

**Wealden District (Incorporating Part of the South Downs National Park) Core Strategy
Hearing Statement on Behalf of South East Water**

Matter 1: Spatial Strategy

1e): Is the overall strategy sufficiently flexible to respond to an unexpected change in circumstances?

1. The short answer to this question, which in the light of current and foreseeable national and international economic conditions has an obvious prominence, clearly has to be 'no'. The strategy appears to have little, if any, inbuilt flexibility to respond to expected change, let alone unexpected changes. It significantly undershoots the ONS trend population forecasts. According to paragraph 3.10, this is because, these are 'in excess of that which can be accommodated or delivered within Wealden'. Whilst the basis of that conclusion is unclear, it does not offer any room for manoeuvre.

2. As explained below, a situation in which a District Council (and there are over 30 planning authorities in South East Water's supply area) intends to plan for significantly less growth than might otherwise be likely presents South East Water, which has by law to plan much further ahead, with something of a problem.

3. It is fair comment that the real world does not look much like the picture painted in draft Policy SPO3. The former is full of economic and social uncertainty, which would suggest that the appropriate response from planning authorities would normally be greater flexibility and a willingness to support growth that will assist in tackling the very significant economic problems that the country faces. The provision of additional housing, of which there is an acknowledged shortage, is part of the solution. As is the need for modern infrastructure, including that required to supply water and new water infrastructure is most effectively planned on the basis of robust forecasts.

4. Under the Water Industry Act 1991, water companies have a statutory duty to supply sufficient quantities of wholesome water to domestic premises. Wealden District Council's plans for future population growth are thus vital inputs to the water resources management plans (WRMPs) that South East Water and the other water supply companies are statutorily required to produce.

5. WRMPs have to look 25 years ahead and show projections of future demand along with demand management measures such as water supply efficiency, metering and leakage control. It must be understood that major investment decisions about the provision of new and improved water resource infrastructure are made on the basis of WRMPs. WRMPs in turn rely on the reasonable accuracy of demand forecasts, both in terms of quantum and time. These forecasts depend in large part on planning authorities' intentions as expressed in the statutory development plan.

6. The significance of water companies making correct decisions in sufficient time to invest in the necessary infrastructure, which could be on a large scale and might include a water transfer or new reservoir taking many years to plan and implement, can be readily understood. In South East England, which is an area of water stress, has a generally high environmental quality, and is also the UK's best performing economic region outside London, the point at which a decision is made to move forward with new investment is

particularly difficult to judge but highly critical. South East Water therefore looks to planning authorities to prepare robust forecasts that include flexibility to meet foreseeable, albeit perhaps currently less than perfectly defined, circumstances. Until they are confirmed to be robust, it has no option but to question forecasts that significantly undershoot trend. Reliance on such forecasts could mean that the Company later finds itself in difficulty meeting its statutory obligations.

7. It should be clear at this point that South East Water is not arguing for a particular level of growth in Wealden District. It does, however need to be confident that the level of growth fixed in the Core Strategy is a robust basis for long term planning of water supply. If the level is set too low, then there may be a prospect that it will be raised by later appeal decisions, or that a chronic shortage of housing will emerge that requires a later revision to the Strategy. Until the demise of RSS, water companies in the South East used a 'most likely' scenario, which was not dissimilar to the ONS trend forecasts. There is therefore some concern that in the case of a plan in which the trend forecasts are intended to be undershot by a significant amount this can be relied on.

8. It is noted that other participants have queried the methodology used by Wealden District Council in arriving at the housing growth figures proposed in the Core Strategy. South East Water's concern is that these figures do seem low compared to other projections and the Company needs to ensure it can rely on the planning authority's proposals for where and when new growth is being planned for to ensure demand for water supplies can be met.

9. South East Water notes that Wealden's own assessments identify a "*substantial housing need within Wealden and also highlight very significant affordability issues*" (paragraph 2.3 of Background Paper 2 'Managing the Delivery of Housing'). In addition, "*This means that for any given population level, a greater number of dwellings is required. In order to maintain the viability of services and facilities and the vitality of the local economy there is therefore a requirement for significant new housing development within the District which would encourage some in-migration in order to maintain population levels*" (paragraph 2.4).

10. It is therefore something of a surprise that the District Council has subsequently chosen to use figures which are substantially lower than those projections carried out by Office for National Statistics (ONS) and East Sussex County Council to plan for future housing growth in the district.

11. South East Water's current WRMP was approved in December 2010 following a public inquiry, and uses a 'most likely' population projection, a combination of policy based projection constrained by the national trend based projections (Office for National Statistics). This 'most likely' projection was higher than the growth figures in the South East Plan. At the inquiry the Inspector accepted that the figures set out in the South East Plan were not targets and may be exceeded. He concluded that "*setting the rates too low could put at risk SEW's ability to comply with its statutory duty to supply*" (paragraph 7.37, South East Water WRMP Inspector's Report 23 September 2010) (Appendix A).

