# a clear vision
## FOR THE SOUTH EAST

**THE SOUTH EAST PLAN
CORE DOCUMENT**

**Draft for Public Consultation**

**January 2005**

SOUTH EAST
ENGLAND
*Regional Assembly*

SOUTH EAST ENGLAND Regional Assembly

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# Foreword

The South East Plan is a new form of plan; prepared under the Planning and Compulsory Purchase Act 2004, it is wider ranging than previous regional planning strategies. It will ultimately provide a regional framework for development until 2026; it is intended to complement other regional policies, e.g. for economic development and public housing investment, and to focus especially on implementation and delivery.

This Consultation Draft is still an early stage in a long process which will ultimately lead to a Plan that is formally approved by Government. This draft is therefore not definitive. Its endorsement by the Regional Assembly for public consultation does not imply that all the councils and other organisations the Assembly represents have agreed to everything in the Plan so far. This draft provides them, as well as the wider public, with the chance to comment formally on the ideas and options for development at both the regional and sub-regional level that are set out here.

The Plan's core strategy aims to balance substantial economic and housing development with rising standards of environmental management and resource use and reduced levels of social exclusion and natural resource consumption. By 2026, the result is intended to be a healthier region, a more sustainable pattern of development and a dynamic and robust economy.

However, the Assembly is particularly concerned about the inadequacy of the infrastructure and services in many places in the region already. We believe there is no prospect of the citizens of the South East accepting further development without clear guarantees of investment – by the public and private sector together – in the physical and community infrastructure that will ensure that our communities are sustainable. We are therefore linking the pace and scale of further development proposals in the Plan to a clear requirement for investment in infrastructure and services; the Assembly is seeking specific assurances from the Government on this point.

It has not been easy to develop the Plan to this consultation stage. The timetable set by the Government has in our view been unrealistic given the size and complexity of the region, the legislative context is new, the technical work has been stretching, the robustness of some of the underpinning data has been doubtful, and the consultation requirements are daunting in a region of over 8 million people. We have done our best to maintain the Plan timetable and reconcile that timetable with the other needs, but some technical work and some political choices and priorities remain unresolved. In particular, the draft does not contain housing proposals at the district level; these will be the subject of a further consultation in summer 2005.

We will be continuing technical analyses and policy reviews during the consultation period and we expect that, combined with the consultation responses, that will allow a more complete version of the Plan to be submitted to the Deputy Prime Minister later in the year.

Nick Skellett

**Nick Skellett**
Chair, South East England Regional Assembly

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## CORE DOCUMENT



In addition to this core document, the following documents make up the full draft of the South East Plan: Executive Summary, Indicators and Monitoring, Implementation Plan, Sustainability Appraisal.

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South East England Regional Assembly
Berkeley House, Cross Lanes, Guildford GU1 1UN
T: 01483 555200 F: 01483 555250
E: secretariat@southeast-ra.gov.uk
W: www.southeast-ra.gov.uk

Copies of The South East Plan are available on the Assembly web site and in public libraries throughout the region. Additional copies of this document are available from the Assembly at a cost of £30 (incl.VAT).

This draft document is open for public consultation from 24 January to 15 April 2005. Following consultation, an updated document will be submitted to the Government Office for the South East by 31 July 2005.

The Assembly agrees to publish this initial draft of the South East Plan for public consultation subject to the following caveats:

a The draft South East Plan has been developed in little more than a year to a timescale set down by the Government. As a result, serious doubts remain over the robustness of the data that underpins much of the technical work on which this draft South East Plan is based and, indeed, over aspects of the technical work itself.

b The timescale has left little opportunity to date for public involvement in the development of this draft South East Plan.

c This draft South East Plan has been agreed for consultation by the Regional Assembly as a whole and does not necessarily reflect the views of individual members/local authorities.

**Assembly Research**

There has been a significant amount of research undertaken by the Assembly in the past two years, which has supported and informed the development of the draft Plan. A background paper on all the research is available on the Assembly's website.

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SECTION A

# Challenges

# 1 The Overall Task

1.1 The Planning and Compulsory Purchase Act 2004 is the Government's response to deficiencies with the previous planning system. It places the new system of spatial planning on a statutory basis.

1.2 Spatial planning goes beyond traditional land use planning to bring together and integrate policies for the development and use of land with other policies and programmes that influence the nature of places and how they function. Much greater emphasis is placed on the importance of implementation, and in particular, the importance of ensuring a co-ordinated approach to the delivery of investment in a timely and effective manner.

1.3 The South East Plan (our term for the Regional Spatial Strategy for South East England) will incorporate the Regional Transport Strategy. It provides the spatial framework that forms the context within which Local Development Documents and Local Transport Plans need to be prepared, as well as other regional and sub-regional strategies and programmes that have a bearing on land use activities. These include the regional economic and housing strategies as well as strategies and programmes that address air quality, biodiversity, climate change, education, energy, environment, health, and sustainable development.

1.4 A number of factors have combined to require a review of the regional planning framework for South East England:

i The over riding requirement under the Planning and Compulsory Purchase Act 2004 to prepare a new Regional Spatial Strategy that will form part of the development plan

ii The need to reflect changes in governance arising from the creation of the Greater London Authority

iii The requirement included within the current Regional Planning Guidance to undertake a review of the level of housing provision before 2006.

1.5 The Government has formally designated the Regional Assembly as the responsible body charged with undertaking the preparation of the South East Plan and its subsequent submission to Government.

1.6 This consultation document represents merely the first stage in meeting the challenge of preparing the South East Plan. It presents options and choices for debate across the region and on which the views of the region's citizens are being actively sought. The outcome of the consultation will be used to shape a final draft of the South East Plan, which will itself be the subject of a further round of consultation and subsequent public examination.

# 2 Issues and Challenges

2.1 The South East has the largest regional population in the UK – over 8 million people in 2001. Apart from London, it is the most prosperous region but it is also the region with the widest range of economic disparities (again excluding London). It is an international gateway but its road and rail systems are among the most heavily congested. It has a high quality of landscape, with the highest proportion of land covered by national or international designations of any English region, and the highest proportion of woodland. Its attractiveness, geography and economic success mean that it is subject to substantial development pressures both national and international. Some people contend that the region is 'full up'; others point out that 90% of its land mass remains undeveloped. Despite the conflicting messages, a high proportion of the population consider that they enjoy a high quality of life.[1] (See figure A1.)

