

Risk assessment of emerging Preferred Option for RSS Phase 2 Revision

Final Report

to West Midlands Regional Assembly

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Risk assessment of emerging RSS Phase 2 Preferred Option

Overview

A key purpose of the Phase 2 Revision of the West Midlands Regional Spatial Strategy (RSS) is to replace housing land provision in the approved RSS (RPG11, 2004) with up to date figures at District level, and to extend these to 2026. We were commissioned by the Regional Assembly to examine the risks to achievement of the fundamental objectives of the existing RSS arising from the emerging Revision proposals and to recommend possible mitigating measures. Our broad conclusions are:

The key underlying dynamics revealed by the Risk Assessment are:

- a) *The need for land for additional housing to 2026 is subject to major uncertainties arising from:*
 - o *Whether actual housing needs grow in line with current household projections, and*
 - o *Whether prospective purchasers and social housing providers have enough money to meet the needs that do emerge, creating effective demand for housing land provided.*
- b) *Over-provision of housing land is the major strategic risk to the RSS, because it is inherently irreversible and the effects of over-provision are amplified by:*
 - o *The multiplier effect on demand for existing stock, which forms 90% of the market; and*
 - o *Builders' preferences for greenfields: taken with a low national brownfield target (60%) this means little pressure to develop in Major Urban Areas (MUAs), where 80% of the land supply is brownfield.*
- c) *Under-provision is a lesser risk because timely additions can be made in future RSS Reviews.*

The 'Big Risks' arising from the Revision are:

- a) *An increasingly unbalanced relationship between MUAs and other areas arising from the large increase in housing land to be identified from 2006 on in the Revision compared with RPG11 (the longer timescale and increased building rate roughly double the amount). This risks:*
 - o *Decline of existing MUA housing and businesses; increasing demand for ex-urban locations; and selective migration from MUAs continuing in a vicious spiral*
 - o *Increased infrastructure costs in new locations; under-used capacity in MUAs*
 - o *Environmental penalties from both urban decline and ex-urban growth*
- b) *Increasing dispersion of activity and transport congestion leading to:*
 - o *Lower economic growth from failure to realise agglomeration potential of MUAs*
 - o *Increased travel demand and car-dependency; increased vulnerability to climate change and fossil fuel supply problems*

The most important means of mitigating these risks are:

- a) *A cautious approach to overall housing numbers, while still providing adequate spatial guidance for possible levels of need;*
- b) *Maximise housing provision in MUAs; the location and amounts of growth elsewhere should be designed to minimise the impact on existing housing (especially that in MUAs);*
- c) *Strong phasing policy for housing land, to prevent an unstable vicious circle of over-provision of land relative to effective demand leading to a fundamental failure of RSS strategy;*
- d) *Strong, comprehensive urban regeneration programmes to make MUAs attractive to households and businesses;*
- e) *A step-change in the quality of urban public transport, integrated with urban regeneration, to support urban connectivity and quality of life;*
- f) *Link demand management to inter-city and inter-regional transport improvements to secure the enhanced capacity for economic purposes;*
- g) *Strong, collaborative and responsive RSS Implementation Plan and Annual Monitoring Report processes to keep projections up to date, apply policy and steer interventions.*

Risk assessment of emerging RSS Preferred Option

1 Purpose and approach

Purpose

- 1.1 The current Regional Spatial Strategy (RSS) was originally drafted as Regional Planning Guidance (a framework for subregional County Structure Plans and Unitary Development Plans), and published in June 2004 as RPG11. However, the 2004 Planning & Compulsory Purchase Act transferred much of the subregional planning function to the regional level, requiring revisions to RPG11 to fulfil new functions as the RSS. Major components of the Phase 2 Revision have been the detailing of housing provision by local authority Districts, at the same time rolling forward the timescale from 2001-2021 to 2006-2026.
- 1.2 A central plank of the strategy set out in RPG11 is achieving regeneration of the major urban areas (MUAs). This was seen as crucial to the sustainable development of the region in all its dimensions (economic, social, environmental and natural resource use). It was recognised that this required a reversal of entrenched past trends of dispersion of economic activity and population away from the MUAs, and that this would not be easy to achieve. Nevertheless, this key strategic aim was agreed by the Government as well as regional stakeholders, and the present Revision does not re-open this fundamental strategic position.
- 1.3 The need for a risk assessment arises primarily from the significant increase in housing requirements since RSS was issued. Following on from the Barker Review of Housing (2004) and successive upwards revisions of household projections in 2004 and 2006, the Government has sought to increase the output of new housing nationally, and the provision of sufficient suitable land by the planning system is a major strand of this policy. Together with the extended timescale, the effect is to more than double the amount of housing land to be identified from 2006 onwards¹.
- 1.4 Because of the aim of changing the past balance between the MUAs and the rest of the region, the RSS for the West Midlands is particularly sensitive to increases in housing land provision, and this is therefore the main focus of this report. At the same time, other aspects of regional policy have also been evolving, and the urban regeneration issue is not just about the location of housing, but also about economic renaissance, social cohesion, natural resource use and tackling climate change. Changes to the amount and distribution of housing provision impacts on these other issues too, and these all need to be brought together in a coherent manner.

Approach

- 1.5 The brief for this project specifies that risks arising from the Phase 2 Revision are to be assessed in terms of how they affect the achievement of the aims and objectives of the RSS, as set out in RPG11, rather than as freestanding proposals. Given the breadth of the objectives themselves, the interdependence of the various strands of aims and means, and the scope of surrounding changes (as described above) this is not straight forward.
- 1.6 One approach would be to try and assess the risks to each element of RPG11 and then combine these assessments into a judgement on the risks that the revisions might lead to. However, with the agreement of the project Steering Group, this report takes a different approach. From RPG11 it seeks to extract an holistic view of *what* RPG11 is seeking to achieve (its aims and objectives) and *how* it intends to do it (strategic policy); to assess the component risks to this strategy in terms of specific pressures and uncertainties; and from these assemble the most important 'big risks'.

¹ The net increase in RPG11 is 180,425 for the 15 years 2007-2021 (inc) (Tables 1 and 2, pp37, 38). The net increase in the RSS Preferred Option is 363,000 for 20 years 2006-2026. Roughly half the increase comes from extending the timescale and half from increasing the building rate.

- 1.7 From this perspective it becomes feasible to look in the round at the proposals for Revision, to take a broad strategic view of the risks involved in the remaining choices, and the means of avoiding or mitigating those risks. This also provides context for appraisal of more specific and detailed risks.
- 1.8 The next Chapters of this report are arranged accordingly, as follows:
- **Chapter 2: RSS objectives and strategy.** This chapter explores the relationships between the formal objectives set out in RPG11, the underlying principles, the main strands of strategic policy and the changing policy context. It leads to a more tightly defined set of aims and strategic spatial policies as the starting point of the risk analysis framework.
 - **Chapter 3: Risk factors.** This chapter reviews the relevant evidence and uncertainties for the main risk factors affecting the RSS objectives and strategy, focusing on the risks arising *nationally* (eg from changed national policy and new projections) and those arising *regionally* (eg from actions of other regional agencies, or policy responses considered in the Revision process).
 - **Chapter 4: Risk assessment framework.** This leads to the identification of a few ‘Big Risks’ – major dynamic processes with multiple causes and a broad spectrum of impacts across the achievement of RSS aims and objectives. This provides the perspective for prioritising the possible policy responses.
 - **Chapter 5: Choices and mitigation of risk.** This chapter reviews the choices to be considered in finalising the Revision, examining ways of reducing the Big Risks, and making recommendations about RSS process (such as phasing policies, monitoring and review) and policy (such as strategic alliances with key regional partners and coordination of investment programmes with infrastructure and regeneration agencies).
- 1.9 The documents provided by WMRA as the basis of this Risk Assessment are listed in Appendix 1, together with a number of other key sources (such as the Housing Green Paper, which was published after the work was commissioned). In the text, these documents will be referred to by their sequence number in this Appendix.

Other outputs

- 1.10 In addition to this Report, preliminary conclusions were presented at two meetings:
- a) A stakeholder seminar on 30 August 2007 – around 30 attendees from a range of agencies involved in RSS preparation and action received a full presentation supported by drafts of some of the evidence presented in this Report and followed by an extensive discussion;
 - b) The Regional Advisory Group/RSS Task Group meeting on 5 September received a shorter presentation focusing on key issues, but supported by a summary report as well as some of the key evidence.
- 1.11 This Report provides a fuller explanation and back-up to material described at these presentations and also takes account of feed-back from attendees.

2 RSS aims and strategic spatial policies

2.1 This chapter explores the relationships between the formal objectives set out in RPG11, the underlying principles, the main strands of strategic policy and the changing policy context. It leads to a more tightly defined set of aims and strategic spatial policies as the starting point of the risk analysis framework.

Strategic objectives of RSS

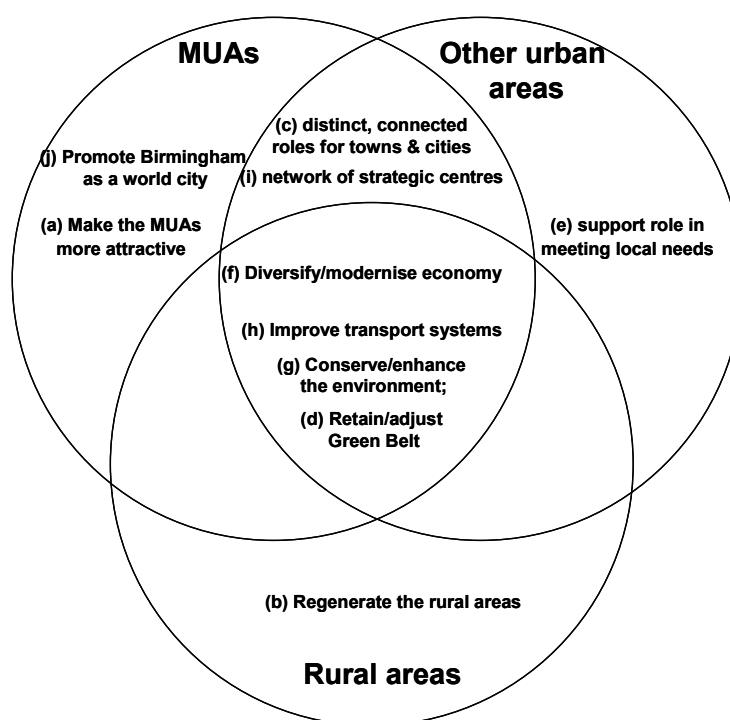
2.2 The strategic objectives of the Regional Spatial Strategy are set out in para 3.14 of RPG11. They form the starting point for the discussion of risk in this study and are reproduced in Figure 2.1.

Figure 2.1: Strategic objectives of RSS (RPG 11):

- | |
|--|
| <ul style="list-style-type: none"> a) to make the MUAs of the West Midlands increasingly attractive places where people want to live, work and invest; b) to secure the regeneration of the rural areas of the Region; c) to create a joined-up multi-centred Regional structure where all areas/centres have distinct roles to play; d) to retain the Green Belt, but to allow an adjustment of boundaries where this is necessary to support urban regeneration; e) to support the cities and towns of the Region to meet their local and sub-regional development needs; f) to support the diversification and modernisation of the Region's economy while ensuring that opportunities for growth are linked to meeting needs and reducing social exclusion; g) to ensure the quality of the environment is conserved and enhanced across all parts of the Region; h) to improve significantly the Region's transport systems; i) to promote the development of a network of strategic centres across the Region; and j) to promote Birmingham as a world city' |
|--|

2.3 While these objectives are a starting point for the risk assessment framework, in this form they are too long, detailed, and overlapping. Figure 2.2 shows how these objectives interrelate for the broad three-way classification of areas basic to the RSS (MUAs, other main urban areas and rural areas)

Figure 2.2: RSS objectives by area type



Implicit objectives

Spatial balance

- 2.4 While this helps to relate the strategic objectives to their primary geographical focus, it does not capture a key element of the strategy: the relativity between the MUAs and other areas. In summary, this proposes that each category of area should meet its own needs to a greater extent than in the past. This was explicitly endorsed by the Panel Report on RPG11 (Ref 1, paras 1.1.4-6), the Government's response and in RPG11 itself (para 3.2), and also enjoys widespread support in the region. The strategic spatial implications were expressed in a Report to Regional Planning Partnership (Ref 16), also being quoted in the brief for this study. Specifically:
- a) The MUAs should meet more of their own economic and housing needs in a 'stepchange' towards urban renaissance. Regeneration and brownfield development will be key means of bringing this about;
 - b) The Green Belt should be retained to assist the regeneration MUAs and to ensure that (instead of the past pattern of growth close in to the MUAs²) substantial growth elsewhere is focused on larger and more distant free-standing settlements³. Adjustments to allow development around these latter may be needed;
 - c) Developments in rural areas should be sufficient to meet local needs, including the need for affordable housing, and permit a rural renaissance, but not on such a scale as to attract people and investment away from MUAs or other urban areas.
- 2.5 The implication is a major reduction in 'overspill' from the MUAs, and a reversal of the past demographic pattern of over-representation of better qualified, better-off and more active sections of society in this flow. The importance of this implicit objective is not well reflected in the current RSS, and its importance is increased by Government policy to raise overall housing provision.

