

## POLICY CONTEXT

The international, national and sub-national context in which the Council will need to operate in 2024/25

---

### 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 shapes and influences the context in which the Council must operate. This includes factors such 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 macrorends shaping the global situation also have local implications, awareness of which is important for informing the work of the organisation.

#### Global Economy

1.2 Global economic trends heading into 2024 are for slowing growth. Growth in 2023 was constrained by a number of factors, and this weakness is likely to remain. Supply pressures on energy and food have eased somewhat, but several adverse pressures remain in effect, including climate-related disruption, international conflict, and tightened monetary policy in response to elevated levels of inflation.

1.3 Trends in energy and food costs have improved, with inflation in these sectors diminishing and actual prices falling in some cases, although broadly remaining relatively high. Core inflation across other areas remains above most national target levels, and central banks have acted to counteract this through raising central interest rates and driving increases in costs of borrowing. Levels of inflation are projected to fall in 2024, which may lead to loosening of this approach, but it is likely that central interest rates will remain elevated for some time.

1.4 The influence of major economies remains a potential risk area in 2024/25. Concerns over US debt default were averted, but continue to be potential future concern due to the debt-ceiling mechanism and political tensions within the country. China's economy is meanwhile facing concerns around lower than expected growth and risks in the real estate sector. If either of these key economies experiences significant weakness, this would have a disruptive effect on global economic affairs.

1.5 Economic trends also continue to drive social tensions in many countries, with inflationary and other costs pressures combining with high levels of inequality to prompt discontent. This pattern is not anticipated to lead to major shifts in economic activity in the immediate term, but may continue to present risks and disruption until alleviated, or conditions change.

1.6 If the global economy continues to proceed in accordance with current trends, its influence on the Council is likely to remain stable. Increased demand for Council services and financial cost pressures would therefore be expected to remain in place and would not be anticipated to significantly improve or worsen

in 2024/25. There will however continue to remain risks of more adverse conditions which will need to be monitored throughout the year.

#### International Relations

- 1.7 Russia's invasion of Ukraine continues to be a prominent concern for European nations and neighbours. The conflict has remained highly active, with fighting continuing and no indications of a conclusion being reached. Both the conflict itself and its implications for longer term political stability continue to present significant risks to both economic and broader interests. Significant conflicts are also present in other regions, including internal conflicts in Myanmar, Ethiopia, and Sudan, and insurgent activities in northern, central and western Africa.
- 1.8 As identified in previous years, there continues to be a broad international trend towards more nationalistic and authoritarian politics, and away from multinational cooperation. In the short term, this presents potential risks around disruption to trading arrangements and internal productivity. In the longer term, such political positions may also increase the risk of wider tensions and instability.
- 1.9 In the longer term, the balance of international influence between the USA, China, and other emerging powers such as India remains uncertain. There remain a number of points of concern or dispute, and indirect tensions remain a potential risk to continued international stability.
- 1.10 These international tensions are most immediately notable for the borough and the Council in that they risk disruption to resource availability and wider trade. Where conflicts or instabilities persist or worsen, this may therefore lead to increases in costs for necessary goods and services. The Council also undertakes activities to support those displaced by conflict, and where conflicts continue or emerge, this may also lead to additional demand for these activities.

#### Climate and Environment

- 1.11 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 greenhouse gas emissions. These risks have been highlighted by the increased prevalence of extreme weather events, flooding and wildfires across the globe.
- 1.12 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, exacerbating other global economic pressures.

#### Recyclate Markets

- 1.13 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. At time of writing, recycle prices have fallen to a low level, which will reduce income secured from this source. Prices in this sector are historically volatile and will need to continue to be monitored. This need is supported through the maintenance of a risk (OR1) on the Council's Operational Risk Register.

