



# THE COMMISSION ON SUSTAINABLE DEVELOPMENT IN THE SOUTH EAST

Final report: executive summary

# The Commission on Sustainable Development in the South East

The Commission's goal was for the South East to maintain its economic success and its position as one of Europe's most prosperous regions, while at the same time enhancing its environment and improving the well-being and quality of life of all its citizens. The Commission took into account the position of the South East with regards to London as a world city and as the frontier to mainland Europe, as well as considering the UK's interregional disparities.

The methodology involved consultation during six public seminars and seven commissioner meetings. The secretariat and research for the Commission was provided by ippr. The Final Report of the Commission draws on this advice and represents the joint view of the Commissioners.

A piece of work like this draws upon the input of numerous people and organisations. Without the generous financial support of PricewaterhouseCoopers LLP and the South East Counties this work would not have been possible.

## Commission working papers produced by ippr

*'Going for Growth: Comparing the South East's Economic Performance'*  
Peter Robinson, ippr, 18<sup>th</sup> October 2004.

*'The Problems of Success: Reconciling Economic Growth and Quality of Life in the South East'*  
Julie Foley, ippr, 22<sup>nd</sup> November 2004.

*'Keeping the South East Moving'*  
Julie Foley, Nathan Sansom and Tony Grayling, ippr, 15<sup>th</sup> February 2005.

*'Managing Water Resources and Flood Risk in the South East'*  
Louise Every and Julie Foley, ippr, 21<sup>st</sup> March 2005.

*'Meeting Housing Needs in the South East'*  
Anthony Vigor and Peter Robinson, ippr, 7th April 2005.

All the above working papers can be downloaded from ippr's website: [www.ippr.org](http://www.ippr.org)

# The Commissioners and the Secretariat

## The Commissioners

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# Executive summary: Sustainable development in the South East

The Commission's goal is for the South East to maintain its economic success and its position as one of Europe's most prosperous regions, while at the same time enhancing its environment and improving the wellbeing and quality of life of all its citizens. The Commission shall take into account the position of the South East with regards to London as a world city and as the frontier to mainland Europe, as well as considering the UK's inter-regional disparities.

The South East is one of the most prosperous regions in the UK and in Europe. It has a strong economy and provides a high standard of living for most of its citizens. But it is also a victim of its own success. As a high growth region, it suffers from traffic congestion and pollution. There is a shortage of affordable housing in the South East with rising numbers of people living in temporary accommodation. The environment is under pressure. As the world's climate changes, the South East will experience more frequent water shortages during the summer months and more floods during the winter months.

The South East faces a fundamental choice. Either it carries on down the path of traditional economic growth, with higher levels of congestion, worsening air quality and greater pressures on the natural environment. Or it chooses a sustainable future and takes the path of smarter growth – maintaining its economic prosperity but spreading the benefits to all its citizens, protecting the environment and safeguarding the region for future generations. This report shows how the South East can choose smart growth and a sustainable future. It argues that:

- prosperity cannot simply be measured in terms of economic output – quality of life and protection of the environment must be factored in;
- boosting the economic performance of the less prosperous regions in the UK will make it easier for the South East to cope with the problems that current levels of relative economic prosperity pose;
- wellbeing should be shared across the South East – those parts of the region and its people that have fallen behind should be included in the South East's success through a focus on increasing employment rates;
- sustainable development requires new investment in the region's infrastructure – particularly in its transport, affordable housing and flood defences;
- with investment must come changes in behaviour – we must learn to value the region's environment and be prepared to pay to protect it through pricing mechanisms like road user charging; and

- to make progress, the South East needs a new democratic settlement, with a locally sensitive approach to planning and delivering new development, reforms to regional governance and greater co-ordination of planning across the Greater South East.

## The Commission's key findings

### The South East's inter-relationship with London, the rest of the UK and Europe

#### South East's economic performance

- The economic performance of the South East compares well with what are generally regarded as the EU's most prosperous substantive regions containing all the well known centres of commerce in Europe outside of London and Paris.
- There is broad consensus in the South East for continued economic growth in the region at about current levels. No-one in the region appears to be arguing for an increased rate of economic growth in the South East.