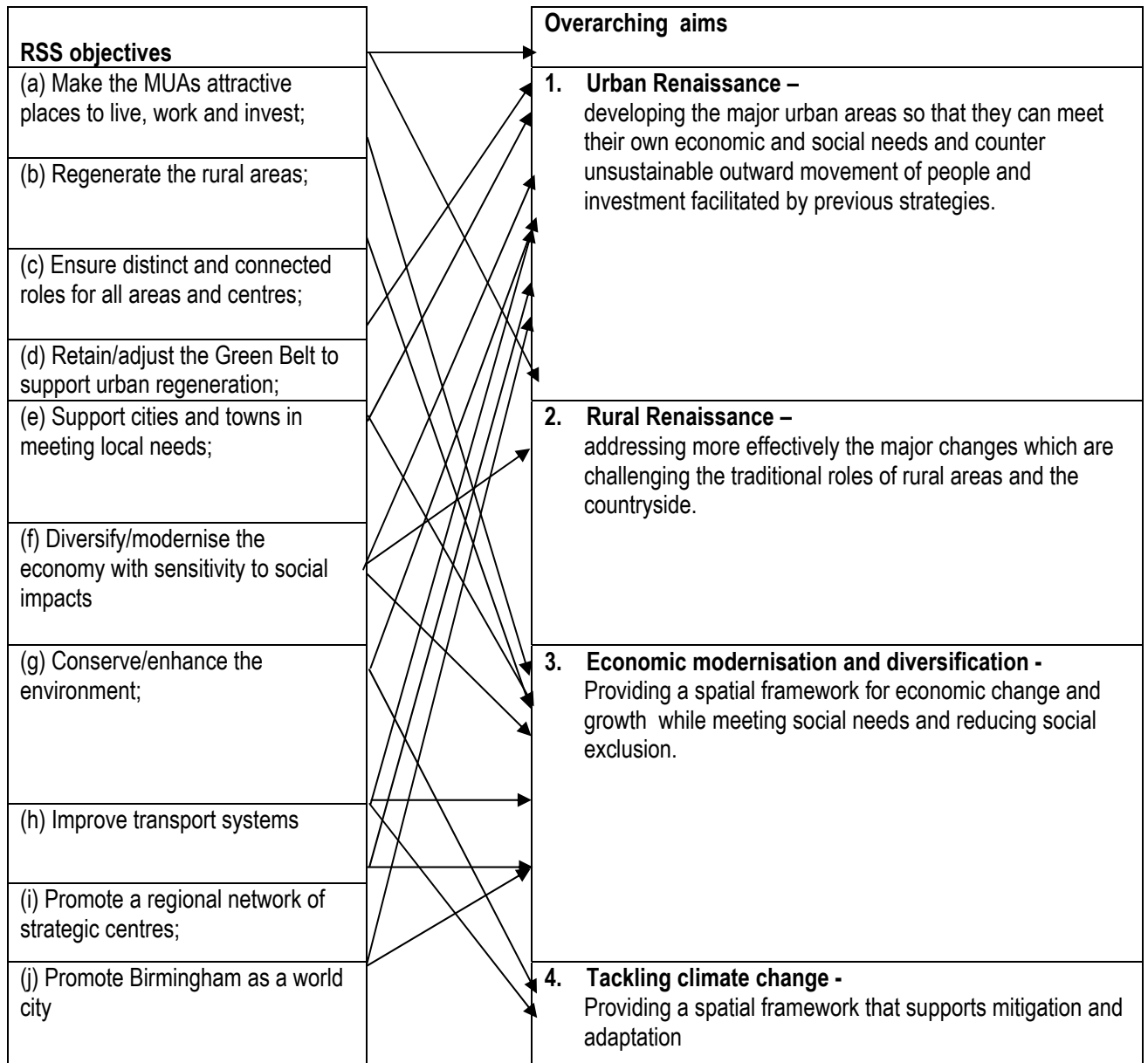
Climate change

- 2.6 RSS policies were developed bearing in mind the need to respond to the challenge of climate change, mainly by promotion of a pattern of development that reduces the need to travel and by encouragement of greener forms of transport (Ref 2, paras 2.10-16). However, the issue is not directly reflected in the Strategic Objectives.
- 2.7 Since then, the publication of the Stern Report by the Government, the adoption by the City Region of the aim of carbon neutrality by 2030 and WMRA's role as regional champion all suggest that tackling climate change has become a more important objective, and that this too will need to be reflected in the Revision. Moreover, climate change (and the related issues of oil depletion and flooding) represent major risk factors, so the objectives that were implicit in RPG11 need to become explicit in the Risk Assessment Framework (RAF).
- 2.8 Taking into account the full set of RSS objectives (Figure 2.1) and the further analysis, leads in the direction of a more tightly defined set of aims and the main strands of strategic spatial policy, as set out in Figure 2.3.

² eg Bromsgrove, Redditch, Warwick, Tamworth, Lichfield and Cannock

³ The sub-regional foci of Hereford, Rugby, Shrewsbury, Telford and Worcester and other larger settlements.

Figure 2.3: RSS Objectives and Aims



Strategic policy

2.9 Taking the overarching aims of RSS from Figure 2.3, Figure 2.4 provides an overview of how these aims are reflected in the main strands of strategic spatial policy. This level of analysis will be used as the Risk Assessment Framework for the ‘Big Risks’ referred to in Section 1, before moving on to more detailed policy choices.

Figure 2.4: RSS Overarching aims and main strands of spatial strategy

Overarching aims	Main strands of spatial strategy
<p>1. Urban Renaissance – developing the major urban areas so that they can meet their own economic and social needs and counter unsustainable outward movement of people and investment facilitated by previous strategies.</p>	<ul style="list-style-type: none"> (a) Setting challenging minimum housing requirements for MUAs, and supporting this with urban regeneration measures implemented in an integrated and coherent manner (including site servicing and environmental improvements to support increased brownfield use) (b) Setting housing requirements for other parts of the region that will meet locally arising needs, with land releases managed so as to avoid drawing housing demand away from the MUAs (c) Focusing improvements to public transport on MUAs to help realise urban agglomeration advantages, reduce congestion and car-dependency, improve urban quality of life, and increase social equity in access to jobs and services (d) Defining a network of 25 strategic town and city centres as the focus for major retail, office and other activities that attract large numbers of people.
<p>2. Rural Renaissance – addressing more effectively the major changes which are challenging the traditional roles of rural areas and the countryside.</p>	<ul style="list-style-type: none"> (a) Promoting the key roles of Market Towns as service and transport hubs for rural hinterlands (b) Requiring LDFs to plan for rural services and access to them, recognising that circumstances and therefore responses will be different depending upon whether areas are close to, or far from MUAs. (c) Rural housing – housing generally restricted to meeting local needs and located to support local services; supporting delivery of affordable housing and mixed communities (through investment priorities of Regional Housing Strategy).
<p>3. Economic modernisation and diversification - Providing a spatial framework for economic change and growth while meeting social needs and reducing social exclusion.</p>	<ul style="list-style-type: none"> (a) Focusing support for economic growth on the MUAs, particularly Urban Regeneration Zones (b) Promoting distinct and complementary roles for main centres and providing guidance on appropriate and mutually compatible levels of provision for offices, services, retail and leisure (c) Ensuring that a portfolio of employment land is maintained including Major Investment Sites, Regional Investment Sites, Regional Logistics Sites in locations accessible to MUAs. (d) Facilitating high tech development in High Technology Corridors (RDA delivery vehicle) (e) Securing quantity, quality and location of housing that supports the economy by ensuring that a wide and varied labour market is available and accessible to employers (f) Developing and managing inter-urban, inter-regional and international transport links so as to maximise the benefits to the regional economy
<p>4. Tackling climate change - Providing a spatial framework that supports mitigation and adaptation</p>	<ul style="list-style-type: none"> (a) Securing a pattern of development that minimises the need to travel (b) Avoid, reduce or offset greenhouse gas emissions and promote efficient use of energy (c) Encouraging use of more sustainable forms of transport

3 Risk factors

3.1 This chapter reviews the relevant evidence and uncertainties for the main risk factors affecting the RSS objectives and strategy, focusing on the risks arising *nationally* (eg from changed national policy and new projections) and those arising *regionally* (eg from actions of other regional agencies, or policy responses being considered in the Revision process).

Sources of risk

3.2 The focus of this study is on *new* risk, arising since the publication of RPG11, introduced by the proposed Phase 2 Revision to the RSS, or by new evidence, or through changed circumstances. These risks are at two levels:

- a) **National change:** the major element is increased housing requirements, arising from new household projections and the new policies in the Housing Green Paper. Other elements include changes to implementation responsibilities arising from the Planning White Paper and the review of subnational allocation of economic development and regeneration. In addition the Stern and Eddington Reviews have produced new evidence and raised new issues.
- b) **Regional change:** although housing is the primary focus of the RSS Revision, revisions on a number of other issues are being dealt with at the same time (employment, transport and waste). In addition, the Panel Report on the Phase 1 Revision, dealing with the Black Country, has recently been published (Ref 13, 14). A review of the Regional Economic Strategy (RES) is proceeding in parallel, and this will have implications for housing and transport as well as employment land. The proposed integration of RES and RSS also needs to be taken into account.

3.3 The evidence on risk is reviewed here under three broad topic headings:

- a) Housing: the uncertainties affecting the scale and distribution of housing demand and need, and how this might impact upon the relative attractiveness of MUAs and other areas;
- b) Economy: the uncertainties affecting economic output, the number of jobs, their distribution between areas and between skill and income categories, and how this might affect the need and demand for housing, employment land and the balance between centres;
- c) Transport: the uncertainties about travel behaviour, and how this might affect economic growth, the environment, quality of life, and housing and labour markets.

3.4 For each topic, the new evidence and other relevant changes at national and regional levels are reviewed, with a focus on the implications for underlying processes important to achieving the main aims of the RSS. The Chapter ends with a summary of the component risks by topic.

Housing

Government policy

Overall numbers

3.5 The new Government which took office in June has issued a Housing Green Paper (Ref 22) proposing the provision of 2 million additional homes by 2016, and a further 1 million by 2020. Figure 3.1 presents an estimate of the national housing output implied. It should be noted that several assumptions have to be made to reach these figures (see footnotes), but the totals reconcile to those in the Green Paper, so we can be reasonably confident about the orders of magnitude (though the need for health warnings before we even get to the application of policy in the field illustrates some of the problems attending projections of future housing requirements).

3.6 The Green Paper is out for consultation (until 15 October 2007), so the targets it contains must be regarded as provisional; moreover, it is not yet known what proportion of the targets apply to the West Midlands. The Green Paper stresses the role of RSSs in providing for housing land sufficient to meet these requirements (and makes specific mention of the West Midlands Phase

2 Revision in this connection). It is possible that there may be significant increases, not just from RPG11 but also from the Spatial Options on which WMRA consulted between January and March this year (Ref 5).

Figure 3.1: 2007 Housing Green Paper – implied national housing x sector 2006/7-2020¹

Year	All private	Market	'Affordable housing'			Total new build	Other additions ²	'Additional homes' ^{3, 5}
			Sh'd equity	Social	Total			
2006/7	145,554			22,137		167,691	17,309	185,000
2007/8	<i>149,500</i>			<i>23,500</i>		<i>173,000</i>	17,000	<i>190,000</i>
2008/9	<i>153,000</i>	<i>128,000</i>	25,000	<i>25,000</i>	<i>50,000⁴</i>	<i>178,000</i>	17,000	<i>195,000</i>
2009/10	<i>148,000</i>	<i>123,000</i>	25,000	<i>35,000</i>	<i>60,000⁴</i>	<i>183,000</i>	17,000	<i>200,000</i>
2010/11	<i>143,000</i>	<i>118,000</i>	25,000	45,000	70,000⁴	<i>188,000</i>	17,000	<i>205,000</i>
2011/12	<i>148,000</i>	<i>123,000</i>	<i>25,000</i>	50,000	<i>75,000</i>	<i>198,000</i>	17,000	<i>215,000</i>
2012/13	<i>153,000</i>	<i>128,000</i>	<i>25,000</i>	50,000	<i>75,000</i>	<i>203,000</i>	17,000	<i>220,000</i>
2013/14	<i>158,000</i>	<i>133,000</i>	<i>25,000</i>	50,000	<i>75,000</i>	<i>208,000</i>	17,000	<i>225,000</i>
2014/15	<i>163,000</i>	<i>138,000</i>	<i>25,000</i>	<i>50,000</i>	<i>75,000</i>	<i>213,000</i>	17,000	<i>230,000</i>
2015/16	<i>168,000</i>	<i>143,000</i>	<i>25,000</i>	<i>50,000</i>	<i>75,000</i>	<i>218,000</i>	17,000	<i>235,000</i>
2016	<i>173,000</i>			<i>50,000</i>		<i>223,000</i>	17,000	240,000
2017	<i>173,000</i>			<i>50,000</i>		<i>223,000</i>	17,000	240,000
2018	<i>173,000</i>			<i>50,000</i>		<i>223,000</i>	17,000	240,000
2019	<i>173,000</i>			<i>50,000</i>		<i>223,000</i>	17,000	240,000
2020	<i>173,000</i>			<i>50,000</i>		<i>223,000</i>	17,000	240,000

