

# BRIEFING



West Midlands RSS: Phase Two Revision – Panel Report

19 Oct 2009

## **Introduction**

The following briefing provides a summary of the panel's report on the examination of the West Midlands Regional Spatial Strategy (WMRSS) phase two revision – hereafter referred to as the RSS. The public consultation on the Assembly's submitted document ended on the 8 December 2008. This was followed by the Examination in Public by an Independent Panel which running between 28 April to 24 June 2009. The HBF gave evidence at the Examination. The Panel report was published on 28 September 2009.

The focus of the phase 2 was housing, employment, transport and retail, targets for these and land allocation and distribution. A phase 3 consultation is currently underway which will consider rural services, gypsy and traveller sites, culture, sport and tourism and environment and minerals policy.

## **Overview**

The Panel has endorsed the Regional Assembly's strategy to focus the majority of development within the four principle Metropolitan Urban Areas of Birmingham/Solihull, the Black Country, Coventry and North Staffordshire (policy R2.10). This was supported as necessary to secure an urban renaissance (by retaining households in the cities and focusing investment). This contrasts with the more flexible strategy sought and advocated by the HBF and other developers which sought greater policy flexibility to not only support the urban renaissance but also which would allow for additional housing growth to occur in the other second and third tier settlements and rural areas as indicated by the household projections. The Panel has endorsed the need to persevere with the Assembly's urban renaissance strategy, notwithstanding the downturn.

The Panel has proposed a regional target of 397,900 homes – a marginal increase on the 365,600 advocated by the Assembly. The distribution accords with the Assembly's proposed strategy and indeed reinforces this by increasing the level of provision in Birmingham (unwelcome), Solihull (welcome, but not enough), and the Black Country and Staffordshire north (unrealistic).

## **Phased Revision Programme**

The West Midlands RSS has been broken down into three inter-related phases. The first phase was conceived to address the needs of the Birmingham and the Black Country – the principle Metropolitan Urban Area –

But in so doing it also established the basic spatial principles that would set the pattern and emphasis for development for the subsequent two phases. This was a shrewd strategy by the Assembly, since once the first phase was adopted, it has been difficult to secure a target and distribution for housing that might be viewed as detracting from the over-arching emphasis on the Black Country. One might say it represents the classic establishment tactic of ‘divide a rule’. Phase three is underway now.

The panel acknowledged these difficulties and the difficulty of examining issues that ran the risk of impinging upon phases one (Black Country) and three (rural services, gypsies etc). Although the phase two only represented a ‘partial review’ (and this was an issue that generated an enormous amount of misunderstanding and waste of time debating what constituted a review as opposed to a revision) the panel recorded how it was difficult to maintain a clear boundary between those matters that were subject to revision and those which were not. While the Panel has fought shy of saying that the phased process had proved unsatisfactory - confusing to public and participants, complex, too long, resource intensive and preventing key issues to be dealt with in the round if not in as much detail as some agencies might like - they did at least recommend to the Government that the Single Integrated Regional Strategy (SIRS) process should not allow important issues to be disaggregated but to ‘hold together all matters needing review’ (para. 1.19). Hopefully, this will mean that phased SIRS will not be permitted.

## **Role and Status of the Spatial Strategy**

The Assembly’s submitted RSS did not include an overarching strategic spatial policy. To rectify this omission the Panel has proposed the insertion of a new policy – SS1 – to provide a framework for a series of sub-regional policies.

The new policy identifies the MUAs and nine Settlements of Significant Development (SSD). These are the same as those included in para. 3.11 of the deposit RSS, except that Redditch has been omitted because it was concluded by the Panel that the town was unable to accommodate significant additional growth beyond its own organic needs, and only this by cross-border developments with neighbouring authorities. This will mean that the neighbouring authority, Bromsgrove, will need to accommodate a higher number of new homes and this has been reflected in the revised housing allocations.

## **Spatial Strategy Principles**

It was the Government's view that the WMRSS phase 2 proposed housing provision of 365,600 additional dwellings between 2006-2026 did not address the scale of housing needed in the region. The WMRA's view was that because a much higher level of provision which would require more land to be provided in the shire districts this would compromise the principle thrust of the RSS to support the urban renaissance of the MUAs and reverse the claimed exodus from the urban centres.