FOOTNOTES

[1] *Results of 2 Surveys by MORI for the Assembly in 2004.*

**2.2** This short summary encapsulates both the challenges and the dilemma for the region. On the one hand economic growth and concomitant development has been a necessary condition for prosperity and social and environmental action. On the other, some consider that the price of that growth, in terms of resource consumption and other impacts, is too high and unsustainable in the long-term. The overall challenge is to try and strike the right balance between these polarised viewpoints: not a 'soggy' balance, but a judicious and clear blend that will ensure, with adaption and amendment, a sustainable change.

**2.3** In essence, this is the task of the South East Plan: to set a reasoned and reasonable framework for the period to 2026. The Plan is a new form of planning and seeks to take a bolder, longer-term view of development needs but to do so in a manner that is consistent with the principles of sustainable development. It is very challenging and very difficult to try and evolve the right blend for a region as complex and diverse as the South East, but that is the Plan's goal.

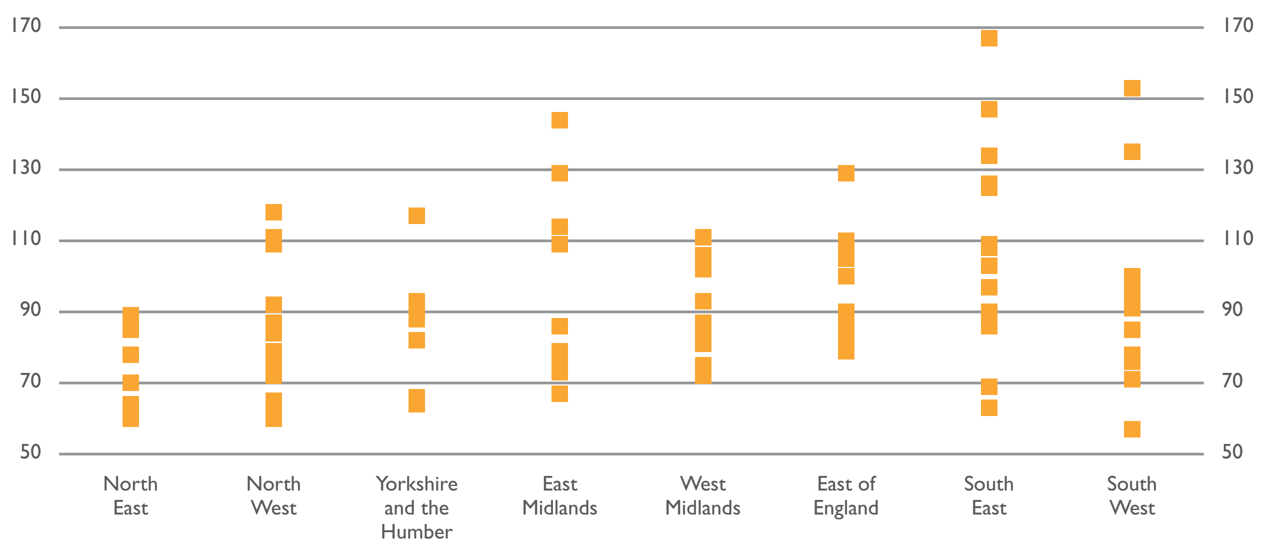
**2.4** To inform and structure the debate on the issues, the Assembly arranged an intensive series of debates in Spring 2004. These discussed a set of 11 Discussion Papers, grouped around 36 strategic issues in Paper 11 of that series. The debates proved lively, constructive and controversial but relatively few new issues and challenges were added to the list in Paper 11. An extract from the paper is therefore reproduced here.

**Summary of the Issues:**

1. Futures – the impacts of social/ behavioural changes
2. Futures – the impacts of technological change
3. Forecasts – the merits of the illustrative scales of development
4. Forecasts – future patterns and scales of migration
5. Forecasts – the robustness of the economic forecasts
6. Forecasts – an ageing population and its implications
7. Forecasts – the issue of relating housing provision to price as raised by Kate Barker
8. Economy – globalisation and its impacts

**FIGURE A1**

**Within Regional Dispersion in GDP Per Head (UK=100, per head index, 2001)**



9 Economy – inter-regional economic performance
10 Economy – sectoral economic forecasts and their realism
11 Economy – changes in working patterns
12 Housing – the scale of need and overall supply
13 Housing – affordability and how to deliver it more effectively
14 Housing – how to achieve the right type and quality
15 Housing – improving the condition and use of the existing stock
16 Housing – possible incentives for local authorities and other initiatives to help deliver housing targets
17 Transport – the impact of the growth illustrations, given basic trends in traffic growth
18 Transport – investment priorities
19 Transport – funding and charges, both capital and revenue
20 Transport – accessibility, especially for socially excluded groups
21 Transport – changes in lifestyle and their impacts on travel needs and investment
22 Social – educational and skills deficits and their resolution
23 Social – health in its widest sense
24 Social – exclusion and deprivation, and whether any more can be done
25 Environmental – natural resource management, and how to manage water resources to meet development need and reduce flood risk
26 Environmental – countryside management and the new opportunities created by the CAP reforms, with a particular focus on the urban fringe
27 Environmental – biodiversity and the scope to create strategic additions to regional priority habitats
28 Environmental – climate change and the scope for mitigation and management measures and the need for new coastal management, air and noise pollution policies
29 Sub-regions – the relative priority to be given to regeneration of the coastal towns
30 Sub-regions – current imbalances between labour supply, job availability and housing pressures, and the policies to reduce these
31 Vision – getting the balance and focus right
32 Spatial – the evolving relationship with adjoining regions
33 Spatial – the contribution of different forms of development
34 Spatial – the emphasis of development pressures on the western side of the region and how that should be handled
35 Spatial – the possible role of new strategic development areas
36 Spatial – the need to develop more effective delivery and implementation arrangements for whatever development is agreed.