#### South East's inter-relationship with London

- Many people move in and out of the capital at certain points in their lives to meet their aspirations for different forms of housing. Those people moving out of London into the South East tend to be families and older people. The South East is also indirectly affected by London's attraction of international migrants, which adds pressure to the housing market in the capital that then results in an out-migration 'cascade effect' increasing population pressures in the South East.
- Meeting London's future housing needs will be challenging. A debate needs to be had about whether neighbouring regions like the South East can be expected to fill the gap if London is unable to meet its own housing needs. London also has to address how it will accommodate a greater population probably at higher densities.
- It is unclear how much of London's water demand is met from water resources in the South East. It is unknown what impact London's future water needs could have on water availability and, to a lesser extent, the capacity of sewerage and drainage systems in the South East.

#### South East comparisons with the rest of the UK

- Households in the South East consume more water per capita compared to the other English regions. Yet the region has some of the lowest water metering rates in England and Wales.
- The South East's travel patterns are not greatly different compared to the other English regions. However, the South East has high levels of car ownership and motorists in the South East drive more miles by car compared to most other English regions.

- Compared to other parts of the UK, the South East is likely to experience the highest annual damage to residential and commercial developments from flooding over future decades.
- The South East is probably the only UK region with an above average growth rate in output per head. In contrast, the North East and Wales are the two UK regions with a below average growth rate.

### Inter-regional disparities

- Despite the Government having a target to reduce disparities between regions, it has acknowledged that inter-regional disparities are in fact getting worse. The Government should introduce a new Public Service Agreement target for addressing regional disparities in economic performance:

Over the long term reduce the persistent gap in output per head between the UK's regions by concentrating effort on increasing the growth rate in the lagging regions (with a particular focus on employment).

- For the South East region this would mean voicing support for the efforts of the less prosperous regions, individually and collectively, to tackle their economic problems and particularly their relatively low employment rates. The emphasis here is not on what could be characterised as old fashioned policy instruments designed to move economic activity around the country, but policies to improve employment and skills within the less prosperous regions.

## Addressing disparities within the South East

### Employment, skills and housing

- Although the South East is one of the most prosperous regions in the UK and EU, there are serious economic disparities within the region especially along parts of the south coast. There are also low employment rates among disadvantaged groups such as the long term sick and disabled.
- The Government has a target for an 80 per cent employment rate for all adults aged 16-64 by around 2020. In the South East the current overall employment rate is 77 per cent. Meeting the Government's target will require specific attention to be given to increasing the labour market participation of those people who are economically inactive.
- The labour market in the South East is relatively tight but it is not overheating. Skills shortages and skills gaps do not seem to be a bigger problem in the South East than in other English regions and are not getting worse. The shortages that do exist are surprisingly widely spread across both higher and lower skilled occupations.
- The South East is already able to draw on the most highly qualified labour from national and, indeed, international markets. Improvements in skills attainment within the region will help meet the demand for more highly qualified labour. There needs to be a balance between in-migration and mobilising the labour supply within the region to meet future labour demand.

- The challenge facing the South East is to increase employment rates in its less prosperous areas and among older workers and groups disadvantaged in the labour market. If it can meet this challenge, significantly higher levels of housing growth – above those set out in the *South East Plan: Consultation Draft* – cannot be justified on the basis that otherwise there would be significant negative implications for the South East’s economy.

### Affordable housing

- A somewhat higher level of housing growth in the South East could be justified on the grounds of meeting affordable housing needs. In the South East there are rising numbers of people living in temporary accommodation. The priority for the South East is to secure more affordable housing (both socially rented and intermediate) for those people already living within the region.
- There are reservations about the underlying methodology supporting the Barker Review’s recommendations. It is unclear whether it is possible for policy makers to set targets for output in the housing market to achieve a particular path for house price inflation. The Barker Review came up with a national headline figure for an extra 141,000 dwellings per year to reduce real house price inflation to 1.1 per cent per annum. But research commissioned by ippr suggested that if only about half that figure were built nationally it would have a similar effect on house price inflation. This raises question marks over the robustness of the Barker methodology and the extent to which it can be relied upon to develop both national and regional affordability targets.
- To tackle affordability problems in the South East a direct increase in the provision of affordable housing would seem to be the most appropriate policy response. A range of different providers could deliver the extra affordable housing required.