Footnotes:

¹ Figures in Green Paper and CLG Statistics in bold, interpolations and assumptions in italic

² probably mainly conversions (13,200 in 2001 - latest figure); 2006/7 figure by subtraction, later years assumed constant

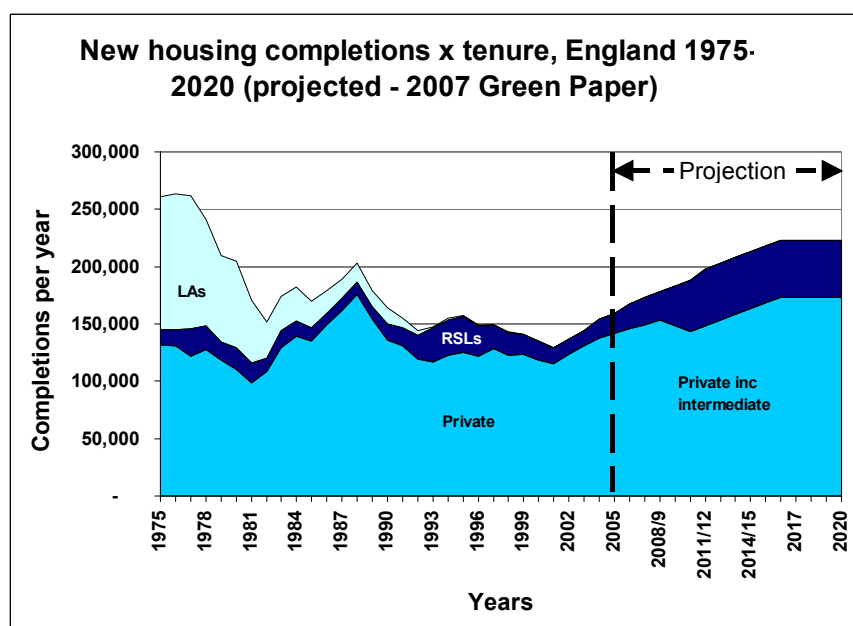
³ 'Additional homes' in Green Paper seems to refer to all stock additions (though not defined)

⁴ Total social housing over 2008/9 to 2010/11 is given as **180,000**, consistent with this build up

⁵ Interpolations between Green Paper 185,000pa current stock growth (assumed 2006/7) and 240,000pa target for 2016. This tallies with Green Paper **2 million target** Sept 2007-end2016 (=2007/8 to 2015/16 inclusive + 3/4 2016 - 1/2 2007/8)

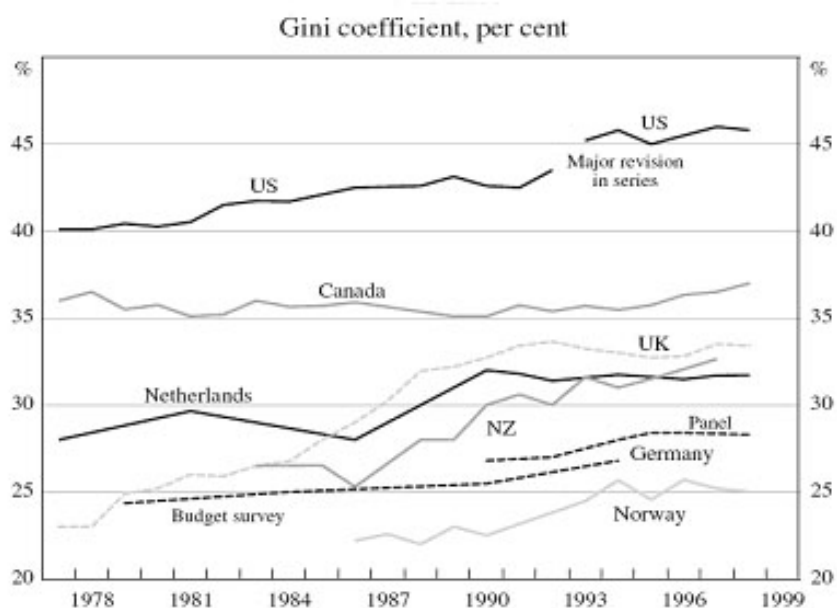
3.7 Figure 3.2 presents the Green Paper targets in the context of housing provision by sector over the last 30 years. From this it can be seen that although high, the numbers are not unprecedented. However, the private sector has not consistently sustained such levels of output in the past, and higher totals depended primarily upon higher provision of social housing.

Figure 3.2: Green Paper housing targets in context



Affordable housing

- 3.8 The Green Paper targets for affordable housing (which includes social housing) are important to setting the context for provision in the West Midlands. Two points should be noted:
- The Green Paper proposes spending of £8bn on affordable housing over the 3 years of the next Comprehensive Spending Review (2008/9-2010/11). £6.5bn of this is for social housing and £1.5bn for shared equity, implying a cost of £61.9k per unit for the 105,000 social homes planned and £20k per unit for the 75,000 shared equity homes. At these levels, it is not entirely clear what kind of provision is proposed;
 - The commentary accompanying the national figures suggests that the priority for affordable housing will be areas where the level of house prices is such as to inhibit economic growth. This is likely primarily to be in the London, the South East and East Regions. The West Midlands may not get as much as a pro rata share (~10%).
- 3.9 An important issue affecting both the level of demand for owner-occupation and the need for affordable housing is the distribution of income. The UK has become notably more unequal over the last 30 years or so – to a greater extent than many other advanced economies (Figure 3.3). This has been connected with steps to increase competitiveness in response to globalisation, and recent research (IPPR, 2007) has shown that new employment has tended to be at the high and low ends of the occupation/income spectrum. This may be expected both to affect the pattern of demand for owner-occupation and increase the need for affordable housing within the overall requirement.

Figure 3.3: Trends in income inequality in advanced economies

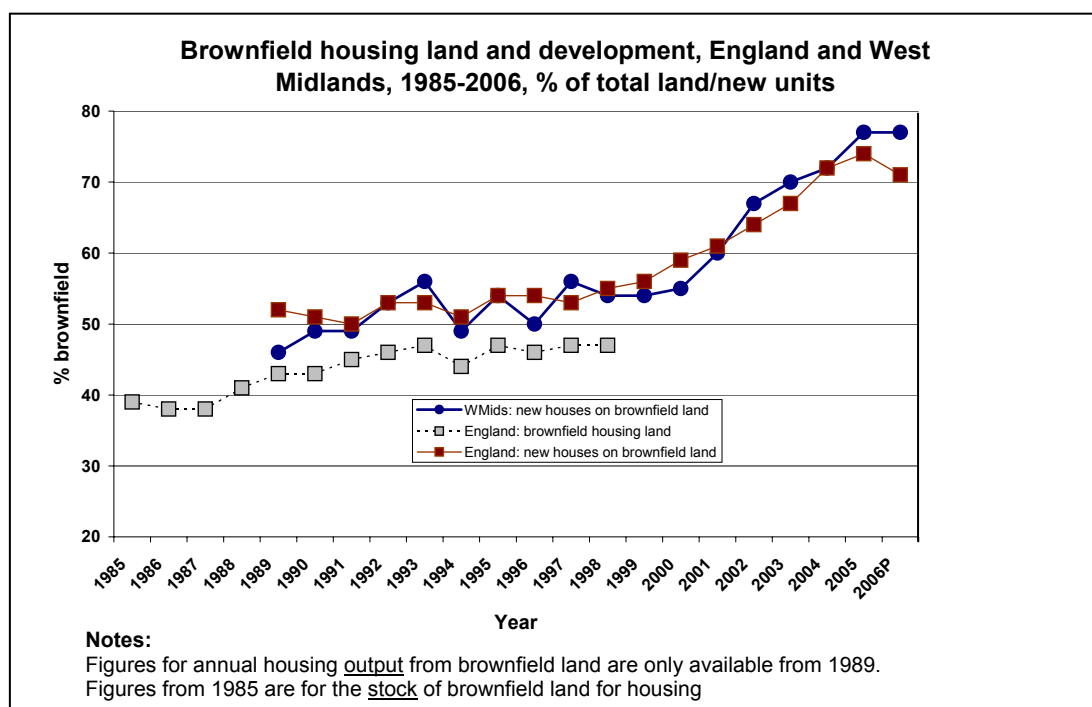
Sources: Atkinson (1999); Forster (2000); Hauser and Becker (2000); Hauser and Wagner (2002); Canada – Statistics Canada (2002); United States – US Department of Commerce (2002, Tables B-3, B-6)

Brownfield land

- 3.10 When housing land supply was expanded in the 1980s this produced only a temporary increase in overall numbers nationally (Figure 3.2). In the West Midlands, as in the country as a whole, this resulted in a low proportion of development on brownfield land and a shift in the balance of development away from MUAs (Figure 3.4). A central aim of Government policy since 1997 has been to increase use of brownfield land, and it has been successful in this respect. However,

while the Green Paper maintains a policy in favour of brownfield use, its target is only 60% – well below what has been achieved for the last 5 years.

Figure 3.4: Housing on brownfield land 1985-2006



- 3.11 An important point to note is the long lag between policy changes about brownfield land and effects on the ground. The push for additional private housing in the early 1980s continued to be felt in low use of brownfield until around 2000, even though the peak of housing output had passed at least 10 years earlier (Figure 3.2). Similarly, the response to the tightening of greenfield land releases from 1998 took some 5 years to become reflected in the figures.
- 3.12 The effects of the Green Paper proposals for a large increase in land supply without a strong commitment to brownfield priority may be expected to lead to a more dispersed pattern of development, just as it did in the 1980s. This will be exacerbated if the contribution of windfalls to planned land supply is discounted (as indicated in PPS3), since this is a major component of brownfield land in West Midlands MUAs. The implications for spatial strategy in the West Midlands are potentially serious, and are dealt with later.

Household projections

- 3.13 The housing targets set by the Green Paper relate to the latest household projections in a series which have been produced (and superseded) on a regular basis for several decades. The most recent national projections were published in 2006 and are based upon 2004. The Green Paper targets are based upon providing for the additional numbers of households in these projections through a combination of building for owner-occupation (including equity-sharing) and social housing for rent by local authorities and others.
- 3.14 It is important to recognise that these projections are trends, not in themselves policy aims, and are subject to a wide range of uncertainties (graphically illustrated by the fact that they are superseded every 2-3 years). The most important include:
- that levels of international migration will behave in the way projected;
 - that as people age their propensity to form households will vary smoothly over time;
 - that the processes of dissolution, division and change to existing households are also subject to smooth, predictable patterns of change; and
 - that young people entering household-forming age groups will show a similar propensity to form separate households as their predecessors.

Regional Housing policy

Overall numbers

- 3.15 The context for RSS housing policy is set by the Green Paper and the national household projections already referred to. The subnational household projections have a higher level of uncertainty attaching to them, as in addition to the uncertainty attaching to the national figures there is the issue of movement between regions. An analysis for CPRE of the statistical basis of the regional projections (Ref 9) suggests that (with plausible input assumptions) the number of additional dwellings required in the West Midlands 2007-2026 could be as high as 530,000 or as low as 167,000.
- 3.16 The level of provision that the RSS should aim for is one of the most important choices to be made in this Revision. The range of provision for the period 2006-2026 which has been considered in the Risk Assessment is:
- A core area of choice between 340,000 and 382,000 additional dwellings (the first figure was based upon the initial view emerging from local authority responses to the Spatial Options consulted upon early in 2007, and formed a so-called 'Reference Point' ; the second is based upon the regional component of the 2004-based national projection, published in March 2007);
 - Levels of growth above and below this core range of 420,000 and 300,000 respectively.
- 3.17 Projections of housing needs have also been carried out recently on behalf of AWM, as an input to the RES (Ref 29). Overall housing requirements, on the basis of achieving convergence with UK GVA growth rates, are in the range 374,000-389,000 (so broadly compatible with the 382,000 figure derived from the national trend-based projection). This is not surprising as these figures, although based upon meeting the labour market needs of the economy, are stated to be driven more by household and population trends than purely economic considerations.
- 3.18 The AWM Study anticipates higher demand in areas already under pressure (particularly the south of the region), and lower demand in central and northern areas. However, this seems to reflect trend-based input assumptions about patterns of demand and commuting by different occupation/income groups. It concludes that house prices will tend to rise in the pressure areas, but that prices are insensitive to the amount of new building (which is consistent with the Barker Study of Housing). It does not, unfortunately, comment on the possible effects of polarisation of income on either the level of market demand or the need for affordable housing.