**2.5** Another of the Discussion Papers also considered longer term uncertainties and the scope for radical changes in circumstances and behaviour. (Discussion Paper 2 – Futures and Patterns of Change). This set out a range of potential changes and uncertainties and concluded that the most significant impacts on present behaviour and therefore 'drivers' of change were likely to be technology, and changes in social attitudes and behaviour. An example of both these factors at work is the prospect of further radical changes in the form of healthcare and attitudes to health and healthiness. The Assembly's work on futures with Forum for the Future is ongoing but we have sought to incorporate an element of this 'future proofing' in this consultation draft of the Plan.

# 3 Cross-Cutting Themes

**3.1** The analysis of the Spring Debates repeatedly identified a smaller number of themes which constantly recur and which




will need to be borne in mind in all aspects of the draft Plan. By their nature, they are already familiar themes and therefore they are only briefly stated here, to register their acknowledgement and role in the Plan.

3.2 **Sustainable Development –** There is now a wide understanding that economic, social and environmental issues are inextricably linked, and linked with the overall management and conservation of natural resources. Substantial future development will be needed in the region, but it needs to be undertaken more sensitively and with significantly less resource consumption than in the past. We need to reduce waste, throw away fewer resources and recycle/re-use more. We need to use cleaner and cleverer technology to reduce the impact of both development and its use. Sustainable Development is a central theme of the Plan and is articulated more fully in the section on the Integrated Regional Framework (Part B) and in the Appraisal section.

3.3 **Global Competition –** The South East is competing on an international stage, where the interaction of the world economy is rapidly increasing. The economic development of Third World countries, most notably China and India, is already having a marked effect on competitiveness and patterns of trade. All the evidence the Assembly has drawn together indicates that these trends will grow. Indeed our recent research work on 'offshoring' of jobs suggests that in some circumstances this may accelerate with significant consequences. Nearer to home the enlargement of the European Union may particularly affect traditional sectors like agriculture and manufacturing.

3.4 **Climate Change –** In the past few years a substantial body of evidence has pointed to an acceleration in climate change caused by human influence. The pace and form of that change is rather more open for debate but the significance of the issue is now acknowledged everywhere except in Australia and America. The South East region is sensitive to the effects of climate change.

3.5 Over the past century average temperature has risen by 0.5°C and summer rainfall has decreased. Around the region's coastline the sea level is rising, threatening important coastal habitats and increasing the risk of flooding. At the same time, a land tilt of about six millimetres a year in the South East, will also influence the relative rise in sea-level. Generally, greater climate changes are predicted whereby it will be warmer all year round, winters will be wetter and summers much drier. Weather extremes – such as the storms that caused the great floods on the eastern coastline in 1953, the storm of 1987 and the unusually warm summer of 1995 – may occur more frequently in the 21st century.

3.6 Attention needs to be given to planning new developments so as to avoid areas with a tendency to flood and to take account of the availability of water resources. Climate change could also have other implications, for example, the need to anticipate deterioration of built structures, to avoid disruption to transport and power supplies or changes in cropping patterns – including the crops needed for renewable energy – and the associated development required for processing and storage.

3.7 **European Perspective –** In a number of policy areas, notably waste, water and agriculture, the policies and legislation of the European Union have a growing and significant influence on development in the region. The reform of the Common Agricultural Policy and new demanding directives on waste and water are already having an impact. Over the course of the Plan, it is likely that this influence will grow on other issues such as transport and aviation, and environmental standards. The advent of the accession countries will further reduce the region's already limited access to financial assistance from European programmes for social and economic restructuring.

3.8 **Resource Use –** It is a corollary of the emphasis on sustainable development and concerns about climate change that the Plan will need to embody a significant emphasis on reduced resource use. Although this particularly applies to resources such as water and waste, it also has a more general application. Similarly, although there will need to be an emphasis on higher standards of efficiency in new development, the same message also needs to be vigorously pursued in respect of existing development. Significant changes in performance will be required and this will also probably need significant changes in public attitude and behaviour. Fortunately, our recent surveys of public opinion suggested that the public agree the need for such changes and show some willingness to adapt[2].

3.9 **Technological Changes –** As mentioned in respect of futures, the scale of some technological change will be very substantial over the Plan period. The difficulty is to be sure which technologies. Not many people, for example, forecast the revolution caused by mobile phones, while rather more saw the potential of laptop computers. It does, however, seem highly likely that the further development of e-communication and commerce will affect lifestyles, working patterns and communication on a significant scale.

# 4 Plan Parameters and Principles

4.1 Following the Spring Debates, the Assembly considered the issues and responses and decided that it would adopt a core set of principles that would underpin and guide development of the South East Plan. In more formal language they can be considered the objectives of the Plan.

4.2 These objectives are set out here:

i The need for a clear vision supported by challenging targets and which reflects quality of life considerations aligned with and tested against the objectives set in the Integrated Regional Framework.

ii The need to plan positively for a reasonable level of economic growth, with consequent labour supply, physical and social infrastructure implications.

iii The need for further measures to reduce economic and social disparities in the region.

iv The need to plan positively for a reasonable level of housing development.

v The need for a substantial increase in the supply of appropriate affordable housing, and for a package of measures to deliver that goal.

vi The need for timely infrastructure provision that keeps pace with development and greater reassurance on that issue through a dialogue with Government on how to plan for that development.

vii The need to develop clear investment priorities and improve key transport links.

viii The need to improve access via transport and other means, especially for disadvantaged groups.

ix The need to promote new initiatives to tackle skills deficits.

**FOOTNOTES**

[2] *Wave 2 MORI Survey – April 2004.*

x The need for radical thinking about health provision and access.

xi The need to place increased emphasis on natural resource management and efficiency.

xii The need to incorporate measures for climate change mitigation and adaption in the Plan.

xiii The need to protect and improve the best of the region's natural environment both for its own sake and to underpin the social and economic development of the region.

xiv The need to promote a sustainable balance between economic prosperity, environmental quality, social well-being and a high quality of life in the South East.

xv At a sub-regional level, the need for a high priority to regenerate the coastal towns.

xvi The need to decide whether any strategic development areas should be proposed.

xvii The need to develop a strategy that creatively balances support for the regeneration and growth areas in the east with a positive response to the economic and housing pressures in the west of the region.

xviii The need to develop the Plan in a manner which recognises uncertainty and incorporates appropriate phasing and flexibility.

xix The need to prepare and advocate much improved delivery and management arrangements to secure implementation of the Plan.

xx The need to set the Plan in a clear inter-regional and European context.

xxi The need to ensure high quality development.