12. While the planning system provides the procedural and policy context for decisions in order to deliver the new infrastructure, there are a number of other separate regulatory procedures that South East Water must go through before it can undertake such works. This adds to the lead time. Current guidance from the Environment Agency (EA) in drawing up

WRMPs still recommends using the housing figures in regional plans. The EA's recently published documents to accompany the Government Water White Paper 'Water for Life', (December 2011), namely 'The Case for change – current and future water availability' (December 2011) also considers growth projections produced by ONS.

13. The following recent new initiatives from Government are aimed at increasing the provision of new homes where these are required. It is unclear how these initiatives could be responded to in the implementation of the proposed Core Strategy.

- The measures within the Localism Act 2011, many of which are due to come into effect in April 2012, increases the local authority's responsibilities in making key decisions for the future and location of new housing in the district through the development plan.
- The draft National Planning Policy Framework puts the Local Plan firmly at the centre of decision making. Equally, it is designed to encourage future growth with a presumption in favour of sustainable development. This presumption will apply where the local plan is 'absent, silent, indeterminate or where relevant policies are out of date'.
- The New Homes Bonus as a key part of the National Housing Strategy (November 2011) will bring empty properties back into use as well as increasing new homes.

14. In conclusion and in summary, South East Water needs to be clear about the level of growth being planned for to ensure sufficient supplies are available at the appropriate time. Whilst Wealden's Core Strategy is not unclear, it appears to be sufficiently out of line with previous regional guidance and with current government initiatives to require firm endorsement following the Hearing process before it can be safely used as the basis of long-term water resource planning.

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Appendix A

**Extract from the Public Inquiry into South East Water's Water Resources
Management Plan 2010 - 2035: Inspector's Report, 23rd September 2010**



Report to the Secretary of State for Environment, Food and Rural Affairs

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Date: 23 September 2010

an Inspector appointed by the Secretary of State
for Environment, Food and Rural Affairs

WATER RESOURCES MANAGEMENT PLAN REGULATIONS 2007

INQUIRY

into the

SOUTH EAST WATER

WATER RESOURCES MANAGEMENT PLAN 2010-2035

(Revised January 2010)

Inquiry opened on 11 May 2010

File Ref: APP/WRMP/09/02

undisputed that it is a stand-alone estimate that does not feed into the baseline or final plan forecasts^[3.52, 3.74].

- 7.25 By contrast, the rWRMP defines the 'baseline' forecast, in summary, as the expected demand were the Company to continue with all current measures and policies (with no new policies), taking account of changes in population, property numbers and types, changes in lifestyle, social preferences, economic trends and environmental awareness, and the effects of climate change on demand⁹²⁰. I can find no reference in the WRPG to 'topline' estimates or forecasts, whereas the guideline makes clear that the baseline forecast of demand is integral to the WRMP process.
- 7.26 The EA criticises SEW's use of the 'topline' estimate as the basis for the assessment of 'savings' or 'reductions' in pcc, and questions the validity of using it as a basis for assessing 'reductions' or 'savings' in consumption^[3.52, 3.75(a) & (b)]. I largely agree with these criticisms and consider that the topline estimate has limited significance in this respect. Furthermore, I note that at the Inquiry SEW adopted the baseline pcc as the comparator in assessing the extent to which the final plan forecast represents 'moving towards' the Defra aspiration of a reduction in pcc to 130 l/h/d^[2.163]. I return to this below.
- 7.27 The Secretary of State's issue states that the Company has not set out what its forecast baseline and final planning pcc would be without impacts of the metering, leakage and water efficiency savings assumed in its baseline forecast. As SEW notes, such savings could only be quantified against some 'pre-baseline' forecast^[2.73]. In any event, the main SoCG between SEW and the EA sets out an agreed, detailed explanation in response to this, and records the issue as resolved⁹²¹. While the SoCG records as unresolved the point that the Company has not explained the impact of the assumed savings⁹²², the EA has indicated that all it requires to resolve this matter is further quantification. SEW provided this at the Inquiry, albeit that there is a lack of transparency over the derivation of the figures used.

Population & property projections

- 7.28 It is undisputed that the WRPG⁹²³ requires companies to produce and present both trend and policy-based resource zone (RZ) population and household projections. However, it advises that the final projections should be policy-based, with full justification supported by sensitivity testing being provided when a company proposes to deviate from the forecast included in the Regional Spatial Strategy (RSS)^[2.122, 3.56].
- 7.29 At the time of publication of the rWRMP the RSS for the South East ('*the South East Plan*') was in force, having been published in May 2009, and formed part of the statutory development plan for the region. However SEW, jointly with all other water companies in the South East except