Affordable housing

- 3.19 The Regional Assembly has had advice (Ref 18) on the proportion of the housing requirement that might be met by owner-occupation, social housing and intermediate tenures (eg shared equity). The conclusion of this study was that (assuming 80,000 clearance, most of it generating a need for additional social housing), the market/intermediate/social split of new housing would need to be 50/13/37. On the basis of a net addition of 382,000 (ie total 462,000) this implies an average of over 8,500 pa social housing and 3,000 pa shared equity. A pro rata share to the region of the Green Paper provision for 2008/9-2010/11 (the only period for which figures are provided) would be 6,000 pa and 2,500 pa respectively. While not a long way apart from the regional estimates, it is important to note that :
- a) The unit costs proposed by the Green Paper are very low (para 3.8a); and
 - b) A pro rata share for the West Midlands is optimistic, since the need for spending on affordable housing will be much higher in London, the South East and East regions because of the higher general price of houses there.
- 3.20 As with the household projections themselves, it is important to note the high dependence of such figures on the inputs. For example, the assumptions made about the propensity of new household to seek ownership lead to an increase in the average level of owner-occupation from 69% to 71%. While the assumptions are credible, they take no account of the changing distribution of incomes, and without this apparently small difference the need for social housing would rise from 37% to 48%.

Spatial strategy

- 3.21 The main strands of the spatial strategy for the West Midlands are set out in Figure 2.4, and include a number which refer specifically or primarily to housing:
- Setting challenging *minimum* housing requirements for MUAs, and supporting this with urban regeneration measures implemented in an integrated and coherent manner (including site servicing and environmental improvements to support increased brownfield use);
 - Setting housing requirements for other parts of the region that will generally meet locally arising needs, with land releases managed so as to avoid drawing housing demand away from the MUAs;
 - Rural housing generally restricted to meeting local needs and located to support local services; supporting delivery of affordable housing and mixed communities (through the investment priorities of the Regional Housing Strategy);
 - Securing a pattern of development that minimises the need to travel.
- 3.22 At the Reference Point level of provision the relationship to projected requirements and the balance between parts of the region would be as set out in Figure 3.5. The emerging Preferred Option (which was presented to the Regional Planning Partnership on 24 September 2007) is also shown in this Figure, and involves some 25,000 additional housing provision, mostly in the MUAs.

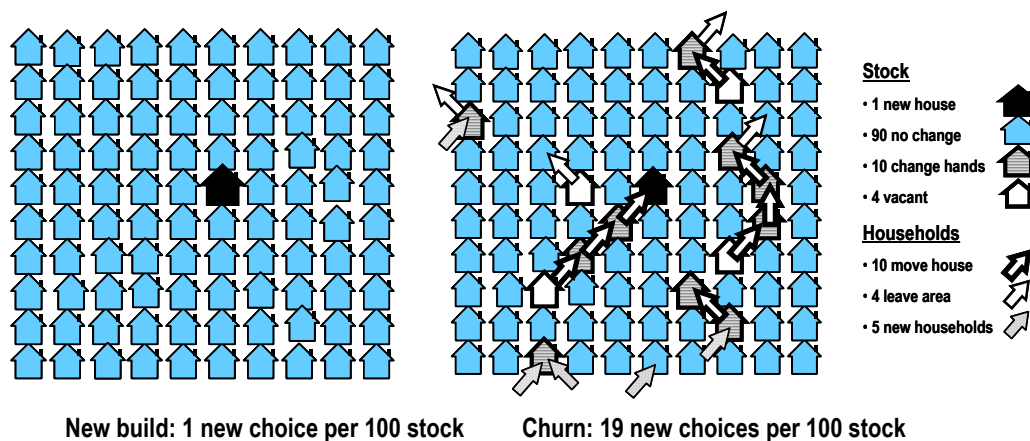
Figure 3.5: Households, projected housing need and Reference Point (RP) provision

	Households 2004 (total)	RP supply 2006 – 2026 (net increase)	RP use of brownfield (exc hsg redev) ¹	Preferred Option 2006-2026 (net increase)	Households 2026 (totals, under Preferred Option)	Trend need ³ 2006 – 2026 (net increase)
Major Urban Areas	1,124,000	145,000	95.5 (93.7)%	165,900	1,289,900	156,560
Other areas	1,003,000	193,500	63.9 (62.3)%	197,500	1,196,500	225,570
WEST MIDLANDS	2,127,000	338,500	81.4 (77.4)%	363,400	2,490,400	382,130
Ratio MUAs: Rest	1:0.88	1:1.33	n/a	1:1.19	1:0.93	1:1.44⁴
Shift from MUAs²		-34,000		-26,000		-45,000
Notes: 1. first number is with redevelopment of c 77,000 cleared dwellings @ 1:1; second excludes clearance replacement 2. difference from 2004 proportions MUAs:Rest expressed as net shift in number of households from MUAs 3. 'Trend Need' is the total housing need distributed according to past trends of housing provision – ie no policy 4. On trend housing provision the 2026 overall Ratio MUAs: Rest would be 1:0.96						

- 3.23 The proportion of new housing that is built in the MUAs has been treated as an indicator of the degree of urban focus of the RSS options, and it has been an aim of policy to significantly increase the share of the MUAs over past trends. It is notable in this respect that the Reference Point supply of land in the MUAs is significantly below this (1:1.33). And even though the MUAs' current share of households is well above equality (1:0.88), the projected growth in need is even lower (1:1.44). This illustrates the extent to which apparently policy-neutral projections actually have significant policy implications.
- 3.24 To the extent that additional housing departs from the present ratio of households between the MUAs and other areas, this has implications for infrastructure. On this basis the Reference Point distribution represents a net shift of around 34,000 households away from the MUAs, while the Trend Need distribution represents a shift of 45,000. In general terms there are cost implications at both ends of such shifts:
- A reduction in the levels of demand and usage of services and infrastructure in the MUAs. This may incur cost or other penalties (eg deterioration through inadequate demand) where existing facilities are as a result under-used. Examples include both population-related services such as health and education and household-related services such as street lighting, water and drainage; and
 - The need for new provision to be made in the receiving locations.

- 3.25 The actual costs will depend not only on the scale of the shift, but also on whether crucial thresholds of provision are breached (in new locations) and whether in exporting areas the existing provision is near a tipping point, or would have been replaced through obsolescence anyway. The specific levels of additional infrastructure costs associated with a particular scale of movement would therefore require specific investigation to quantify.
- 3.26 Bearing in mind these crucial caveats, a rough idea of the additional costs that might be incurred by growth in new areas can be derived from the Government's proposals for the Growth Areas in the South East. The extra provision in that case was 200,000 houses over 15 years – 13,300 a year. The additional costs identified by the ODPM were some £5.4bn over three years⁴, or some £135,000 per additional dwelling. This cannot be taken at face value, because the costs excluded aspects not within ODPM remit (including health and education) and included aspects of the Pathfinder Pilots (and there may also be front-end loading of infrastructure). Nevertheless, in this instance it seems likely that additional infrastructure and service cost were of a similar order of magnitude to the direct costs of housing provision.
- 3.27 For the purpose of the present study it is sufficient to note that the lower level of net movement associated with the RP compared with the 'Trend Need', and the still lower level associated with the emerging Preferred Option. These indicate progress in the direction of lower risks of incurring additional infrastructure and service costs. Compared with the 'Trend' position the amount of new housing in new locations is reduced by some 19,000 units (Figure 3.5. cols 5 and 7): at the SE Growth Areas cost levels that would save some £2.6bn.
- 3.28 A crucial point illustrated by this table is the relative scale of *existing* housing and projected housing needs: though the additional housing requirement is large, it represents less than 20% of the existing stock (or 1% per annum). While the location of new housing will certainly have a bearing on the distribution and social make-up of households, the influence of change and movement within the existing stock ('churn') will be much more important in this respect (as shown in Figure 3.6). Around 10% of the existing housing stock changes hands each year producing over 200,000 moves, while 380,000 new houses implies only 19,000 moves per year.

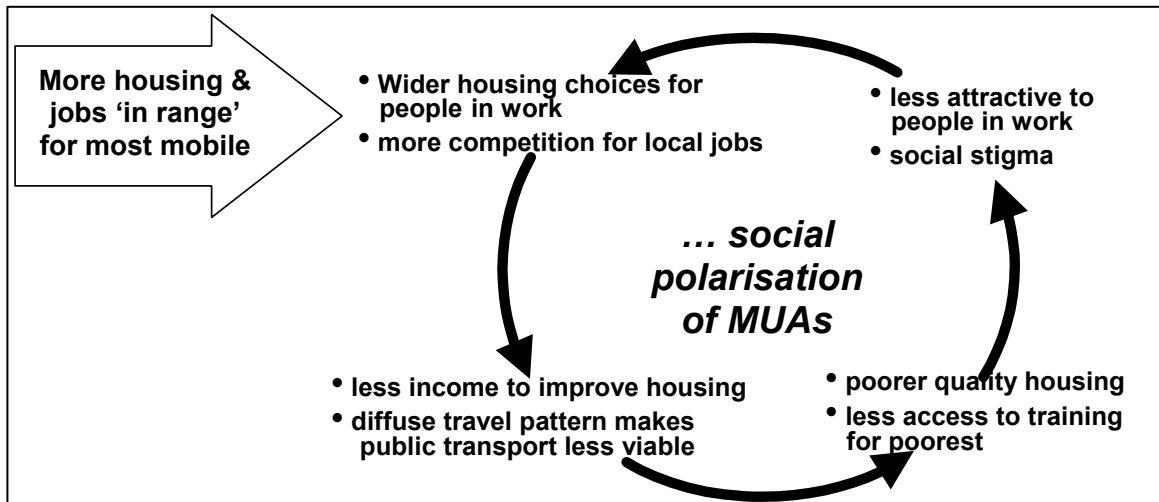
Figure 3.6: Housing choices – new build vs 'churn'



- 3.29 Any asymmetry between the moves in and out of particular areas of interest thus has the potential to change their social make-up to a greater degree than the volume of new housebuilding. An important enabling factor is the way that housing market areas have become more extensive as the result of the accessibility offered by the car. Figure 3.7 shows how such wider choices (in themselves a benefit to individuals) can further weaken neighbourhoods with existing problems (and at the other end of the spectrum make desirable areas even more so). Such processes challenge a fundamental aim of the RSS – reducing selective migration from MUAs.

⁴ ODPM (2003) '*Sustainable communities: building for the future*', Annex A

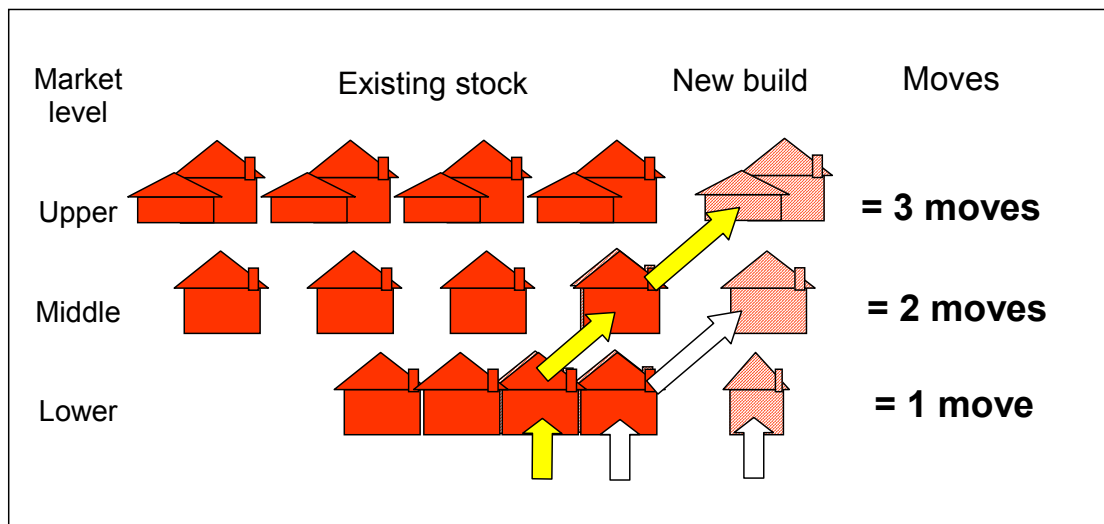
Figure 3.7: Effect of improving accessibility on weak neighbourhoods



3.30 Because of the overall tendency of housing moves to be ‘up-market’, the market level at which new housing is built affects the locational choices that ensue (Figure 3.8). Two important points arise

- though the general tendency is for ‘up-market’ building to generate more choice than ‘down-market’, it is important to note that any ‘trickle down’ of benefits peters out well short of the poorest households⁵;
- building large amounts of down market housing depresses the attractiveness (and price) of existing stock in the same market area and sector.

Figure 3.8: Market sector of new build and housing choices



3.31 The general conclusion from this discussion of housing market dynamics is that although the volume of new housebuilding is less important than existing stock in terms of generating housing choices, the location and market level has crucial *indirect* influences on the social outcome of churn because of the effect on demand for existing stock. Excessive new build in a weak market sector can reduce demand for existing stock to the point that vulnerable neighbourhoods suffer the ‘low demand’ syndrome (and high levels of accessibility can spread the effect to quite distant areas).

⁵ Nevin *et al* (2000), ‘Changing housing markets and urban regeneration in the M62 Corridor’, CURS

- 3.32 Paradoxically, the effect of such over-supply can be to reduce overall housing choice and opportunity for the most marginal new households – the very people that the Government’s proposals for expansion of housebuilding are most intended to help. The potential for instability arising from these mechanisms is clear: decay and demolition leading to a further requirement for new housing, reinforcing the process.