### Mixed communities and regeneration

- It is important to get the right mix between private sector housebuilding and the provision of various types of affordable housing to help create sustainable communities. This will not be achieved with levels of housebuilding lower than those proposed in the *South East Plan: Consultation Draft*. Levels of housebuilding above those options in the *South East Plan: Consultation Draft* would not be politically acceptable within the region.
- Simply building new housing in less prosperous areas will not per se deliver regeneration. The South East needs to take an approach to local regeneration that considers housing, transport and employment policies in an integrated way.

### Developing incentives for sustainable choices

- If the South East is to maintain its current rate of economic growth, and offer its citizens a high quality of life, it will need to develop policy measures that influence the attitudes and behaviour of individuals and firms.

### Traffic management and car dependency

- Despite residents in the South East citing increases in traffic congestion and pollution as two of their top local priorities, there are no signs of these quality of life pressures abating. By 2010, road traffic is expected to grow by 25 per cent in the South East, in part due to falling motoring costs but also because of deficiencies in public transport.
- The UK and congested regions like the South East are facing a tough choice between increasing traffic delays and pollution, or bold measures for managing traffic growth and improving public transport options. The success of the Central London congestion charge has helped build political momentum for the use of price signals in influencing travel behaviour. Maintaining this momentum will require significant upfront investment in transport infrastructure and strong political leadership before a national congestion charging scheme can be introduced.
- Over the longer term the South East should encourage the Government to press ahead with plans to introduce a national congestion charging scheme within the next ten years. There are also short to medium term pathways for cutting congestion such as local urban charging schemes and motorway tolling.
- It is up to local communities and not central government to decide whether an urban charging scheme is the best way to manage traffic demand in a local area. If the Government wants to see local urban charging being progressed in the South East and elsewhere, it will need to provide local authorities with funding for packages of measures that combine road pricing with local public transport improvements.
- The South East should explore options for introducing motorway tolling on congested commuter routes, as well as tolling on major motorway sections that are due to be widened, to help ease congestion on busy commuter routes. Motorway tolling schemes could be introduced as public-private partnerships whereby the financial risks, administration and revenue are shared with the private sector.
- Smarter travel measures, such as travel plans and public transport marketing, could also help to cut congestion whilst encouraging public transport use, cycling or walking in the South East and across the UK.

### Water efficiency

- Only with significant water efficiency savings in existing and new homes, and the timely provision of new water resources, will there potentially be enough water to meet rising demand for new housing and domestic consumption in the region.
- Water metering and smarter tariffs can help to change people's attitudes to water use and encourage them to save water and money by using water efficient appliances and measures in their homes. Higher levels of water metering should be encouraged in areas of low water availability in the South East.
- There should be tougher regulations placed on developers to improve the water efficiency of new buildings. The voluntary Code for Sustainable Buildings should promote resource efficient buildings that use less water and energy and create less waste.

- Water companies also have a greater role to play in reducing water leakage and encouraging greater water efficiency in both new and existing homes. The Government should introduce a water industry equivalent to the Energy Efficiency Commitment. Each water company could be set water efficiency targets for reducing levels of water consumption in both households and businesses. There should be a pilot of the Water Efficiency Commitment in the South East.