The Panel cautiously concluded that agreeing a higher level of housing would not necessarily undermine urban renaissance focus of the plan, so long as the focus of development remained in the MUA/SSD.

### **Settlements of Significant Development (policy R2.10 B)**

The Panel has supported the Assembly's rationale for their selection although the HBF had argued that the selection was somewhat arbitrary, reflecting poorer settlements (with greater brownfield capacity), rather than those market towns where demand was high. In the end nine of the ten proposed SSDs were agreed, and one, Redditch, de-allocated. The nine SSDs are:

Burton-upon-Trent  
Hereford  
Nuneaton/Bedworth  
Rugby  
Shrewsbury  
Stafford  
Telford  
Warwick/Leamington  
Worcester

### **Beyond the MUAs/SSDs (policy R2.10 C)**

Beyond these principle settlements, the panel recommended in that development *where appropriate* and related to the strategic centres identified in Policy PA11 will be smaller scale to meet *local housing needs* and sustain the local economy and services.

## **New Settlements**

The Panel were undecided about the role of new settlements although these were resisted by the WMRA because of their potential to detract from the urban renaissance. However, in order to ensure that the RSS is compliant with PPS3, and not to close-off the option for LPAs to consider new settlements, the Panel recommended deleting the final sentence of paragraph 5.17 which had stated that “it is not envisaged that new villages will need to be developed”.

Changes to Policy CF3 were also recommended to allow for the possibility of a new settlement north of Lichfield.

## **Habitat Regulations Assessment (Policy SR4)**

Policy SR4 has been amended to make it more compliant with the Habitat Regulations Assessment. Unfortunately, and despite argument by the HBF (see para. 1.28) and other developers, the amendment to policy SR4 allows for the RSS housing numbers to be revised downwards through the examination of the relevant DPD if the local authority can show that it cannot mitigate ‘adverse’ impacts. We fear that such a recommendation, if adopted, will compromise the integrity of the RSS, and will open the doors to similar caveats that will allow national political priorities to be circumvented by local decision-makers. The HBF will object to this policy if it is retained in the proposed changes.

## **Climate Change policies (Policies SR1 – SR3)**

Despite the HBF and other developers arguing that the policies were superfluous because they simply repeated national policy, the policies have been retained, albeit slightly amended to provide for a little more flexibility and reflecting better the principles contained in the Supplement to PPS1.

## **Sustainable Design and Construction (Policy SR3)**

Least welcome, however, is the Panel’s recommendation in Policy SR3 that all new housing schemes under 10 units meet Building for Life silver standard, and schemes over 10 units, achieve gold standard as a condition of planning permission. The HBF will be making vigorous representations to the CLG against the adoption of this policy.

More positively, the panel has recast the sub-policies C and D which deal with renewable energy, requiring such policies to be justified by local planning authorities in DPDs.

## Housing provision

The Panel's deliberations on the appropriate level of housing revolved around consideration of several factors:

Propensity for new immigrants to form households

Migration

Affordability

Vacancies and second homes

Unmet need and backlog

Environmental constraints

Recession: the impact on public finances and capacity of the house building industry to respond

### Household formation

Evidence presented by the Cambridge Centre for Housing and Planning Research (CCHPR) argued that CLG data was not entirely accurate in that it over-estimated the level of household formation for recent immigrants to the UK. Steep house price rises relative to incomes above long-term trend had prevented households from forming in quite the numbers anticipated by the CLG modelling. The CCHPR projections do not assume a surge above the trend after the recession as households unable to form make up for lost time (see para 3.18).

The suggestion is that the willingness of new immigrant households to share and live in larger households is a matter of cultural choice or else one driven by economic necessity. Either way, we may want to challenge such an argument: is this really choice or are immigrant's housing choices driven by economic necessity?

### Migration

The latest projections by the CLG (2006-based) have forecast that migration will play a smaller part in household formation (one third) than organic growth (longevity, fertility) which will account for two thirds of household formation to 2031. The WMRA assembly pointed to falling levels of international migration to the West Midlands as having a downward impact on the CLG and NHPAU projections.