## 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 Many residents have faced financial pressures due to increases in the cost of living. Costs of staple goods and necessities increased significantly, whilst income and social support measures lagged significantly. Residents on lower incomes have therefore been experiencing increases levels of difficulty, manifesting in increasing demand for support from Council services, such as Housing, Money Support, Council Tax Support, and from partners such as food banks.
- 2.3 These pressures have been felt especially strongly by the least well off, as inflation in the prices of essential goods such as bread and milk reached levels around 20%, approximately double overall inflation measures. As these costs represent a higher proportion of spending for less well-off households, who already have less disposable income, the negative impacts are therefore amplified significantly.
- 2.4 Increases in the Bank of England base rate are likely to lead to further challenges for many residents, as corresponding increases in mortgage rates will lead to potentially very significantly increased housing costs. The impact of current cost of living pressures may therefore spread to a wider section of the population in the coming years.
- 2.5 Overall inflation has now fallen, with CPI declining to 6.7% as of August 2023. However, as this represents only a decrease in the rate of price increases, costs remain elevated in almost all areas.
- 2.6 Counterbalancing these rising costs, wage growth has also been strong in the most recent year, with annual growth in regular pay at 7.8% as of July 2023. This growth lags previous inflation levels of over 10%, but represents a comparable reaction to cost increases for those benefiting. As noted above however, the particularly high impact of inflation on the most necessary goods means that those spending the highest proportion of their income on these necessities are still likely to be adversely affected on balance, potentially leading to additional demand for Council support.
- 2.7 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. As identified above, increases in mortgage interest rates may also contribute to higher costs.

- 2.8 Overall these pressures are likely to lead to sustained and potentially increasing demand for Council services. They may also limit Council income as additional persons may require Council Tax support measures, and uptake of discretionary services may be lower. The increase in demand may however be less severe than in the previous year, as costs increase at a lower rate.

#### Central Government and the Public Sector

- 2.9 The public sector continues to operate within challenging conditions, both financially and otherwise, with the post-2008 austerity approach continuing to be felt. Pressures on resources have been a regular concern raised by organisations across the sector, including health, social care, education, the police and local authorities. This has been recently evidenced in strikes by doctors and teachers, although agreements have now been reached in many cases.
- 2.10 Central government policy towards local authorities in recent years has primarily been to rely on them to operate independently, with reductions in central government support and funding relative to previous periods. The last year saw a small amount of additional resources made available to local authorities, through measures such as increased permitted Council Tax, social care precepts, and extension of existing business rates income. However, with demands on support from local authorities continuing to grow in many cases, and the impact of cost inflation, the sector's finances remained stretched.
- 2.11 Current indications from central government and the Department for Levelling Up, Housing and Communities (DLUHC) are that this financial context should broadly be expected to continue. The DLUHC is currently consulting on new guidance on best value practices and is establishing the Office for Local Government (Oflog) as a performance monitoring body for local government. Whilst the current consultation does not specify such an approach, it is therefore likely that central government will seek more oversight and involvement with local government in future. If this is the case, this will likely represent an additional ask on local authority capacity to provide reporting requirements or similar, which may not be supported by corresponding additional resources.
- 2.12 National economic policies more widely retain a focus on stimulating growth through incentivising private sector investment and trade. Unfortunately, despite current policies, international projections from the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) are for the continuation of relatively low UK economic growth in 2024. If this slow economic growth persists, the pressures on public services are likely to similarly remain; if, however, there is stronger economic growth, this would be expected to reduce demand services such as the Council and potentially lead to more resources being available for the public sector.