# 5 The Plan Vision

**5.1** The Assembly also considers that it is helpful to set out an overall vision for the Plan and has developed such a vision through a series of debates. The vision is deliberately focused to reflect the central messages of the Integrated Regional Framework and other Plan principles, but Assembly members also wanted a vision that was relatively short and focused and had a clear regional identity. A Draft Vision has therefore been agreed to reflect these intentions and is published here for comment.

## VISION

### The Healthy Region

Through the Plan and other measures, the South East will show a sustained improvement in its quality of life over the period to 2026, measured by the well-being of its citizens, the vitality of its economy, the wealth of its environment and the prudent use of natural resources.

**In particular, the region will achieve:**

- Better management of the impact of its consumption on people and the environment in other countries reflecting its recognition of its global responsibilities
- a reduction in the disparity experienced across the region by raising the performance of the most deprived areas
- an increase in the overall level of accessibility to essential services
- more and better quality housing, so that most individuals have access to a decent home
- more prudent use and management of natural resources, including land, water, energy and waste, with the emphasis on reducing our use of resources, and increasing their reuse and recycling

- better management of the impact of increased activity and development on the environment
- realising opportunities to improve the quality of the built and natural environment
- steady and sustainable levels of economic growth, capitalising on the region's strengths and the opportunities to increase productivity
- providing for, and retaining, a broader educational and skills base across the whole population
- improved levels of health amongst the region's citizens.

5.2 The rural dimension is clearly significant and sometimes requires a distinctive emphasis. In order to acknowledge this special dimension in the overall context of the Plan, the Assembly has worked with the Countryside Agency to devise four key principles for rural policy development in the region. These are based on the principles of sustainable development and can be used to assist the rural proofing element of the Sustainability Appraisal. They are:

i sustainable rural communities

ii sustainable rural economies

iii sustainable countryside environments

iv sustainable natural resources.

# 6 Scales of Change and Forecasts

6.1 The starting point for considering future scales of development in the region is Regional Planning Guidance 9, approved by the Government in March 2001. It only takes planned development to 2016 and covers a larger area than the South East region, but it does give a benchmark for change, especially in respect of housing development.

6.2 To inform debate and judgement on the development options for the draft Plan, the Assembly has commissioned a set of forecasts of population, economic growth, labour supply, households and dwelling needs. It has also undertaken complementary research on a wide range of issues, including aspects of transport, water resources, town centres and retailing, and a range of social needs. The results of this analysis of particular topics are summarised in later sections, except for the demographic, economic and housing elements, which provide an overall context and are therefore set out here.

## 6.3 Population and Household Projections

6.3.1 There are two principal components of population forecasts, the changes in the existing population and the effects of migration, both national and international. When these components are combined, an estimate of the number of households, likely labour force, age patterns, etc can be derived.

6.3.2 Using the 2001 Census as the base and detailed related data that has only recently become available, two projections have been used to establish a range of population, household and dwelling growth for the purposes of testing spatial options in the South East Plan. One is based on long-term (ten year) migration assumptions, the other on short-term (five year) migration assumptions. The fundamental controlling assumption in the long-term projection, prepared by Anglia Polytechnic University using the Chelmer model, is the continuation of the long-term migration trend from 1991 to 2001. For the other projection the Assembly has used as the starting point the Office for National Statistics (ONS) draft 2002-based sub-national population projections published for consultation in April 2004. The ONS projections assume the continuation of migration trends observed during the five years between 1997 and 2002.

6.3.3 Interim regional household projections to 2021 were published by the Office of the Deputy Prime Minister (ODPM) on 8 September 2004. The projections for the South East indicate an increase in households close to the Assembly's short-term migration trend projection for the


period to 2021. Official 2003-based household projections are to be published in Spring 2005. These will be derived from the 2003-based sub-national population projections published by the ONS on 26 November 2004[3].

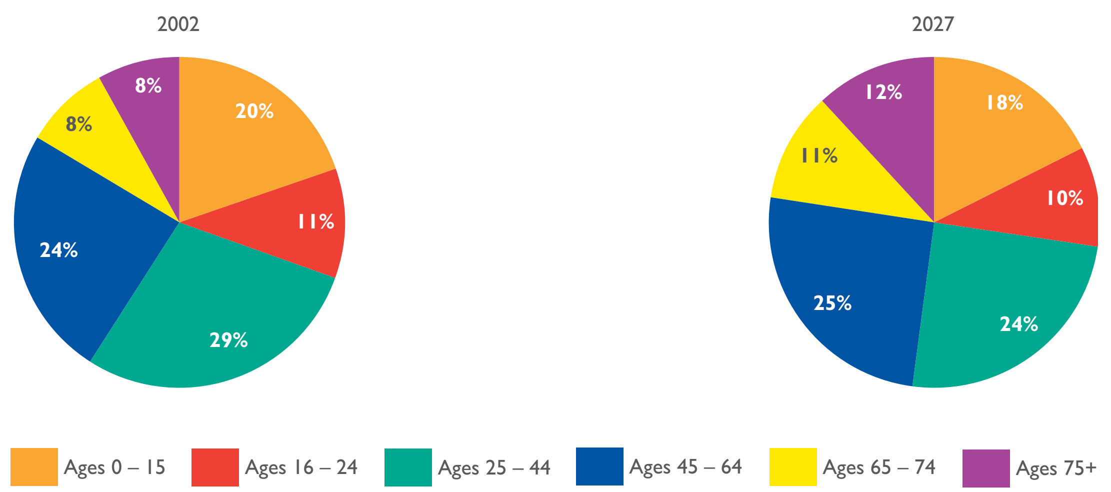
**6.3.4** Key findings: Increase in households – The Assembly's projections indicate an increase of between 724,000 and 866,000 households in the South East during the period 2001/02 – 2026/27, one-third of which results from net in-migration into the region, the remainder from internally generated needs. Total population is expected to increase by between 985,100 and 1,094,800 during the same period.