The CLG accepted that low migration was a reasonable assumption (para. 3.23) and it had factored this into its projections by applying a low migration variant. The Panel concluded that the 2006-based projections would have *some* upwards impact on the rate of household formation, but not a great deal more so, given doubts about the recession and propensity for migrants to form households.

## Affordability

The Panel has somewhat reluctantly (see para. 3.32) agreed with the Kate Barker thesis that increased supply would improve affordability and this would have an upwards effect on the housing target. Unfortunately, the NHPAU were less than effective in asserting the need to increase supply, conceding to the Panel that affordability required increasing the proportion of 'affordable housing'. More positively the NHPAU did argue that affordability was also contingent upon increasing supply in locations of demand, but without specifying that this really needed to be in the towns and villages of the shires and certain SSDs, rather than in the most troubled areas of the MUAs, which is how this will be interpreted and reflected in the sub-regional allocations. Unfortunately, the focus on affordable housing, rather than affordability across all tenures, runs the risk of higher affordable housing targets being imposed in areas of high demand where volume will be resisted and densities increased to minimise land take.

More positively, however, the Panel were influenced by the argument from the HBF, the National Housing Federation and other developers that increasing the supply of market housing enabled a greater proportion of affordable homes to come forward. This had a strongly upward effect on the final regional housing total.

## Vacancies and second homes

The anti-housing lobby wanted to dismiss any allowance for second homes, citing the recession as dampening demand. The Panel, however, accepted the HBF argument that the fall in house prices might reinforce the tendency on the part of the cash-rich to acquire second homes.

## Unmet need and backlog

The WMRA and local authorities had argued that unmet need was an expression of temporary social and economic circumstances households found themselves in rather than a shortage in the housing stock. Nevertheless, based on data provided by NHPAU and supported by the NHF, the Panel concluded that an allowance for 20,000 needed to be added to the regional total to account for the backlog (para. 3.48).

## Environmental constraints and sustainability

The panel argued that an overly-liberal approach to house building would encourage less sustainable options for development (more green field sites). Of course, in truly bureaucratic fashion the panel avoiding defining what it thought constituted an 'over-liberal' approach and

whether this might be similar to the approach advocated by PPS3 (identifying deliverable land). However, it concluded that too much provision away from the MUAs would adversely affect the strategy and the region (para.3.52).

The WMRA also wished to limit supply outside of the MUAs to reduce the impact on the environment (paragraphs 3.57, 3.58 and later in para. 3.83). The Panel supported this, as reinforcing the principles of the RSS, and concluded that this would have a downward effect on the overall housing allocation. While the panel could not quantify this impact, it would relate to the capacity of the MUAs/SSDs to accommodate more housing, if supply is to be constrained outside.

My view is that this is possibly an illegitimate conclusion to reach as PPS3 is concerned with meeting need and demand where it arises (para. 9 of PPS3). So long as environmental pressures can be mitigated or minimised (para.11) housing should not be disallowed from broadly defined areas on environmental grounds. It does not necessarily follow that concern about the environment justifies shoe-horning the majority of regional development into a few locations, and that targets cannot be raised because of finite capacity within the MUAs/SSDs. Under current Government planning policy, environmental concerns have not yet been used to reduce the housing targets. However, we have now seen two instances of this in the Panel report: the qualification in policy SR4 in connection with the Habitat Regulation Assessment and now in the argument over the level of housing provision.

#### Recession and Capacity of the house building industry

The most decisive impact on the housing target was the impact of the recession. The Panel concluded that the availability of resources, both from the public sector finances and from housebuilders would pose a significant problem for infrastructure delivery and consequently the acceptability of housing development. This would have a downward pressure on the regional housing target (para. 3.67).

The Panel also cast doubt on the capacity of the housebuilding to increase its output much above the preferred option because of the recession and because delivery would need to be allied to the release of more green field sites, something which ran counter to the urban renaissance strategy, and a question on which the panel disagreed (see paragraph 3.83). It did not agree that with the argument that it might be necessary to alter the planning policy environment to optimise conditions for delivery and growth, as this may jeopardise investment plans that had already been made. However, the panel did suggest that the SIR may wish to review alternative options for growth (para. 3.83 and 3.84).