## Meeting infrastructure needs

### Resources for infrastructure

- The UK needs an open debate about whether, as a nation, we are prepared to devote the resources necessary to deliver a range of housing policy objectives including the Government's Sustainable Communities Plan, and to meet other associated demands for improved infrastructure in areas such as transport.
- There has been a legacy of under-spending on housing and transport in the UK. Both housing and transport saw sharp declines in public spending as a proportion of Gross Domestic Product (GDP) from the early 1990s.
- The Government has dedicated extra public resources to delivering its sustainable communities agenda. The 2004 Spending Review included a commitment to fund an extra 10,000 social homes a year by 2008 (a 50 per cent increase in provision), and established a £200 million Community Infrastructure Fund for transport investment. To put this in perspective, £200 million was little more than one per cent of the public sector spend on transport in 2004-05.
- The Government may be counting too much on other sources of funding. It is not clear that significant new affordable housing will be delivered through Section 106 agreements without public subsidy. While there may be the opportunity to use a land value tax in the future to capture value uplifts and help fund infrastructure improvements, this is a number of years away. The Government, however, needs to give priority to the development of land value taxation.

### Infrastructure needs

- It is clear that the Community Infrastructure Fund, as currently resourced, will be insufficient to meet the future additional transport infrastructure costs associated with the growth areas, particularly given the housing growth proposals in the Sustainable Communities Plan look out to 2016 and 2031.
- In terms of protection from flooding, the Government is already committed to a relatively generous settlement of £564 million per year on coastal and flood defences in England and Wales over the period to 2007-08. Developers are also expected to make a contribution to the cost of new flood defences where they are needed to protect new buildings.
- Of the new development planned for the South East growth areas, 30 per cent of the sites have been allocated in flood zone areas. However, the majority of these sites will be in areas where the annual probability of flooding is either low or mod-

erate. Across all the growth areas, flood management measures will need to be periodically reviewed to ensure a high standard of protection.

- The costs of providing new water and sewerage infrastructure will be largely borne by individual customers through their water bills. Some additional water and sewerage costs associated with new housing developments in the South East were considered in the 2005-10 Water Price Review period. It is unclear, however, if that provided for is sufficient to maintain security of water supply and water quality. Water resources are already stretched in the South East and so one-off investments may be required in the short to medium term for large-scale assets such as reservoirs, which would increase water bills.

### Revenue from congestion charging

- It is already the case that the people of the South East have become more and more dependent on their cars. This is in part because the costs of motoring have been falling, but also because there has been inadequate investment in public transport alternatives.
- The principal purpose of congestion charging is to reduce journey times and traffic jams in some of the busiest hot spots. However, congestion charging could also potentially raise extra resources to pay for future transport improvements.
- If politicians are to win public support for national congestion charging, in the years preceding the introduction of the scheme there will need to be increased public spending on transport to offer accessible, reliable and cost-effective transport options. But this presents a funding conundrum – whilst a national congestion charging scheme could potentially raise additional revenue to pay for transport improvements it will not do so for at least another decade. Bearing in mind public spending on transport will be limited over the next parliamentary term, the Government is faced with the problem of how it can start to invest in transport improvements over the short to medium term to make the longer term introduction of a national congestion charging scheme publicly palatable.
- There needs to be a national political consensus for giving greater priority to transport investment. One option is to increase transport investment by financing it through extra government borrowing. This would not have consequences for the Treasury's 'golden rule' which allows for borrowing to finance investment. It would, however, increase the debt-GDP ratio and therefore the future burden of interest payments to be borne by the taxpayer. These interest payments could be met by some of the future revenues raised from a national congestion charging scheme.
- Some of the future revenue raised from motorists should be redistributed back to the regions. But there is a trade-off between using the revenue gains from a national congestion charging scheme to fund upfront transport investment initially financed through borrowing, and using the revenue to pay for transport improvements in future decades. There will therefore need to be a balance between the two.

### Spending priorities

- The 2004 Spending Review implied that after 2005-06, the overall rate of growth in public spending will decline significantly, with spending as a proportion of GDP reaching a plateau of about 42 per cent. Spending on health, education and international development will rise as a proportion of GDP, which of course implies that the share of some other areas of public spending will need to fall.
- The Commission's work suggests that policy makers may have got some of their priorities wrong and that the relative neglect of housing and transport could undermine the delivery of the Government's Sustainable Communities Plan. It could also make it less likely that key policy challenges such as the introduction of a national congestion charging scheme will secure the necessary popular support. It may be time for a rethink of some of the Government's future spending priorities.