Summary of housing risks

- 3.33 Figure 3.9 summarises the key risks arising from the housing issues discussed above.

Figure 3.9: Summary of Housing issues and risks

Evidence	Issues	RSS Risks
<p>National issues</p> <ul style="list-style-type: none"> Household projections based on recent trends and frequently reviewed; 2007 Green Paper proposes further increases in ‘additional homes’ – in all tenures, but particularly social housing (Figure 3.1) Projections not take account of income or its distribution <p>Regional issues</p> <ul style="list-style-type: none"> RP+ provision is 19,000 short of 2004-based household projection. Projected sector split of new housing needs (assuming 4,000pa clearance): Market: 11,800 pa Intermediate: 3,000pa Social: 8,700pa 	<ul style="list-style-type: none"> Trend-based projections of housing needs are sensitive to variant assumptions, particularly at regional level, and will be frequently revised Private market for new homes may be limited by continuing income polarisation Scale of churn of existing stock and potential asymmetry Changes in social structures and income distribution make the market/social housing split highly volatile Finance seems inadequate for proposed levels of affordable housing (10% of national provision gives 5-7,500 pa affordable housing compared with 11,700 pa affordable housing need, and at very low unit costs) 	<ul style="list-style-type: none"> H1: Effective demand for owner-occupation plus funding for social/shared equity housing may be less than housing land provision made in Revision H2: With loose-fit supply, the proportion of more difficult sites developed (brownfield and MUA) is likely to be reduced and greenfield sites more rapidly developed, risking RSS priorities H3: Declining housing demand undermining marginal neighbourhoods and increasing demolition in poorest areas triggers release of additional greenfield land and increases pressure on funds for social housing, exacerbating the problem H4: Past pattern of selective migration of younger, more active and better-off groups continues

Economy

National policy

- 3.34 National economic policy is dominated by the need to improve competitiveness in the face of increasing globalisation. There are some direct implications for spatial policy at regional level, which are reviewed below in terms of the significant changes that have taken place since RSS was published.
- 3.35 The move to a single Integrated Regional Strategy (IRS) proposed in the recent Treasury-led review of local and regional governance⁶) is significant in that an over-arching target for economic growth (expressed as GVA per head) will be set for every region. Although proposed to be subject to living within environmental limits, this represents a downgrading of social and environmental aims, which rank equally in RSS. Economic stakeholders may expect to see their priorities more strongly reflected in the distribution of development and regeneration efforts in future.

⁶ (HMT/CLG/DBERR, (July 2007), ‘Review of sub-national economic development and regeneration’

- 3.36 It has long been the case that every region is expected to exploit its economic potential to the best of its ability. Although the Government has had the reduction of regional disparities as a Public Service Objective since 2002, this is expressed in terms which weaken its potential impact⁷, and the gaps between regions have in fact widened over the last 20 years. With the marginal exceptions of the South West and East Midlands, the most productive regions have grown faster than the least productive (Figure 3.10).

Figure 3.10: Regional GVA/head (workplace-based) 1991-2005

	1991 Rank	1991	2005	change 1991-2005	2005 Rank	Rank 1991-2005
London	1	150	153	+3	1	No change
South East	2	102	107	+5	2	No change
East	3	96	96	0	3	No change
South West	5	93	94	+1	4	Up 1
East Midlands	4	95	93	-2	5	Down 1
West Midlands	6	92	89	-3	6	No change
North West	7	91	88	-3	7	No change
Yorks & Humber	8	90	87	-3	8	No change
North East	9	85	79	-6	9	No change

Source: Office for National Statistics

- 3.37 Economic growth is an important driver of inward migration, both internationally and between regions. The West Midlands holds a mid-table position, but GVA per head has declined significantly. This has important implications for inter-regional migration, particularly to London, the South East, the East Midlands and the South West, all of which have improved relatively. Depending on the GVA target set by the Government, this has implications for the labour market (and so for housing), for the amount and distribution of employment land, the role of centres and the provision of infrastructure.
- 3.38 Two other aspects of national policy for the regional economy have evolved significantly in the last few years, but represent substantial uncertainty in the timescale of the RSS Revision:
- Regional Funding Allocations for public sector expenditure on economic development, housing and transport. Although to date trend-based, and excluding much regionally-relevant spending (they include only 7% of regionally relevant transport for instance), it represents an important opportunity for more joined-up regional policy;
 - National Planning Guidelines are proposed by the Planning White Paper as the basis for decision-making by an Independent Planning Commission on infrastructure projects of major national significance. In so far as these guidelines have a spatial dimension (and it is difficult to see how else they could do their job) this will also have implications for regional economic and spatial policy.

Regional economic policy

- 3.39 The main strands of economic policy in RPG11 (as set out in Figure 2.4) are:
- Defining a network of 25 strategic town and city centres as the focus for major retail, office and other activities that attract large numbers of people;
 - Promoting the key roles of Market Towns as service and transport hubs for rural hinterlands;
 - Focusing support for economic growth on the MUAs, especially the Urban Regeneration Zones;
 - Promoting distinct and complementary roles for main centres and providing guidance on appropriate compatible levels of provision for offices, services, retail and leisure;

⁷ Adams, Robinson and Vigor (2003), *A new regional policy for the UK*, IPPR

- Ensuring that a portfolio of employment land is maintained including Major Investment Sites, Regional Investment Sites and Regional Logistics Sites accessible to MUAs;
- Facilitating high tech development in High Technology Corridors;
- Securing quantity, quality and location of housing that supports the economy by ensuring that a wide and varied labour market is available and accessible to employers;
- Developing and managing inter-urban, inter-regional and international transport links so as to maximise the benefits to the regional economy.

3.40 The RDA is currently reviewing the RES, a consultation Draft RES being published in May 2007. The prime objective (in line with Government policy as described above) is to 'close the output gap' with the UK: reaching parity in terms of GVA per head is worth £10bn pa to the regional economy. In addition the draft RES proposes supplementary indicators for productivity, worklessness, wider well-being, carbon emissions per unit of GVA and perceptions of the region. The draft RES broadly endorses RSS *objectives* (Figure 3.11).

Figure 3.11: Selected draft RES objectives with spatial implications

- **Regenerating deprived communities:** Business performance, poor environmental conditions, low quality housing and limited transport links commonly stand out as key factors holding these areas back from achieving their potential. Low skills, poor health, low levels of employability and limited aspirations tend to compound these physical challenges.
- **Sustainable communities:** Successful, thriving and growing economies require a balanced and co-ordinated pattern of urban and rural communities which reduces transport demands and energy use, meets people's evolving residential needs, contributes to a well-designed physical environment, offers accessible services which are welcoming to all.
- **Climate change:** The region must adopt a far-sighted approach to exploiting the new services and products which will flourish in these growing markets. It is also clear that the region will come under growing pressure to reduce its total carbon emissions and that the economy, which accounts for about one-third of emissions, after housing and transport, must play a substantial role in achieving that objective.
- **Competing internationally:** Globalisation presents contrasting threats and opportunities for the West Midlands' manufacturing and service sectors which must be tackled head-on. Building networks, developing international partnerships and establishing global supply chains are likely to be essential for highly competitive markets and companies in the future.
- **Transport:** The West Midlands sits at the centre of the national transport system which plays a pivotal role in building connections to job opportunities, suppliers and customers. The region's advantageous central location is at risk of being threatened by congestion and capacity limitations. Businesses believe the West Midlands' ability to reach markets, labour and suppliers are being hampered by this growing challenge. Reliability is already falling, congestion is spreading, speeds are reducing and travel times are being extended.
- **A sustainable portfolio of land and property:** The region needs to continually drive up its re-use of brownfield land and rejuvenation of premises, if it is to make optimal use of its physical resources, while supporting attractive communities and delivering competitive business destinations. The Regional Spatial Strategy offers a framework within which these aspirations may be realised..
- **Birmingham as a world city:** As the leading city centre in the region and our one internationally recognised economic powerhouse, Birmingham plays a hugely important role in shaping perceptions of the region for investors and mobile workers. It also needs to function as a competitive city and gateway to the region, evolving to meet changing needs and committed to staying ahead of other European competitor cities.

3.41 The resources of the RDA (at around 0.5% of regional GVA) are not in themselves sufficient to produce a strategic effect on the regional economy. The influence of the RES depends upon the leverage it can exert with this relatively small (but manoeuvrable) amount. As recognised by the RES itself this is as important as steering the use of its own resources. In this respect it is important to note that while the *spatial focus* of the draft RES (Figure 3.12) is broadly consistent with RSS, it does not go so far as to endorse the balance between MUAs and the rest

of the region that is at the heart of the RSS strategy. This is a source of potential risk to both RSS and RES.

Figure 3.12: Spatial focus of the economy in draft RSS

<p>Primary areas for spatial focus:</p> <ul style="list-style-type: none"> • Areas of multiple market failure and disadvantage: the six regeneration zones • Concentrations of knowledge assets: principally the three High Technology Corridors (the Central Technology Belt, Wolverhampton-Telford and Coventry-Solihull-Warwickshire) • Birmingham City Centre <p>Secondary areas for spatial focus:</p> <ul style="list-style-type: none"> • Growth Areas and strategic centres outside the MUAs, where the expansion of housing and associated employment and others uses will help accommodate the future growth needs of the region in a sustainable manner. • Market towns (both inside the Rural Regeneration Zone and elsewhere) - developing strong, sustainable centres for employment, investment and services in the region's rural areas.

- 3.42 A crucial concept that is only lightly touched upon in the draft RES, but which represents an important avenue for reconciling RES and RSS is the notion of *agglomeration*: the advantage that businesses get from locating where they can share common resources like labour markets, infrastructure and knowledge resources. The importance of business networks, or 'clusters' to competitiveness is recognised by the RES, and has long had support in the economic development literature⁸. But the extent to which this is place-dependent, and could be supported the urban renaissance of the MUAs is not fully recognised by either the RSS or the RES.
- 3.43 A paradox of globalisation and the knowledge economy is that competitive global enterprises depend on the places in which they are located. For example:
- Attracting and retaining talent in a worldwide market place for people with special skills requires a high quality social and physical environment;
 - Flexibility and market responsiveness brought by focusing on core competencies and outsourcing the rest means needing to draw on a wide range of services and supplies provided by others;
 - While the Internet has eased remote access to information, much knowledge is embodied in people and products and will not go down wires;
 - The learning infrastructure of training and research and high level business to business contact both depend upon reasonably local access.
- 3.44 A recent study of English cities⁹ shows that after a long period of decline, cities across Europe as a whole are once more becoming the focus of higher productivity and economic growth, and are leading their regional economies. However, English cities (with the exception of London) have performed less well in this respect than their European equivalents. More recently still, the Eddington report has drawn attention to the role of transport in securing agglomeration advantages¹⁰, and because of this has recommended top priority to growing urban areas and their catchments.
- 3.45 However, it is important to note that Eddington ascribes by far the largest agglomeration benefits accrue to transport schemes in and around London (31% of benefits – compared with 5.5% for Birmingham¹¹). Taken together with the second priority, for tackling congestion pinch points where user time-savings remain the main measure of benefit, this might leave little

⁸ eg Michael Porter (1990), *The competitive advantage of nations*, Free Press

⁹ M Parkinson *et al* (2006), *The state of English cities*, Report to ODPM. It is important to note in this context that 'cities' is shorthand for a wider constellation of settlements related by social and economic linkages, rather than a physically-defined built-up area or an administrative unit.

¹⁰ Sir R Eddington (Dec 2006), *The Eddington Transport Study: the case for action*, Advice to HMT

¹¹ *op cit* Eddington Report, Annex 3, Table 5

in the way of resources outside London, the South East and the East. This is an important issue for both RES and RSS, which will be discussed more fully under the transport heading.