**6.3.5** Key findings: Household size – Household size is expected to continue to fall. For example, ODPM projects that the ONS draft 2002-based sub-national population projections will result in a reduction from 2.34 persons per household in 2001 to 2.15 in 2021. This implies that more dwellings will be needed to house a given population.

**6.3.6** Key findings: Age structure – A key element in the projections is the changing age structure of the population. Figure A2 shows that there will be a significantly smaller proportion of the population of the region aged 25-44 in 2027 than in 2002, but greater proportions in the 45-60 and over-75 age groups. This has implications for household formation and

## FIGURE **A2**

**Age Composition of the Population in the South East 2002 and 2027**




Source: ONS Draft 2002-based Population Projections

**FOOTNOTES**

[3] *The 2003-based sub-national population projections were not available in time to inform the preparation of the South East Plan.*

therefore the overall need for housing. It will also impact on the size of the labour force and service provision. It also calls into question assumptions about retirement ages in the longer term.

**6.3.7** Key findings: Migration – The greatest net inflow is from London and the highest net outflow is to the South West. Net flows to and from the northern English regions and the South East and London are both relatively small, and indeed in overall terms there is a net outflow from the South East to the Midlands, the North and the Celtic lands. 40% of migration from the rest of the UK to the South East is from London. (See Table A1.)

## TABLE A1

**Migration to and from the South East**

Positive figures = net in-migration

Negative figures = net out-migration

**To / from the South East**

| | mid 1996 – mid 2001 | mid 1997 – mid 2002 |
|---|---|---|
| North East | 2,400 | 1,100 |
| North West | 5,300 | 2,200 |
| Yorkshire and Humber | -100 | -3,500 |
| East Midlands | -18,400 | -24,300 |
| West Midlands | 200 | -3,100 |
| East of England | 5,400 | 3,400 |
| London | 163,500 | 176,300 |
| South West | -60,900 | -68,200 |
| Wales | -4,300 | -6,900 |
| Scotland | 800 | -1,600 |
| Northern Ireland | 100 | 100 |
| UK | 94,000 | 75,500 |

**To / from London**

| | mid 1996 – mid 2001 | mid 1997 – mid 2002 |
|---|---|---|
| Northern Regions[1] | 26,000 | 18,700 |

Source: NHSCR

NB: Totals may not sum due to rounding.

[1] North East, North West, Yorkshire and Humberside

**6.3.8** Table A2 shows international migration movements to and from the South East and London between 1997 and 2002.

## TABLE A2

**Annual Average International Movements 1997-2002**

| | London | South East |
|---|---|---|
| Inflow | 190,000 | 62,000 |
| Outflow | 97,000 | 48,500 |
| Net | 93,000 | 12,500 |

Source: International Passenger Survey

Migrants to the South East are predominantly in the 25-44 age band, with significant numbers in the 0-15 and 25-44 age groups, but relatively few aged 45 and over.

**6.3.9** The scale of dwelling requirement derives from several factors, but the basic demographic forecasts, including assumed levels of migration, are major components. The scale of need varies according to whether a shorter (five year) or longer (ten year) migration total is chosen. This is illustrated in Figure A3. It should however be noted that this assessment of need takes no account of the elements in paragraph 6.3.11, nor of the effect of economic forecasts.

**6.3.10** Further factors for consideration are:

a Backlog

b Shortfall

c Existing stock.

**6.3.11** **Backlog –** At any point in time there is a backlog of housing need which comprises those households (and would-be households) without a home and who need a home but who cannot afford market prices. The best available information relates to 2001. The Assembly has undertaken research which identifies a core requirement of 29,000 such households requiring a home in 2001. There were other households who did not occupy the right type of home to meet their needs, but these requirements are considered to relate to the nature of available accommodation rather than the overall supply. The Assembly believes the Plan must make provision for the core backlog of 29,000. The pace of elimination is commented on later, when discussing options. Further more detailed comment on backlog is also made in Section D3 on housing.

**6.3.12** **Shortfall –** Since present Regional Guidance was approved in 2001, housing completions have been monitored. The most recent completions for 2003/04 show a rate of 28,300 which is slightly above the current RPG9 target. For the previous two years however there was a shortfall, totalling some 6,000 dwellings. The failure to build at the target rates has not removed this need and it is considered that this shortfall should also be taken into account in future plans.

**6.3.13** **Existing stock –** Some of the existing stock in the region is in rather poor condition (illustrated in Map H4 in Section D3) and/or is not well adapted to modern requirements, or in locations rendered unattractive for housing by other uses, or needs to be demolished to make way for other development. Over the period of the Plan, a loss of dwellings will occur from these sources and this loss will also need replacement to meet overall needs. Further analysis of this potential loss is being undertaken. In recent years, this appears to have been relatively low, but it may increase over the Plan period. A provisional allowance of 5,000 over the Plan period has therefore been made.

**6.3.14** Clearly judgements need to be made about these factors, especially future levels of migration, but taken together, all the elements suggest that it is necessary to consider levels of growth above those in present Regional Guidance.