### Improving governance and planning arrangements

- There is a plethora of overlapping authorities and agencies in the South East responsible for housing, planning, and transport policy and delivery. There is a need for better co-ordination both within the South East and across the Greater South East.

### Governance arrangements

- To help join up strategic policy-making at the regional level the Government should create a single Housing, Planning and Transport Regional Board for advising ministers on strategic spending priorities across policy areas as well as the possibility of switching funding between them. The Board should support democratic accountability by being made up of elected local authority representatives from the Regional Assembly alongside senior representatives from business, the environmental and voluntary sectors, and relevant agencies. It should promote subsidiarity by not eroding the powers of local authorities.
- To reflect the strong rail linkages between London, the South East and East of England, the Government should create a Greater South East Rail Authority with responsibility for the franchising of rail passenger services across the Greater South East (excluding inter-city rail journeys).
- A Greater South East Housing Forum should be established for providing strategic oversight of inter-regional housing issues across London, the South East and East of England.

### Flexible planning

- The South East Plan is due to set the policy framework for housing between 2006 and 2026. But given the limitations in housing data, including uncertainty over future international migration patterns, setting housebuilding targets for 20 years hence does not seem sensible. Shorter planning horizons may be more appropriate, enabling more flexible and strategic responses to housing needs in the South East.

### Locally sensitive planning

- Across the South East, there needs to be a locally sensitive approach to planning and delivering new development which requires strong leadership by local authorities. As elected bodies, local authorities have a legitimacy that can allow them to deal with contentious issues in a way that enables greater public understanding and acceptance of those issues. It should be up to local authorities to identify the appropriate balance of affordable housing needs (the mix of socially rented and intermediate housing) within their communities. They should be responsive to changing needs over time and promote the development of mixed communities.
- Local authorities often complain that one of the biggest blocks to bringing forward new development is the lack of incentives. The funding of local infrastructure improvements alongside new developments is often seen a critical issue by residents. If new developments, particularly affordable housing, were prioritised for local infrastructure funding this could provide local authorities with the incentive they need to win public support for new developments.

### Water, flooding and planning

- There should be greater integration of issues relating to the availability of water resources, water quality and flood risk into local and regional development processes. In some cases, concerns about water scarcity, water quality and/or flood risk may be grounds for refusal of planning permission.
- There needs to be greater clarity over the co-ordination of, and responsibility for sewerage and drainage issues, especially as the incidence of urban flooding is likely to increase over the coming decades.
- Planning guidance directing development away from locations with a high flood risk needs to be enforced more rigorously. The Environment Agency could be made a statutory consultee for all new developments in flood risk locations. As a last resort the Government may have to intervene to ensure that no inappropriate development takes place in flood zone areas.

## Conclusions

If the South East is to maintain its economic success while enhancing the environment and improving the wellbeing and quality of life of all its citizens, it will need to develop a new approach to growth and consumption. The focus for policy should be on achieving a sustainable rate of growth in output per head and disposable household income, rather than just maximising the growth in GDP. Policy-makers in the South East and in government need to develop measures that influence the behaviour of individuals and firms to enable and encourage the more efficient use of natural resources that results in less pollution and waste. There will need to be investments in infrastructure, particularly public transport improvements for helping to reduce car dependency.

If the South East is to improve the wellbeing of all its citizens, reducing economic disparities within the region and improving the availability of affordable housing will be essential. The key to reducing disparities will be to raise employment rates in less

prosperous parts of the South East and among disadvantaged groups. There will need to be additional public funding for meeting affordable housing needs.

From the point of view of the South East, boosting the economic performance of the less prosperous regions in the UK would make it easier for the region to cope with the problems that current levels of relative economic prosperity pose. This would help to ease the pressures on the region that have been generated by the relative shift in economic activity and population to the Greater South East. The Government should particularly focus on enhancing policies in relation to employment services and skills to raise employment rates in less prosperous regions.

An approach to growth, driven by quality of life priorities, that seeks to promote resource efficiency, reduce disparities within the region and support government efforts to address inter-regional disparities in economic performance, would be in the long term interest of the South East.