Summary of economic risks

3.46 Figure 3.13 summarises the key risks arising from the economic issues discussed above.

Figure 3.13: Economic issues and risks

Evidence	Issues	RSS Risks
<p>National issues</p> <ul style="list-style-type: none"> Increasing regional economic disparities Increasing income disparities Development of National Planning Guidelines for infrastructure and Regional Funding Allocations Greater integration proposed between RES and RSS 	<ul style="list-style-type: none"> Possibility of emerging national framework for reducing regional disparities: without this disparities may continue to widen Selective migration losses to region driven by disparities may affect competitiveness Over-arching GVA/head target implies downgrading of social and environmental dimensions of RSS 	<ul style="list-style-type: none"> E1: Housing and commercial markets continue to prefer urban extensions and a few large centres rather than more distant growth foci and wide spread of centres proposed by RSS E2: Insufficient investment in public transport to support major urban concentrations and reap agglomeration benefits
<p>Regional issues</p> <ul style="list-style-type: none"> Different emphasis of RES strategy as it affects 'close in' development Increasing congestion and quality of life problems within MUAs deter investment Relative lack of agglomeration benefits in MUAs compared with London or continental equivalents 	<ul style="list-style-type: none"> Market preference for development 'close-in' to MUAs (and only selectively within them) could increase car-dependency and congestion and undermine agglomeration and growth Infrastructure capacity availability in fringe urban locations DfT and Eddington formulas result in lower priority for public transport investment necessary to regeneration of West Midlands MUAs 	

Transport

National context

- 3.47 Since WW2 roads have become the dominant means of transport in all advanced economies. The benefit has been that improvements in accessibility have allowed businesses to widen their supply chains, customer base and labour markets, while households have a wider choice of places to live and work, and services and centres to enjoy. The downside is that these wider choices feed back into the locational choices and travel behaviour of companies and individuals, increasing the propensity to travel and causing more of it to be by car.
- 3.48 In many other European countries this problems was recognised in the 1960s and 70s and urban concentrations were supported by heavy investment in modern public transport systems. The better ability of continental cities to exploit agglomeration advantages (para 3.44) may well be a consequence of this, as it has encouraged a pattern of 'compact, liveable cities' which are both economically efficient and pleasant to live in.
- 3.49 In the UK, by contrast, transport planning practice has been dominated since WW2 by building roads in response to demand, with less attention to the wider economic and social effects. The main appraisal measure has been user time-savings at scheme level, even though these are rapidly eroded by the wider locational choices arising from the roads programme as a whole (an approach which has been described by a leading transport expert as *'like digging ditches in a*

bog'). The result has been an increased propensity to travel, mostly because journeys have become longer, with more of them by car (Figure 3.14).

Figure 3.14: Increases in travel demand 1972/3-2002/3

Number of trips/head:	+5%
Total travel (person-km):	+53%
Average trip length (km):	+47%
Travel by car (person-km):	+100%

Sources: S Potter (1997) '*Vital Travel Statistics*' and DfT website

3.50 It is important to note that these changes in travel propensity are much too large to be accounted for by the location of new development (eg 'urban sprawl'). Additions to the stock of buildings run at about 1% pa, but most of these are built within the bounds of existing settlements and only gradually extend the range of locational choices. The dominant change mechanism is 'churn' of existing stock: this runs at around 10% a year, and offers the full range of locational choices. Figure 3.6 illustrated the importance of churn to the locational choices of households, and the same considerations apply to the dynamics of business location.

3.51 The result has been increasing congestion, particularly (but not only) on roads, and tackling congestion has become the highest priority target for national transport policy. A wide range of responses have been tried over the years, but each has inherent difficulties (Figure 3.15)

Figure 3.15: National transport policy approaches and problems

- **Additional road capacity:** generates additional traffic by releasing suppressed demand and enabling further dispersion of activity and development.
- **Land-use change** affects only new development and the impact on overall transport demand is small;
- **Public transport improvement:** even radical change makes little difference, because patterns of movement are now too diffuse for public transport to compete with the car;
- **'Soft measures'** (eg encouragement of non-motorised modes, car-sharing, green travel plans, etc): to the extent that they work, the road space released makes room for and is absorbed by general growth;
- **Fuel price escalator:** this did impact travel demand but proved politically unsustainable;

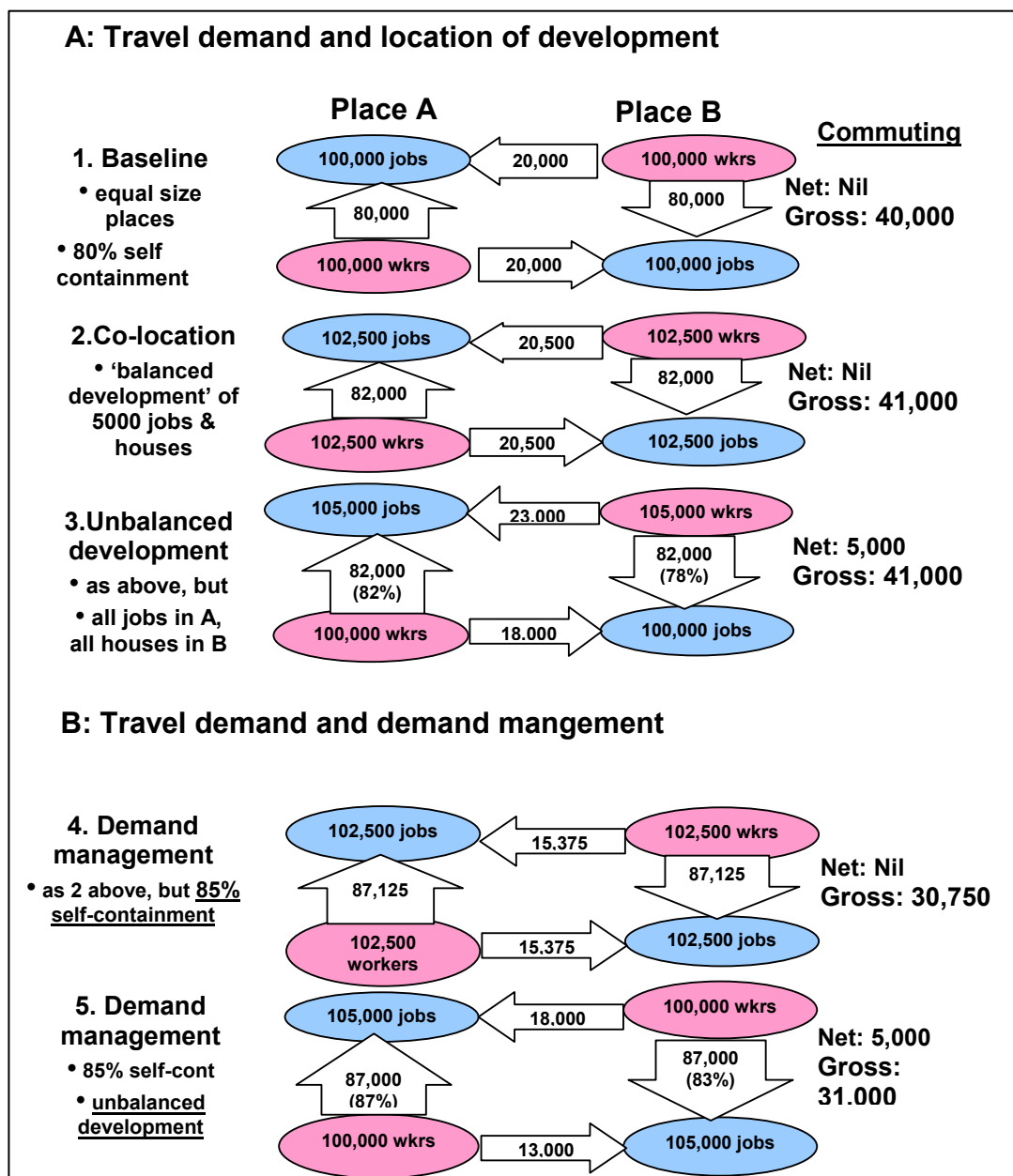
3.52 These difficulties have caused the Government to pay increasing attention to road user pricing as a means of both financing additional capacity and tackling congestion by inhibiting the growth in demand. In spite of the relative success of the London congestion charge in these respects, low public acceptance of the idea remains a major obstacle. In addition the technology required for a national system that can vary charges by place and time (central to targeting congestion) would require around 10 years to make widely available. In the meantime, local authorities (including some in the West Midlands) have been encouraged to pilot possible national approaches (see below, para 3.57).

3.53 Since current and anticipated travel costs (including time) are an important part of locational decision-making by firms and households, the lack of clarity on road pricing introduces a major (and increasing) uncertainty into spatial strategy. This uncertainty affects not only whether or when road user charging might happen, but also what form it might take and what effects this would have on travel and location.

3.54 Depending on how road user charging is applied, and what happens to the proceeds, it could have either positive or negative effects on the balance between the MUA and other areas. If it is focused solely on tackling congestion and accompanied by reductions in fuel tax (the 'revenue neutral' option) the result would be equivalent to a tax on urban concentration and an incentive to further dispersal. If, on the other hand, road user charging generates additional funding which is applied in a coordinated way to urban regeneration and public transport improvements in the most congested areas this could be immensely helpful to the future of the MUAs. These uncertainties form an area of substantial risk to the aims of the RSS.

- 3.59 The economic and social ‘side-effects’ of transport change go to the heart of the RSS vision for the MUAs – and are important also to the realisation of the RES objective of economic growth. The Eddington report finding that (among UK cities) only London has large agglomeration benefits for transport spending perhaps reflects the fact that London has a comprehensive rail-based public transport, largely pre-dating the era of road dominance. This has allowed London (to some extent) to escape the limit placed on its growth by road congestion.
- 3.60 A further point to make on the relationship between transport and spatial policy in the RSS concerns the stress it places upon co-location of employment and housing developments. The points made earlier about the relative importance of new development and churn are relevant to this issue. Figure 3.17 shows that while co-location of new development has relatively little effect on travel demand (and so on congestion and CO₂ emissions), demand management is significantly more influential. This is because (through churn) the latter affects the *whole* stock, not just the additions at the margin.

Figure 3.17: Travel demand – comparison of co-location and demand management



- 3.61 It is important to note in this respect that ‘demand management’ in this context refers not just to transport measures like road pricing, but also to the whole range of urban regeneration measures that affect locational choice. Locational choices by households and businesses in the whole stock in have a mutual, symbiotic relationship with patterns of economic and social interaction (such as labour markets and supply chains). This is what underlies the level of travel demand, and is a key determinant of modal choices.

Summary of transport risks

- 3.62 Figure 3.18 summarises the key risks arising from the transport issues discussed above.

Figure 3.18: Transport issues and risks

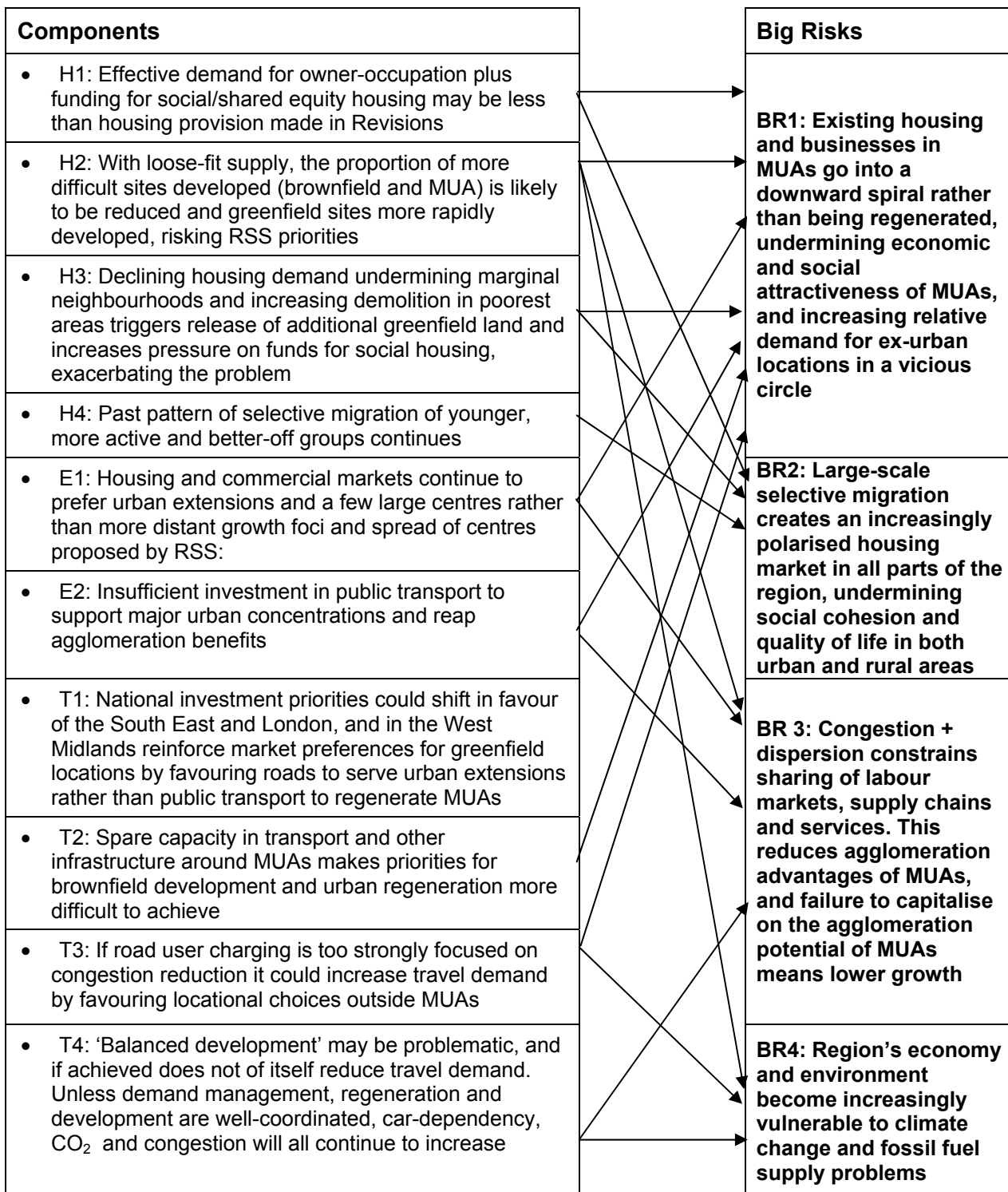
Evidence	Issues	Risks
<p>National issues</p> <ul style="list-style-type: none"> • Continuing growth of demand for travel (especially by road) driven by locational choices • National policy focus on tackling congestion, but lacks policies to address locational causes of increasing travel demand • Absence of road pricing leads to ‘predict and provide’ planning <p>Regional issues</p> <ul style="list-style-type: none"> • Tension between improving transport provision and reducing travel demand 	<ul style="list-style-type: none"> • Underlying causes of congestion require national approaches to spatial policy and transport pricing • Although supporting agglomeration, Eddington report priorities could reduce WM priority for transport investment compared with London and South East • Dependence on co-location of development, demand management • Transport provision and demand management not well integrated with urban regeneration and other spatial policies 	<ul style="list-style-type: none"> • T1: National investment priorities could shift in favour of the South East and London, and in the West Midlands reinforce market preferences for greenfield locations by favouring roads to serve urban extensions rather than public transport to regenerate MUAs • T2: Spare capacity in transport and other infrastructure around MUAs makes priorities for brownfield development and urban regeneration more difficult to achieve • T3: If road user charging is too strongly focused on congestion reduction it could increase travel demand by favouring locational choices outside MUAs • T4: ‘Balanced development’ may be problematic, and if achieved does not of itself reduce travel demand. Unless demand management, regeneration and development are well-coordinated, car-dependency, CO₂ and congestion will all continue to increase