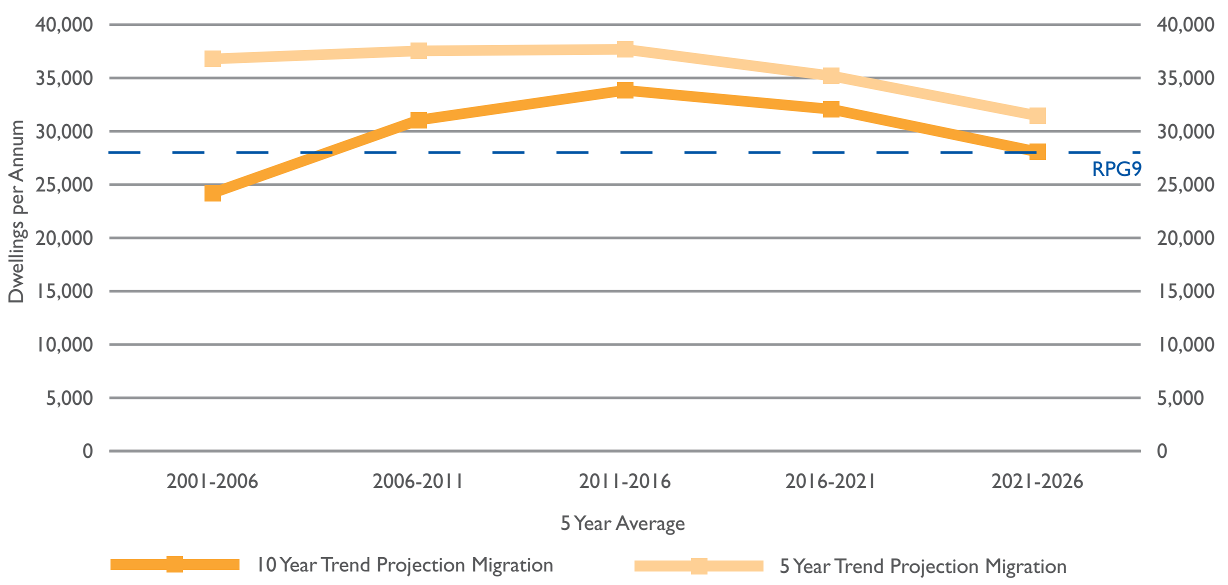
## 6.4 Economic and Employment Forecasts

**6.4.1** Forecasts of economic change have been prepared for the Assembly by Experian, the same consultancy used by SEEDA to inform their work on the Regional Economic Strategy. Experian have considerable experience of national economic forecasting. The forecasts have been tested for robustness through several iterations, and have incorporated information from our demographic forecasts.

**6.4.2** Employment is defined as the total number of jobs including both full and part-time employees and the self-employed and is disaggregated into 30

FIGURE **A3**

**Projections of Housing Growth in the South East**




Source: Projections prepared for the Regional Assembly, 2004 industrial categories. Total employment in the South East is forecast to rise by between 734,000 and 805,000 during the Plan period related to the long-term and short-term migration demographic projections, an increase of 18-20%. The economically active population already living in the region is projected to increase by less, between 487,000 (long term projection) and 562,000 (short-term projection) over the same period, which could lead to a labour shortage, encouraging further in-commuting and in-migration to the South East. This gap will be influenced by numerous factors affecting labour supply and demand.

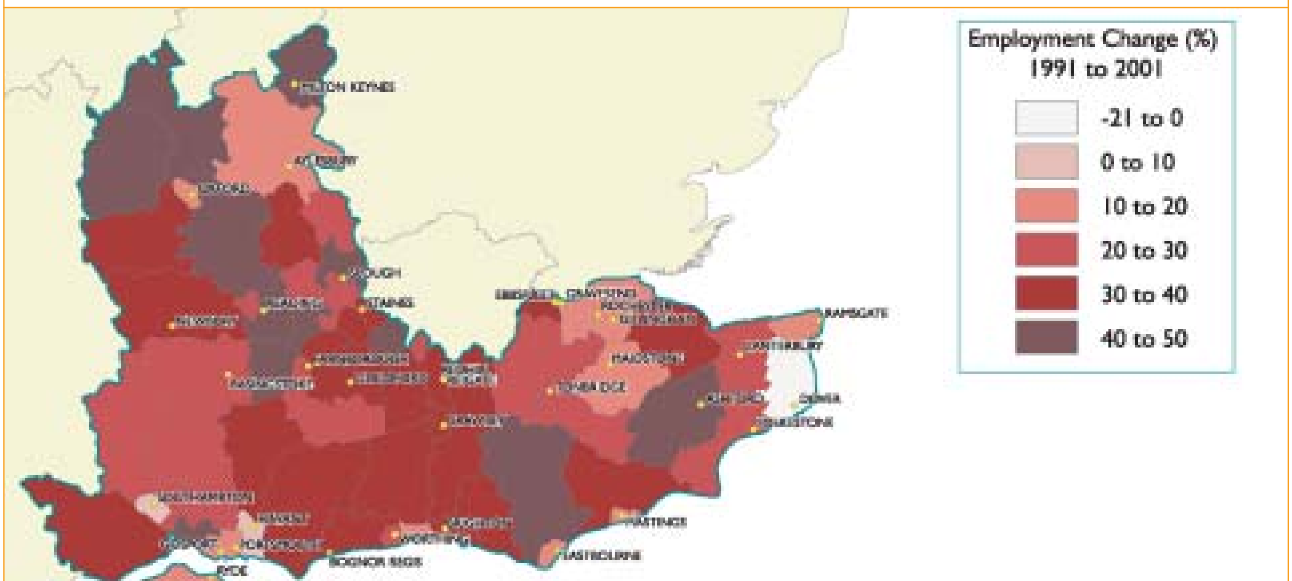
**6.4.3** The forecasts are derived from the consultants' detailed analysis of the economic sectors present in the South East, informed by their assessment of the long-term performance of those sectors. The conclusions are summarised here.

**6.4.4** **Economic demand –** Over the last 30 years the South East economy has been relatively buoyant and has resulted in employment growth levels that have outstripped almost all other regions in the country. Overall employment in the region in 2001 was 4.1 million which is an increase of almost 1.5 million since 1971. The average (workplace-based) Gross Value Added (GVA) per head in the region in 2001 was £15,880 which is an increase of 40% since 1995[4]. The GVA per head is second only to London within England and is performing well above the national average with a consistent upward trend.

**6.4.5** Map A1 shows employment growth at district level in the decade 1991-2001. Highest growth is being achieved in the Western Corridor and moving on towards the north and west of the region towards Milton Keynes and past Oxford along the M40 corridor. In contrast, lowest levels of growth are being observed in the east of the region as well as in a number of south coast towns, particularly Portsmouth and its neighbouring districts.

## MAP A1

### District Level Employment Growth 1991-2001




Source: Annual Business Enquiry.