The incapacity of the industry to deliver a step-change in supply was therefore felt to have a significant downward pressure on the regional housing target.

In conclusion, the panel argued that it was unlikely (within the confines of the recommended RSS objectives that is) that the industry would recover to the current 2006/7 rate of circa 16,000 homes a year until 2013-14, with growth slowly rising above this up to 2021 and beyond (with possibly circa 20k additions per annum being achieved in the period 2021-36). (See para. 3.75).

The panel decided that only the most optimistic assumptions about the ability of the housebuilding sector to recover to even 2006/7 levels would support a target range much above the preferred option of 365,600 net additions.

### **Spatial distribution**

The panel's recommended distribution reinforces the strategy of urban renaissance. The allocation of the proposed increase of 32,000 is apportioned mainly within the MUAs/SSDs and Growth Points and to a lesser extent in locations outside of these categories where housing need is serious (para. 3.84).

The panel also proposes that further studies are undertaken later in the plan period for Stratford-Upon-Avon and Bromsgrove to consider a possible further increase in the targets for these districts.

### **Conclusion on housing numbers**

In view of the uncertainties of the recession, public finances to support infrastructure and affordable housing and the potential impact of a higher housing target on the social and environmental objectives of the RSS, the panel has recommended a target which is only marginally higher than the preferred option – a new target of 379,900 homes between 2006-26 (or 19,895 net additions per annum). The marginal adjustment above the preferred target (32,000) is primarily based upon the capacity of the MUAs to accommodate more development, rather than any consideration of the evidence from the 2006-based projections of the ranges provided by NHPAU which were effectively discounted.

The proposed housing allocations are set out in table 3.3 starting on page 83 of the report.



### **Phasing of housing land (R4.1)**

In view of the need to support a rapid recovery in house building from the current moribund level, followed by a sustained increase in the rate of delivery until 2021, the panel agreed that the phasing policy proposed needed to be revised to reflect the new economic imperatives so that it was more conducive to supporting recovery. Despite this, while the revised policy R4.1 reflects the panel's alternative delivery trajectories and includes a reference to five year land supply, it remains substantially unchanged and provides strong support for the Assembly's 'brownfield first' policy stance.

This was a disappointing conclusion. The HBF will look to challenge this policy as part of the proposed changes consultation.

### **Previously developed land (R4.2)**

Another disappointing conclusion for house builders. The panel concluded that the 70% target was a reasonable if challenging target (para 4.27) and that it should remain in place not least because an emphasis of PDL would improve the viability and attractiveness of such sites (i.e. by bidding-up these sites this would increase the potential taxable revenue accruing to the LPA, even if this side-steps the pressing question of affordability for purchasers). The policy will be maintained *and strengthened* by deleting the reference to the policy applying to 2016. A small caveat is included in the supporting text to the effect that the impact of the policy should be monitored.

If the Secretary of State is minded to support this recommendation the HBF will challenge this policy as too restrictive and contrary to the aim of PPS3 as part of the proposed changes consultation.

### **Affordable housing (R4.4)**

The panel has recommended a regional target of 35% (policy R4.4). A local target of between 25-40% is to be tested for viability by local authorities through the LDF process.

### **Mixed communities**

The examination considered the infrastructure and services necessary to support the creation of mixed and sustainable communities.

On the basis of arguments advanced by the HBF the panel concluded that it was unfeasible for public authorities to treat development values as an infinite source of revenue to subsidise

the provision of public services (para.4.53). As the panel states: “it does not seem reasonable...to place the burden of funding entirely on those who develop new homes, and thus ultimately on those who buy them” (para. 4.53).

### **Next steps**

The panel’s report will be considered by the Government (in effect the Government Office on behalf of the Secretary of State) who will then publish its proposed stages. Quite when this might be is unclear, although early in the new year is a possibility. Once published a further round of consultation will ensue for a further 12 weeks.

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