4 Risk Assessment Framework

Big Risks

4.1 Following the review of the evidence by topic headings in Chapter 3, this Chapter looks at the connections between the risks that arise for the RSS strategy, and in particular how the component risks combine into a smaller number of 'Big Risks' (Figure 4.1). Avoiding or mitigating these Big Risks provides the perspective for considering the choices that the Regional Assembly needs to make in finalising the Phase 2 Revision.

Figure 4.1: The 'Big Risks' and their components



- 4.2 The over-riding risk to the RSS strategy can be summarised as the relative attractiveness of MUAs compared with other parts of the region. If the balance of attraction to households and businesses of different kinds is not shifted significantly in favour of the MUAs, many of those that are able to do so will continue to vote with their feet and move away, and new development will follow the pattern of their locational choices (BR1 and 2). The risks to the economy and the environment (BR3 and 4) follow on from this.
- 4.3 The processes involved are self-reinforcing and so unstable – the further they go, the greater the impetus of further change. As we have seen, much of such changes are accommodated in the first instance by churn of the existing stock of housing and commercial property. The direct leverage of RSS on this process is relatively weak, but not non-existent. Key components include:
- a) The total provision made for new development;
 - b) Distribution of provision;
 - c) Infrastructure provision;
 - d) Urban regeneration programmes;
 - e) Phasing activity.
- 4.4 The choices available under these headings at this stage of the Phase 2 Review are relatively limited, but still significant in terms of the Big Risks incurred. The rest of this Chapter examines these risks in turn for each main RSS topic (Housing, Economy and Transport).

Housing choices and risks

- 4.5 The main choices to be made at this stage of the Revision process and the risks arising are summarised in Figure 4.2. The key Big Risks arise from the total provision that is made, its distribution between MUAs and other areas, and the approach taken to phasing.

Total housing land provision

- 4.6 As discussed in Chapter 3, the major risk from too high a figure arises indirectly, from amplification of the effects of any surplus on the choices made within *existing* stock. ‘Too high’ in this context means provision of land beyond that required to meet *effective demand* for housing construction – that is demand backed by money from prospective purchasers (including under shared equity schemes) or from social housing providers. A surplus of land above this level *at any point in time* reduces the pressure to develop brownfield sites (including most of the land in the MUAs) and increases the likelihood that greenfield sites will be developed earlier or instead.
- 4.7 The dangers of this situation in terms of housing dynamics were rehearsed in Chapter 3: the diversion of demand from vulnerable neighbourhoods, undermining the regeneration and accelerating the decline of areas on which poorer households (new and existing) depend for homes of their own. This is a Big Risk because:
- a) Unlike under-provision, over-provision is virtually impossible to correct;
 - b) Low demand leads to more clearance requiring more land to be released, exacerbating the situation and leading to instability;
 - c) The consequence is accelerated selective migration from the MUAs – which is a direct risk to a fundamental RSS objective.
- 4.8 Against these risks of over-provision, under-provision also carries risks:
- a) If land provided is used up faster than anticipated, a future Review may require new sites to be identified, leaving less advance notice to plan for necessary infrastructure and services;
 - b) If there is insufficient new housing provided, this will contribute to higher prices in the overall housing market, making housing less affordable for poorer households seeking entry to owner-occupation;
 - c) To the extent that high house prices deter potential workers from settling in areas of growth in labour demand, this may constrain labour market choices and so business growth.

- 4.9 However, the balance of risk between over- and under-provision is strongly asymmetrical. For the reasons set out below, the Big Risks are associated with over-provision, not under-provision:
- a) Annual Monitoring Reports and the quinquennial Review of RSS itself provide more than adequate opportunities to respond in a timely way to any emerging need to plan for development, infrastructure and services in new locations over the next 10-20 years. The main constraint is not the length of advance notice, but the adequacy of the systems for registering changed needs and then responding to them (this issue is addressed in the next Chapter).
 - b) RSS provides *land*, not *houses*: the risks to affordability, the economy, etc (in so far as they arise from insufficient *new* housing) arise in the first instance if the latent need for housing is not matched by money to put houses on land that *is* provided. The inadequate funding of social housing (para 3.8a) and the understandable reluctance of builders to build ahead of demonstrable demand from owner-occupiers¹² are evidence that these dangers are real. At a slightly cruder level, it is difficult to see why builders would flood the market with their products to the extent necessary to seriously affect the prices they are paid.
 - c) Declining affordability is only loosely linked to the supply of *new* housing (as Barker showed¹³ – and this seems to be confirmed by research from the National Housing and Planning Advice Unit¹⁴). The ability of *existing* housing and neighbourhoods to meet people's needs and aspirations; and demand-side issues such as increased income inequalities (para 3.9), migration driven by regional disparities (para 3.37) and the status of housing as an investment) are arguably more important. In relation to the last, there are significant economic and political hazards in weaning house-owners from the expectation of ever-rising property values.

Distribution of housing land

- 4.10 The strategic aims of RSS depend critically on meeting as much as possible of the housing needs of the MUAs within their local housing market areas, both in terms of quantity and quality. This is the key also to releasing other parts of the region from the distorting effect on their housing markets of large-scale inward migration, and the consequences for the economy and environment of increased travel demand and car-dependency.
- 4.11 While the fate of the existing stock is the crucial issue, we have seen that the way that new housing impinges on the dynamics of the overall housing market is important to this. Even the lowest amounts of housing are likely to involve a shift away from the MUAs compared with the existing distribution of households (see Figure 3.5), so it is important to minimise the shift that is due to the balance of new provision.

Phasing

- 4.12 We have seen in Chapter 3 that the major variables involved in estimating future housing needs (eg household numbers, effective demand for owner-occupation, funding for affordable housing) are subject to uncertainties, often of a substantial nature. It follows that any level of provision made now, and intended for the next 20 years, will certainly be wrong – either in total, or in distribution, or in timing – or in all three. It is also certain that if the entire stock of land for 20 years could all be made available at once, the easiest sites would be developed first, precipitating a dynamic process resulting in the abandonment of more difficult sites and areas.
- 4.13 The need to avoid precipitating such a vicious circle, while meeting the need for a degree of certainty about where development should take place if it is in fact required, is the purpose of phasing. The need for phasing has been increased by the large scale of the increases required by the Revision, and the extreme sensitivity of the strategic aims of RSS to over-provision.

¹² see for example RTPI Research on house builders' land banks

¹³ Barker Report on Housing (2005), Table 1.1 shows that an additional 70,000 pa houses for sale (ie +50%) would – after 10 years output at this level – price into the market an additional 5,000 households pa across England

¹⁴ Presentation at West Midlands Regional Advisory Group, 5 September 2007

- 4.14 The approach to phasing in the current Revision has had two elements:
- Expression of the amounts to be provided within MUAs as *minimums*, while the amounts to be provided outside the MUAs are *maximums*;
 - Division of the 20 year housing requirement into two 10-year blocks, with the aim of increasing the proportion of development within the MUAs in the first decade, compared with the recent past (from 43% to 46% – Ref 25).
- 4.15 Whether or not this is an end result worth striving for, there is a question mark over how it might be implemented. The achievement of the MUA *minimum* amounts depends to a large extent on the success or otherwise of the regeneration process – both in delivering land and in securing development interest in it. Outside the MUAs applying the constraints of *maximum* amounts depends on District Councils writing strong phasing policies in their Local Development Frameworks and then implementing these in a strategically appropriate manner. Even with the total agreement and compliance of all concerned, the influence of 10-year targets on the rate of land release and development in real time seems likely to be limited.

Figure 4.2: Housing choices and risks

Choices	Risks	Comment/mitigation
(a) Total provision (net, 2006-26)		
1. 420,000 2. 382,000 (projected need) 3. 363,000 (RP+) 4. 340,000 (~RP) 5. 300,000	BR1, H1, H2: risk of over-provision <u>at any point in time</u> increases if greater provision leads to identification of <u>additional greenfield land</u> which can be <u>developed ahead of needs</u>	<ul style="list-style-type: none"> Risk is not from headline number as such, but from weight placed upon associated controls on <u>order</u> and <u>rate of release</u> <u>However, the higher the overall land requirement, the greater the risk to RSS aims arising from inadequate phasing mechanisms. This is because at higher levels more of the additional land will be greenfield, and this will be subject to greater pressure for early development</u> Robust phasing provisions required to reduce BR1 and 2
(b) Distribution of provision (net, 2006-26)		
Ratio MUAs:Other 1. (no figure) 2. (no figure yet) 3. 1:1.19 4. 1:1.33 5. (no figure) Emerging Preferred Option (RP+) provision below market trend in Stratford, Bromsgrove, Worcs/Malvern/ Wychavon, Warwick, Wyre Forest; above market trend in Black Country, Telford	H1, H3, H4: Achievement of MUA minima depends on urban regeneration programmes to deliver <u>brownfield land with market appeal</u> . Also crucial to <u>movements within existing stock</u> . H2: Below market provision in some high demand areas may reduce this risk; H3: Over-provision in MUAs risks reducing breadth of social appeal and fuelling selective migration	<ul style="list-style-type: none"> Distribution issues only indirectly impact Big Risks The higher the level of provision for development outside the MUAs, the greater the risk for the overall RSS strategy arising from weak regeneration performance that fails to support brownfield development Preferred Option (RP+) would reduce out-migration risk relative to Reference Point, provided the higher provision in MUAs does not undermine the attractions of existing stock Increased effort on urban regeneration is crucial to counter this risk
(c) Infrastructure		
No significant new choices proposed by Phase 2 Revision	H3: Water supply deficits in Birmingham and flood risks there and in Solihull, Sandwell	<ul style="list-style-type: none"> The pattern of surplus and deficient capacity is not helpful to spatial strategy Collaborative action with infrastructure providers is crucial to reduce risk

(d) Regeneration		
No significant new choices proposed by Phase 2 Revision	BR1 and 2	<ul style="list-style-type: none"> Critical dependency of RSS on well-coordinated urban renaissance action programmes continues
(e) Phasing		
<ul style="list-style-type: none"> Increasing early priority for provision in MUA; increasing constraint on Other locations post 2016 (Policy H4) Guidance in terms of rates of net new housing provision Reliance upon development plan reviews to adjust housing provision 	BR1 and 2, H2, H4: Increased provision in MUAs critically dependent on success of regeneration programmes; Policy H4 states aims but not means of phasing → weak constraint of 'Other' locations to 2016. Risks 10 years further entrenchment of past trends	<ul style="list-style-type: none"> Volatility of housing need projections, market demand and social housing funding require more active management of land release (especially greenfield) linked to Annual Monitoring Statement

Economic choices and risks

- 4.16 We have seen that an unintended side effect of individual profit-maximising and cost-minimising decisions by businesses drive dispersion, increasing travel demand, car-dependency and congestion, and entailing loss of the collective benefit of agglomeration. Summarising the discussion in Chapter 3, and linking this to the wider risk assessment framework, there are some important risks for RSS arising from the way in which the regional economy evolves:
- Increasing regional disparities (para 3.37) are likely to continue in the absence of effective countervailing national policies¹⁵. To the extent that regeneration depends upon increased indigenous regional resources, it is therefore vulnerable;
 - The regional economy is the main driver of population movement between regions. Through its influence on incomes and their distribution between social groups and areas, the regional economy also has an important bearing on the affordability of housing;
 - Inequalities have tended to increase between areas, and new jobs have tended also to be at the extremes of income distribution. This represents a significant threat to social cohesion, damaging the region's attractions to knowledge-based industries;
 - The locational preferences of growth sectors are around the periphery of the MUAs, rather than within them or in more distant 'free-standing' locations; these preferences are reinforced by infrastructure cost and capacity considerations;
 - Large-scale provision for regional employment locations is made by RSS around the MUAs, which could increase relocations from within the MUAs unless carefully managed;
 - The proposal to make RDAs responsible for RSS, with a single over-arching economic growth objective, could be counter-productive in terms of the RSS's more holistic environmental and social agenda (which contributes indirectly to economic outcomes).
- 4.17 The main choices to be made at this stage of the Revision process and the risks arising are summarised in Figure 4.3. The key Big Risks arise from the total provision that is made, its distribution between MUAs and other areas, and the approach taken to regeneration and infrastructure. Similar issues apply to employment land as to the balance between main centres.