### Environmental Policy

- 2.13 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.
- 2.14 The Environment Act 2021 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. This was supplemented by the Environmental Improvement Plan published this year.
- 2.15 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 and has since been supplemented by the Powering Up Britain policy paper.
- 2.16 However, the government has recent postponed or altered a number of the commitments of the Net Zero Strategy, including delaying the ban on sale of new petrol and diesel cars from 2030 to 2035. Whilst this move may be reverted by a future government, it signals a reduction in focus on environmental sustainability and addressing climate change from the current administration.
- 2.17 The Committee on Climate Change, an independent UK statutory body, identified a number of concerns in its June 2023 progress report, including regarding the need for additional urgency of action, avoiding expansion of fossil fuel production and the need to maintain and support commitments through appropriate regulation.
- 2.18 If recent moves in government policy are retained, there is therefore an increased risk for the borough and consequentially the Council, through adverse climate conditions and loss of potential economic benefits associated with the 'greening' of the economy. In the shorter term, support for local environmental sustainability measures may be diminished.

### Planning Policy

- 2.19 There have been a number of potential changes to national planning policy raised by central Government in recent years. Following a review and consultation in 2020, and a number of changes since, the Levelling Up and Regeneration Bill is being brought forward through Parliament. Whilst the bill does not only relate to planning, it includes a number of relevant elements, including relating to levies on developers, use of vacant properties, environmental assessments and reforms to local plans.
- 2.20 The initial Planning White Papers released as part of the 2020 round of consultation, raised concerns that elements of the legislation had potential to erode local controls, with the risk of allowing developers to proceed without regard to local concerns or of resources needed for local amenities not being secured. The new bill appears to move away from these concerns to some extent, and is more supportive of plan-led systems. However, there remains

much uncertainty, including how fully the proposed arrangements for developer levies will meet local infrastructure and amenity needs whilst preserving the ability to secure affordable housing.

#### Waste and Recycling

- 2.21 In addition to monitoring recycle prices, as identified above, there has been a need to monitor potential impacts from the implementation of the government's 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.
- 2.22 As of the most recent announcement of 20 October 2023, there is not currently anticipated to be major financial disruption in the near term from the implement of the strategy. There will remain local discretion on how core recyclable materials are collected, and councils will continue to be able to be able to recover costs for collection of green waste. Requirements for separate collection of food waste will increase somewhat; this is anticipated to be supported by provision of some capital funding, but details of this are yet to be confirmed and will be monitored as they emerge.

#### Levelling Up and Devolution

- 2.23 Central government agreed a 'Levelling Up' approach in 2022, aiming to drive prosperity and address regional inequalities. 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.
- 2.24 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, construction, 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 previously fell within the Coast to Capital Local Enterprise Partnership, but it has been announced that these functions relating to driving strategic investment will be transferred to local authorities, with Surrey County Council expected to take on the role for Surrey.

- 3.2 Recent years, particularly the COVID-19 (coronavirus) pandemic presented challenges for local businesses. During this period, there were elevated rates of business closures and unemployment. However, these measures are now recovering, and footfall levels in town centres have seen significant increases in recent months, with most now approaching pre-pandemic levels.
- 3.3 Local unemployment levels are at historically low levels, mirroring the wider national status, although youth unemployment is relatively elevated (but still low). Correspondingly, local job vacancies are at a heightened level, with businesses reporting challenges in recruitment and retention and elevated turnover rates across multiple sectors.
- 3.4 Businesses have also been affected by recent levels of inflation, facing increased costs and potentially weaker demand for non-essential goods and services. This has been particularly experienced by smaller businesses, with larger corporations generally having more capacity to absorb temporary pressures. The Council will need to continue to monitor the local and national economy and consider the implications for local businesses, particularly smaller enterprises, of any emerging trends or pressures.

#### Housing

- 3.5 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. 2022 saw average house prices at approximately 12 times local wages. Similarly, private rents in the borough remain high, with the average 2 bed monthly rent reaching nearly £1,200. With mortgage prices currently increasing, and home owners recaching the end of fixed-term mortgages, housing affordability is likely to suffer further in the coming year.
- 3.6 Local demand for housing support is currently heightened, and the Council has been experiencing increased numbers of homeless approaches and emergency accommodation placements in recent years. Figures from the most recent annual report on the Council's Corporate Plan indicate that approximately 2% of households in the borough are seeking homelessness support.
- 3.7 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.
- 3.8 The Council has been acting to secure additional access to necessary emergency, temporary and social housing provision, through both partner organisations and direct provision. This helps to reduce the annual costs of responding to the homelessness need, particularly where it can mitigate the need for expensive measures such as bed and breakfast accommodation. It has also been pursuing measures to ensure that available units are used as

effectively as possible. However, current trends are anticipated to continue in the near future, and growing demand will continue to apply further financial and resource costs to the Council.