⁹²⁰ CD/1.24 section 5.1.1 para 6, p.106

⁹²¹ CD/1.31, table 2 item 2.5

⁹²² CD/1.31, table 2 item 2.4

⁹²³ CD/3.10 section 7.3

- Thames, commissioned Experian to produce forecasts of future housing numbers⁹²⁴. These are in effect policy-based projections for the region constrained to the national trend-based projection^[2.129]. SEW based its estimates on the Experian 'most likely' projection⁹²⁵.
- 7.30 As the EA and CPRE Sussex note, the Experian projections indicate growth substantially in excess of that indicated in Table H1a of the RSS^[3.58, 5.17]. However, I accept SEW's point that it is clear from taking the RSS as a whole that the figures in Table H1a would not meet the region's share of forecast growth of households and population^[2.127]. The RSS also recognises that recent projections suggest that pressure for housing development is likely to be greater than anticipated.
- 7.31 Contrary to the suggestion by SEW that the EA has not challenged the view that the Experian projections represent the most likely scenario, the Agency states in terms that *'such evidence as there is is quite inconsistent with any suggestion that the growth rate derived from the RSS Table H1a allocations will be materially exceeded in the foreseeable future'*^[2.129, 3.59]. Other parties also see the Experian projections, and even the RSS figures, as excessive. Amongst other reasons given for this are the current economic climate, and that past trends reflect a housing and economic 'bubble' that has already burst^[3.59, 5.17-19, 5.69, 5.87]. However, as SEW points out, the EA's water resources strategy for England and Wales notes that *'unless the downturn is very protracted, it should not alter overall trends and pressures to the 2030s and beyond'*^[2.127].
- 7.32 Since the Inquiry closed, the RSS has been revoked by the Secretary of State for Communities and Local Government^[1.17] following an indication during the Inquiry of his intention to do so 'rapidly'^[1.16]. The EA suggests that, as a result, it is now even more likely that the actual growth rates will not exceed, and may undershoot, those indicated by Table H1a of the RSS^[3.59]. CPRE Sussex and Mid Sussex District Council share this view, citing normal growth rates in Mid Sussex which are considerably lower than the RSS rates and other indications that suggest that growth rates are likely to fall here and in other areas^[3.59, 5.18-19, 5.69, 5.87, 6.16(a), 6.25].
- 7.33 I recognise that population and household growths are driven by a number of factors including migration and demographic trends which, SEW suggests, will not disappear with the RSSs^[2.128]. The WRPG itself acknowledges that in certain areas the trend-based projections may be significantly higher than the policy-based projections due to recent high in-migration⁹²⁶. I also consider that, to the extent that such drivers are affected by the current economic downturn, such effects are likely to represent a temporary suppression of trends that will largely resume when the economy recovers. The fact that the WRMP covers a 25-year period is significant in this respect.

⁹²⁴ CD/1.24 paras 39 and 40, pp.113-114

⁹²⁵ CD/1.24 para 45, p 115

⁹²⁶ CD/3.10 section 7.3.2, p.7-10

- 7.34 SEW suggests, on the basis of sensitivity tests, that in any event it cannot be taken for granted that lower household growth than assumed in the WRMP would reduce water demand, as avPCC in new homes is lower than in older homes^[2.125]. As the EA points out, the sensitivity test assumes a fixed rate of population growth^[3.61-63], but it is clear that there is not necessarily a direct correlation between household growth and water demand.
- 7.35 It seems to me that, at this early stage, predictions as to the effects of revocation of the RSS are premature and speculative. It is not known how most local planning authorities in the area will respond through their local development frameworks (LDFs), how the combined provision will relate to overall demand, how national or regional policy will react to any significant shortfall or surplus in planned provision or how actual housebuilding rates will be affected. Even if the immediate effect of revocation were to reduce housebuilding rates below those in the RSS, there is no guarantee that they would remain low, given the likely future pressure on housing. Furthermore, the RSS only went up to 2026.
- 7.36 The Experian 'most likely' projections of household numbers are higher than the figures in RSS Table H1, particularly in the later years. However, due to the uncertainty of long term forecasting, the recognition in the RSS that actual growth may exceed those figures and the need for SEW to ensure that it remains in a position to meet its duty to supply^[2.7, 2.9], I am satisfied that use of the 'most likely' projections is appropriate for this Plan. I note that other water companies in the region whose Plans have not been challenged have also adopted these projections as the best estimate forecasts of household numbers⁹²⁷.
- 7.37 By the time of the next revision there should be available more up to date projections, more experience of the operation of the revised planning policy regime (which might itself have evolved further by then) and, I assume, an update to the WRPG from the EA giving revised guidance on the basis for population and property estimates^[2.126]. Meanwhile, I have seen no evidence to suggest that significant adverse consequences would arise, at least over the period to 2015, in the event of the projected growth rates proving to be too high. On the other hand, it seems to me that setting the projected rates too low could put at risk SEW's ability to comply with its statutory duty to supply^[2.1, 2.74].

The Defra 130 l/h/d aspiration

- 7.38 The 'aspiration' of a reduction in pcc to an average of 130 l/h/d per day by 2030 in England arises from a 'vision' in *Future Water: The Government's water strategy for England*⁹²⁸. SEW contends that the reference in the Defra briefing note to 'moving further towards' is an expression of a desire on the part of the EA rather than a policy or other requirement on the part of Defra^[2.163]. However, it seems to me that 'moving towards' 130 is consistent with Defra's stated aspiration of

⁹²⁷ CD/1.24 para 45, p 115

⁹²⁸ CD/4.15, box on p.22