**FOOTNOTES**

[4] *Source: Office for National Statistics.*

**6.4.6** The table in Figure A4 shows that this sub-regional variation is also reflected in GVA per head figures. Berkshire, Buckinghamshire and Oxfordshire have a higher GVA per head than any other NUTS2 (European Union standard classification of sub-regions) area in the South East. Indeed, GVA in this area is higher than in any other in the UK, with the exception of outer and inner London[5]. Within the Berkshire, Buckinghamshire and Oxfordshire area the highest figures are seen in Berkshire and Milton Keynes respectively; these authorities are followed by Surrey in the Surrey, East and West Sussex NUTS2 area.

## FIGURE **A4**

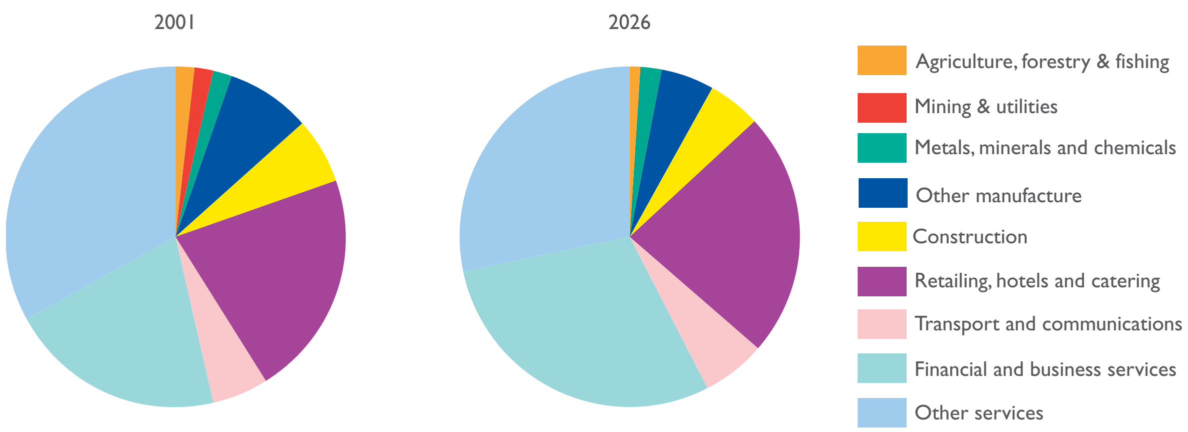
**GVA[6] per head by NUTS 3 Area at Current Basic Prices, 1995 and 2001 (£ per head) (NUTS 2 Areas in Bold)**

| | 1995 | 2001 |
|---|---|---|
| South East | 11,292 | 15,880 |
| **Berkshire, Buckinghamshire and Oxfordshire** | 13,570 | 20,686 |
| Berkshire | 14,355 | 24,115 |
| Milton Keynes | 15,169 | 21,172 |
| Buckinghamshire CC | 12,780 | 17,967 |
| Oxfordshire | 12,637 | 18,128 |
| **Surrey, East and West Sussex** | 11,319 | 15,571 |
| Brighton and Hove | 10,662 | 12,934 |
| East Sussex CC | 8,825 | 9,983 |
| Surrey | 12,319 | 19,318 |
| West Sussex | 11,763 | 14,831 |
| **Hampshire and the Isle of Wight** | 10,507 | 14,037 |
| Portsmouth | 11,534 | 15,698 |
| Southampton | 12,691 | 15,542 |
| Hampshire CC | 10,340 | 14,043 |
| Isle of Wight | 6,867 | 9,147 |
| **Kent** | 9,130 | 12,074 |
| Medway | 7,231 | 10,013 |
| Kent CC | 9,483 | 12,461 |

Source: Office for National Statistics

## FIGURE **A5**

**Employment by Sector 2001 and 2026**




Source: Experian Business Strategies, 2004

**FOOTNOTES**

[5] *Source: Office for National Statistics.*

[6] *Estimates of workplace based GVA allocate income to the region in which commuters work.*

**6.4.7** Discussion Paper 4 – Projections and Forecasts – for the Spring Debates provided an analysis of population change and future growth forecasts. The analysis of future forecasts shows that the trend of high employment growth is set to continue with the creation of up to 0.6 million (around 15% increase on 2001 figures) further jobs expected to 2016 and over 0.8 million (20% increase on 2001 figures) further jobs expected to 2026[7]. The reduced gap between employment and population growth rates has resulted in a tightening of the labour market.

**6.4.8** **Specific Economic Factors: Industrial Restructuring** – On the basis of the Standard Industrial Classification (SIC), Figure A5 provides an indication of the sectoral structure of employment in the South East in 2001 and 2026[8]. The South East is projected to experience a decline in manufacturing and growth in business services, leisure activities, retail, restaurants and hotels. Employment in the two largest existing sectors, financial and business services and other services[9], is forecast to increase during the period to 2026 and will respectively form 29% and 28% of the total in 2026.

**6.4.9** Figure A6 shows the percentage increase or decrease in the total number of employees in each sector from 2001 to 2026. The number of employees in other services and financial and business services is projected to increase by 25% and 51% respectively. The proportion of all employees in retail, hotels and catering is expected to remain about the same, which is an actual increase in jobs of approximately 13%. With the exception of transport and communications, all other sectors indicate a loss of actual numbers employed in the sector from 2001 to 2026. Despite a relatively low number of employees in manufacturing, the sector remains of strategic importance regionally.

**6.4.10** It can be concluded from the analysis of economic forecasts that, at a regional level, an overall increase in employment sites (assuming current employment densities) would be required to meet demand and that there will be an increase in demand for office and retail space and less demand for industrial land.

## FIGURE **A6**

**% increase in total number of employees in sector from 2001 to 2026**

| Sector | No. of employees in 2001 (thousands) | No. of employees in 2026 (thousands) | % increase in no. of employees 2001 to 2026 |
|---|---|---|---|
| Agriculture, forestry & fishing | 75 | 40 | -46 |
| Mining & utilities | 24 | 12 | -51 |
| Metals, minerals and chemicals | 96 | 92 | -4 |
| Other manufacture | 360 | 270 | -25 |
| Construction | 274 | 252 | -8 |
| Retailing, hotels and catering | 1,000 | 1,131 | 13 |
| Transport and communications | 252 | 313 | 24 |
| Financial and business services | 956 | 1,382 | 51 |
| Other services | 1,110 | 1,459 | 25 |

Source: Experian Business Strategies for South East England Regional Assembly (Scenario 3), 2004.