### Health

- 3.9 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.
- 3.10 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.
- 3.11 There is anticipated to be a continued appetite for cooperation between the Council and health sector partners, with scope identified for joint endeavours to improve public health through improving conditions for residents. This work may both provide direct benefits to residents, with support and targeted funding from NHS partners, and lead to overall greater wellbeing and prosperity where overall levels of public health can be improved.

### Welfare and Support

- 3.12 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 job vacancies remain high, it is possible that the cost pressures being faced by businesses or limits on disposable income 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.
- 3.13 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.

### Property



- 3.14 The local property market both influences the Council's income from its property portfolio and is indicative of wider economic factors.
- 3.15 Changes to working patterns and the growth of remote-working present questions over longer-term demand for office space. Whilst property demand has continued in recent years, this has primarily been focussed on the highest quality units and wider demand may potentially face limitations in future. This will need to continue to be monitored over coming years.
- 3.16 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 been performing strongly by counterpoint, but this trend may now diminish as disposal income levels are potentially more limited.
- 3.17 There is relatively little local industrial property, but this sector will continue to be monitored for wider consequences and implications.
- 3.18 Residential property continues to experience strong demand, as identified under housing considerations above. Relaxations in permitted development rules have increased the prevalence of conversions from other uses to homes or other accommodation. Whilst provision of additional housing provides benefits, it will also be necessary to continue to monitor the implications of shifts of use for local residents, communities, infrastructure and economies.
- 3.19 Development and construction activity has been experiencing increased costs, including from materials, borrowing, and labour. This may challenge the viability of development activity, both for the Council and others. This could potentially lead to less scope for financially sustainable development opportunities and potential inhibitions to local economic activity.

#### Local Environmental Sustainability

- 3.20 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. This has subsequently been supported by a SCC Delivery Plan and ongoing work on climate change resilience and adaptation.
- 3.21 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

- 3.22 Local transport networks are very well used. Road traffic volumes at peak times leading to reduced travel speeds at busy times. There therefore also continues

to be a high level of demand for infrastructure 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.

- 3.23 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.
- 3.24 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. The Council approved the second CIL Strategic Infrastructure Programme for 2023-2027 in March 2023, setting out approvals for a range of projects. This funding will not be sufficient to address all local demands, but will support a number of identified locally significant priority projects.
- 3.25 Gatwick Airport is continuing to move forward with plans for expansion, 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 from employment and business demand. The airport's expansion plans were accepted for examination by the National Planning Inspectorate, which will make a judgement on their suitability.
- 3.26 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 direct 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

- 3.27 The 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.
- 3.28 Surrey County Council has previously 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 or use of some regional powers. 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.

#### Organisation and Resources

- 3.29 As with the experiences of residents and businesses, recent levels of inflation have reflected substantial increases in the costs of the goods and services utilised by the Council. This has been felt across the organisation, encompassing elements such as energy and fuel, ICT services and support, and property management and maintenance. Within the identified national context for public sector organisations, these increased costs therefore require the Council to maximise its financial efficiency in delivering its objectives.
- 3.30 It is uncertain how these direct cost pressures will trend in the coming year. Inflation is anticipated to continue to fall from peak levels, but may remain above recent historic levels. Costs are not anticipated to fall significantly in many areas, but where any falls do occur this may help to alleviate financial pressures on the organisation. Consideration of the coming year's budget should therefore reflect the need to accommodate these cost pressures and the uncertainty that remains around them.

November 2023