There is relatively little local industrial property, but this sector will continue to be monitored for wider consequences and implications.
- 3.21 Increasing rates of interest may lead to reductions in investment activity, or investors seeking higher rates of return on properties. Wider economic uncertainty may also lead to delays in potential investments until circumstances become clearer. Rising costs for business and customers may also reduce demand for property, including rental elements, as demand reduces and businesses seek to minimise costs. The Council will need to continue to monitor these potential developments with regard to their implications for the local area and Council income.

Local Environmental Sustainability

- 3.22 In 2020 Surrey County Council (SCC) 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.

- 3.23 It is important that the Council continues to work closely with Surrey County Council (and other local partners) to deliver on shared environmental and climate objectives, to lobby for further policy clarity, powers and funding from central government and to deliver maximum benefits from the resources that are available. At the same time, local authorities need to work to ensure resilience within communities and the built environment to the physical impacts of climate change, such as hotter summers, more extreme weather events and increased flood risk.

Transport and Infrastructure

- 3.24 There continues to be a high level of demand for infrastructure improvements and maintenance in the local area. Whilst this is primarily not a borough-level responsibility, it remains relevant in informing the context in which the Council operates.
- 3.25 The Council has and will continue to work with Surrey County Council across a range of transport and infrastructure topics, including the jointly developed Local Cycling and Walking Infrastructure Plan, which will enable bidding for additional government funding. This aligns with Surrey's wider Local Transport Plan, which includes ambitions for improved environmental sustainability along with economic and community benefits.
- 3.26 The Council continues to collect the Community Infrastructure Levy (CIL), which is allocated to assist with the delivery of a range of infrastructure projects across the borough. At the time of writing, bids for strategic CIL funding for the 2023-2027 period are being reviewed, and funding will then be allocated for projects in this period. This funding will not be sufficient to address all local demands, but will support a number of identified locally significant priority projects.
- 3.27 Gatwick Airport is progressing plans for expansion of use of its northern standby runway, increasing airport capacity. This has potential local implications for transport capacity, along with wider concerns regarding environmental factors, although there are also potential economic benefits. The airport is anticipated to seek to further progress its proposals, which will require a Development Consent Order from the national government. The most recent consultation on the proposals was during Summer 2022, regarding highways implications, to which the Council responded with a range of points around matters such as traffic, capacity, foot and cycles access, noise matters, biodiversity and vegetation.
- 3.28 The Council will need to continue to monitor local transport and infrastructure considerations as they emerge and develop. It is not anticipated that the infrastructure context will have significant financial implications for the Council in the coming year, but may influence the prosperity and wider conditions of the borough in the longer term.

Devolution and County Deals

- 3.29 The previous Government's levelling up strategy included proposals for potential 'County Deals' with upper-tier authorities in a number of areas across the country, subject to local interest. These proposals would include devolution and/or concentration of a number of powers to the local authority level, which – in the event that a county deal were to be implemented locally - would be through Surrey County Council. There would also be the potential for additional funding where there was agreement to adopt a structure including a directly elected mayor for the region. SCC was not selected to be in the first phase of County Deals identified in the levelling up white paper, and the timeframe for the next phase is currently unclear.
- 3.30 Surrey County Council has announced an interest in securing a County Deal for Surrey as part of the levelling up proposals. This would not lead to any changes in borough and district level structures, but would potentially change the routes for accessing some funding, such as that currently allocated by the Local Enterprise Partnership. SCC is not currently believed to be interested in moving to a directly elected mayor, which would limit the scope of changes which would secure additional local funding. The Council will need to continue to monitor and seek to engage with emerging proposals for a County Deal as they develop, and consider any resultant implications for local practices and funding.