**FOOTNOTES**

[7] *Based on Experian Business Strategies (EBS) Scenario 3. The number of employees is expressed as number of job places (some can be double jobbing) and includes full-time, part-time and self-employed. Note that these forecasts are from EBS and are built around their 'shift-share' model which relies on past relationships between an industry's performance at local and regional level. Independent forecasters are no longer optimistic of continuing growth at the same rates. An understanding of these assumptions is important for any interpretation of the forecasts.*

[8] *Based on EBS Scenario 3.*

[9] *Other services include public administration and defence, education, health and other.*



**6.4.11** As well as the sectoral analysis using SIC codes there are a number of other emerging 'sectors' which are of increasing importance to the South East economy. These include the knowledge-based economy[10], the environmental economy[11] and home based businesses. Of particular importance in relation to the knowledge-based economy is the role played by universities and research centres. These institutions have an important role in local economies through the promotion of start-ups and the growth of local businesses. SEEDA are promoting these links through the development of Enterprise Hubs.

**6.4.12** The South East economy has experienced a decline in manufacturing and growth in business services, leisure activities, retail, restaurants and hotels. The main factors underlying this shift in economic activity are the increasing openness of the world economy, decentralisation of activity from London and the acceleration of technological change.

**6.4.13** **Gross Value Added (GVA) –** Over the past 30 years the South East economy has been relatively buoyant compared with other regions in the UK. GVA per head is higher than in any other region apart from London. It is highest in Berkshire, Oxfordshire and Buckinghamshire but below the national average in Kent, East Sussex and the Isle of Wight. In the light of advice from Experian, it is proposed to adopt a 3% GVA growth per annum target for the Plan. This is less than has been achieved in recent years, but is considered a prudent base, in view of economic and other considerations.

**6.4.14** **Productivity –** Although the data is limited, productivity appears higher in the South East than in any other region apart from London. The Experian forecasts imply a 2.27% increase in productivity per worker per annum between 2001 and 2026 compared with 2.32% per annum between 1986 and 2001. The impacts of productivity on overall labour needs is not straightforward, and this is an aspect on which we are undertaking further study, with the assistance of SEEDA and others.

**6.4.15** **Double-Jobbing –** Our consultants' advice is that this factor is likely to remain relatively modest. In 2001, 4.6% of the region's population had two jobs.

**6.4.16** **Offshoring –** This is the potential projected net gain or loss in jobs as a result of changes in relative competitiveness. Pioneering research has been undertaken for the Assembly which indicates that this factor will be of increasing significance over the Plan period. Initial conclusions from that research suggest the loss of business to other countries could have a significant impact on employment growth levels across the region. Research undertaken for the Assembly estimates that the South East as a whole has been losing 3-4,000 jobs per annum since 2001. Three

**FOOTNOTES**

[10] *The knowledge base of an economy can be defined as 'the capacity and capability to create and innovate new ideas, thoughts, processes and products and to translate these into economic value and wealth', (SEEDA (2002), 'An Economic Profile of the South East').*

[11] *The Environmental Economy includes primary industries that depend upon environmental resources, industries that are dependent upon a high quality environment, activities that contribute to a high quality environment and organisations and businesses involved in developing environmental technologies (taken from SEEDA, EA, CA, EN (2002), 'Environmental Economy of the South East').*

scenarios for the future have been drawn up. These are:

i reality and focus – stabilising then falling levels of 'offshoring' as concerns rise about quality of service

ii gathering momentum – the trend gathers impetus as companies expand both the breadth and depth of offshoring

iii global specialisation – the pace of offshoring accelerates significantly. Companies increasingly take a global view of their operation, locating business functions in centres of excellence around the world to optimise their resources.

While there would still be substantial employment growth in the region, scenarios ii and iii would suggest lower employment growth than forecast.

6.4.17 **Labour Supply –** Potential labour supply is made up of three components:

i the available labour force from the local population

ii the workforce that may arise from people migrating to live in the region. This will be affected by the availability of jobs, as well as other factors

iii labour drawn to jobs in the region from adjoining regions, but still living in those regions.

6.4.18 **Local Labour Force –** The scale is dependent on assumptions about both basic numbers and participation rates, in other words the proportion of the adult workforce that seeks a job. The basic number is derived from demographic forecasts and also possible changes in retirement age. At present we have assumed that the formal retirement age is not increased. Labour market participation rates are already high in most of the region, and especially so in the more prosperous western parts of the region. The scope for further increases is therefore modest in these areas, but a modest increase has been incorporated based on consultancy advice.

6.4.19 **Migration –** Historic and possible future levels of migration have already been commented upon. The high propensity of the region's economy to generate further employment is however likely to encourage further net migration into the region, but the scales of that change may vary over the Plan period and will be affected by factors such as offshoring.

6.4.20 **Job Migration –** Adjoining regions have, or are developing, policies which seek to avoid increasing reliance on jobs in the South East region for their citizens. This is of course not a matter which can be 'controlled' by the planning system and substantial flows of day commuters, both into and out of the region, will clearly continue at a significant scale. In particular sub-regions, such as Milton Keynes and Aylesbury Vale, Kent Thames Gateway and the Western Corridor and Blackwater Valley, important changes in these patterns over the Plan period will need further consideration. In overall terms however it seems reasonable to assume a continuation of the present job migration ratios between the region and its neighbours.

6.4.21 **Overall –** Longer-term economic forecasting is a particularly difficult dimension of forward planning. Precise forecasts of change therefore need to be treated with some caution. Nevertheless, taking all the forecasts and assumptions that have been considered, our conclusion is that the region's economy will generate sustained economic growth and new employment. Some of that growth will be affected by a loss of jobs to offshoring and other factors, but in overall terms, the level of labour supply required to support forecast economic growth would require significant continued net migration and a level of housing supply above that in Regional Guidance.