Overall provision and distribution of employment land and commercial floorspace

- 4.18 The main change in the draft Revision compared with RPG11 is that it writes into RSS policies *quantitative* guidance on the amounts and distribution of land and floorspace between Districts, the purpose being to guide Local Development Frameworks. The Big Risks that arise from this approach are:

¹⁵ the continuing emphasis on each region maximising its competitiveness tends to reinforce this trend

- a) Bringing forward major employment sites involves substantial investment in infrastructure, which (once committed) creates great pressure for development. Any projections of need expressed today will inevitably be rendered obsolete by changing circumstances and new information, and become either too constraining or too loose. If the former, the risk is that potential growth is foregone; if the latter, dispersion is promoted rather than countered, with the economic, social and environmental costs that have been discussed.
- b) The balance between centres is maintained by policies to constrain growth pressures where they would be excessive and interventions to promote growth where it is needed. The amount of constraint and intervention will depend on surrounding economic conditions and the success or failure of previous efforts to influence the relative attractiveness of centres, none of which can be forecast with any certainty.

4.19 The danger in both cases is that writing quantities into policies makes the process of revising the quantities that should guide action very long-winded – essentially requiring a Revision of RSS. The danger is that constraints or promotion of development could continue long after the real need for such actions has passed.

Figure 4.3: Economic choices and risks

Choices	Risks	Comment/mitigation
Total provision		
<ul style="list-style-type: none"> • Policies define large portfolio – RIS, MIS, RLS and other to 2026 • Town centre retail and office estimates not policy choices 	<p>E1: Possible pre-emption of best locations by higher value uses – esp housing in MUAs</p> <p>E1: Retail and office demand are extremely volatile – planning policy will have limited leverage on either excesses or deficiencies relative to ‘tiers’ as defined in PA11</p> <p>E1: Inclusion of office floorspace amounts in centres policy risks inability to respond to changed needs</p>	<ul style="list-style-type: none"> • Indicative amounts table (Policy PA6A) plus PA6B shows awareness of these risks – but need to ensure that provision does not impinge on housing supply • Centres table (PA12A) provides basis for monitoring, but scope for corrective action is limited
Distribution of provision (Employment land x District and Commercial floorspace x centre)		
<ul style="list-style-type: none"> • ‘last resort’ status of urban edge and greenfield locations (PA1D); • 10-12 proposed RIS and MIS sites (PA7/8), focused on RZs in MUAs and High Tech corridors • 150-300ha of Regional logistics sites (to be i/d in LDFs) 	<p>BR3, E1: MUA focus challenged by greater emphasis of RES on GVA target</p> <p>BR3, E1: Volume of RIS and MIS + pressure to achieve early development leading to diversion to other uses, diverting development from MUA</p>	<ul style="list-style-type: none"> • Need for agreements with implementing agencies – particularly AWM – on maintaining MUA/Other balance
Infrastructure		
<ul style="list-style-type: none"> • Policies stress adequacy of (existing) infrastructure as locational criterion 	<p>BR4, E2: Existing infrastructure and Eddington criteria favour edge of MUA locations</p>	<ul style="list-style-type: none"> • See transport
Regeneration		
<ul style="list-style-type: none"> • RZ programmes of AWM 	<p>BR1, E1: Success depends upon strategy as a whole</p>	<ul style="list-style-type: none"> • Need for agreements with implementing agencies – particularly AWM

Phasing/Programmes		
<ul style="list-style-type: none"> • Employment land – topped up portfolio approach • Centres retailing phased 2006-2021 and 2021-2026 	<p>General employment land approach (5 year supply) is robust</p> <p>E1: Phasing retail so far ahead is speculative and could affect ability to act appropriately</p>	<ul style="list-style-type: none"> • Focus on 5-year supply and target numbers of strategic sites, using Annual Monitoring Statement update projections and apply policy

Transport choices and risks

4.20 Figure 4.4 links the discussion in Chapter 3 with the risk assessment framework, and summarises the main risks and choices for RSS. The key Big Risks arise from how the overall provision of transport is balanced between meeting urban, inter-urban and inter-regional (particularly the balance between public and private transport); how transport provision is programmed in relation to regeneration programmes and progress; and the approach taken to demand management.

- Transport improvements are seen in the RSS primarily as means of (a) responding to problems of congestion and of (b) supporting planned growth. However, (as we have seen) transport is also a major driver of wider locational choices, which in turn lead to greater demand for movement (para 3.29). The key risk arising for regional spatial strategy is that transport improvements designed to improve accessibility instead increase dispersion and drive further growth of transport demand, car-dependency and congestion (para 3.50).
- The low levels of public transport investment that have characterised UK urban transport practice since WW2 have produced a high level of road dominance in our MUAs compared with many continental countries. This has the consequence of transport-driven dispersion which is socially polarising and undermines urban economic potential (Figures 3.7, 3.16).
- Road user charging has the potential to secure that transport improvements are used more efficiently for the purposes intended, but only if conceived in a broad enough manner. Road pricing targeted too closely upon congestion reduction (whether national or local) has the potential to make matters worse by adding to the drivers of dispersion. The West Midlands TIF study showed that the reductions in congestion from a local scheme are modest relative to the costs involved¹⁶, and the scheme has been abandoned.

Figure 4.4: Transport choices and risks

Choices	Risks	Comment/mitigation
Total provision		
<ul style="list-style-type: none"> • Overall transport provision based on government responses to Multimodal Studies. • Greater consideration of affordability of proposals in terms of current context (eg RFAs) 	<p>BR2, BR4, T2: Without adequate counter-measures, improved accessibility will widen locational choices, increase migration and propensity to travel, and add to congestion affecting urban areas</p> <p>BR3: increasing dispersion <u>and</u> congestion, leading to loss of agglomeration benefits</p>	<ul style="list-style-type: none"> • Need an approach constrained by realistic view of overall resources, and able to take account of variations. RFAs do allow for central expenditure at levels proposed by MMSs, so alternative local sources (eg road pricing) need to be considered • Need to be able to vary balance between transport components in light of monitoring strategic effects

¹⁶ WM Leaders and PTA (2006), 'Gridlock or Growth': even alongside £6bn transport investment (£2bn existing funds, £2bn extra national funding and £2bn raised from charges) pricing only reduced average delays by some 30 secs compared with present policies, and by virtually nothing compared with the baseline (around 5 mins)

Distribution of provision		
<ul style="list-style-type: none"> • Max car parking standards in centres/congested areas (T7) • Demand management focus on congestion (T8) • 10 proposed P&R sites (T6) • Subregional priorities include Metro extensions • Priorities for investment beyond MUAs (9.96) consist primarily of road schemes 	<p>T1, T3: Balance between managing and responding to transport demand is crucial to impact on relative attraction of MUAs and rest of region</p> <p>BR1, T3, T4: Road user charging is crucial to an integrated and funded approach to congestion and regeneration – but barely mentioned</p>	<ul style="list-style-type: none"> • Transport management, particularly road pricing, is critical to responding to needs of business without triggering further dispersion and should be a stronger element of strategy
Infrastructure		
Not applicable – transport is infrastructure		
Regeneration		
<ul style="list-style-type: none"> • Relying on location of as much development as possible within MUAs and distant ‘foci’ to reduce travel demand 	<ul style="list-style-type: none"> • BR4, T4: location of new development does not greatly affect travel demand; transport outcome more dependent on success of urban renaissance 	<ul style="list-style-type: none"> • Need transport and regeneration processes to be better integrated by mutual adjustments through Annual monitoring process
Phasing/Programmes		
<ul style="list-style-type: none"> • Major schemes assigned ~5 year time slots to 2015 	<ul style="list-style-type: none"> • BR1: Risks to MUA/Other balance if order of transport improvements is wrong – not dealt with 	<ul style="list-style-type: none"> • Need to clarify relative timing of accessibility improvements and management within and outside MUAs

5 Choices and mitigation of risk

5.1 This chapter reviews the choices to be considered in finalising the Revision, examining ways of reducing the Big Risks, and making recommendations about RSS *process* (such as phasing policies, monitoring and review) and *policy* (such as strategic alliances with key regional partners and coordination of investment programmes with infrastructure and regeneration agencies).

Broad conclusions

5.2 The major purposes of the RSS are about achieving broad strategic outcomes, that spread across economic, social and environmental concerns. The risk assessment shows that actions in any one area have implications across the board. It also shows that an exclusive focus on *new development* and infrastructure is inappropriate, since the major dynamic processes of change involve the *whole existing stock*. This is both a risk and an opportunity: a risk because the unintended side-effects of a relatively small quantity of new development can be multiplied by repercussions through the whole stock; an opportunity because interventions made with awareness of such effects can similarly multiply the benefits.

5.3 The main aims of the RSS – urban and rural renaissance, economic modernisation and diversification, and tackling climate change remain valid. Regeneration of the MUAs is critical to increasing regional prosperity, renewing the social fabric, improving quality of life and limiting impacts on climate and natural resources. Failure of regeneration puts all these at risk: win/win/win/win has the capacity to become lose/lose/lose/lose through powerful dynamic forces.

5.4 Unless well-managed, the sheer scale of the additional housing in this Revision runs the risk of causing urban regeneration to fail. Should it do so the costs will be substantial, including:

- a) Deepening social polarisation between MUAs and the rest of the region, driving further selective migration, with concomitant effects on quality of life in both urban and rural communities;
- b) Incurring the environmental and social costs of low demand, disuse and abandonment of urban neighbourhoods, while rural areas have to cope with large scale migration that places home-ownership out of reach of local people and increases development pressure;
- c) Incurring the infrastructure costs of servicing dispersed new locations, while existing infrastructure is under-utilised;
- d) Foregoing economic competitiveness and growth through failure to exploit urban agglomeration potential, and to attract and retain talent in the global marketplace for skills.

Though such consequences are not a foregone conclusion, and unforeseen factors may emerge to mitigate their worst effects, the precautionary principle suggests the need to take serious steps avoid such major downside risks.

5.5 The Big Risks are a shared agenda for the RSS and RES. The over-riding risk to the RSS strategy is that if relative attractiveness is not shifted significantly in favour of the MUAs, the most active households and businesses will continue to move away. New development will then *follow* the pattern of their locational choices rather than *leading* them, as RSS intends. Continuing selective dispersion is bad for economic attractiveness and efficiency as well as socially divisive and environmentally unsustainable. The RSS emphasis on urban renaissance has the potential to deliver compact, liveable cities which are in equilibrium with other parts of the region, socially and environmentally sustainable, and economically successful. This is the challenge.

Policy choices to reduce risks

5.6 The room for manouver at this stage in the Revision is relatively limited, but nevertheless significant. The change from RPG to RSS is highly significant in this respect, particularly to the treatment of housing issues. While RPG was concerned with the land-use implications of

new housing, this report has shown that for spatial strategy this is considerably less important than the continued attractiveness of the much larger amount of *existing stock*.

- 5.7 Advice on the choices that can still be made at this stage are dealt with in this Chapter under the headings of the main sections of RSS concerned: Housing, Economy and Transport.

Housing

- 5.8 The areas of choice comprise (a) the overall amount of housing to be provided; (b) the distribution between parts of the region; and (c) the mechanisms for making land available to builders (public and private) – phasing.
- 5.9 ***The overall amount of additional housing***, though large, represents only a small fraction of the choices available to households (and it is clear that the Government will not countenance provision significantly below the trend projection of need). However, we have seen that the effects of additional housing on choice throughout the stock is multiplied by ‘churn’, with corresponding effects on movement between MUAs and other areas. The higher the level of provision, the greater the risks to urban renaissance associated with over-provision, so the level, while reflecting Government policy should go no further than is obligatory in this respect.
- 5.10 With strong phasing policies, consistently applied over time, the levels of provision at the upper end of the ranges proposed in the Brief for this work (380,000 and 420,000 net additions) need not incur risk much above that posed by the Preferred Option (363,000), because the risks to urban renaissance arise from excess provision ***at any point in time***. Effective phasing can prevent an excess from emerging whatever the ultimate total – over-provision would just mean that the land supply would last longer than the plan period. However, as discussed further below, the phasing proposals in the Preferred Option are weak, and may even be unimplementable in their present form. In these circumstances *any* additional provision in locations that impact on MUA housing markets will increase the instability of these markets.
- 5.11 On the other hand, the lower levels in the range proposed in the Brief (300,000 and 340,000) are so far below the trend projection (382,000) as to risk the Regional Assembly being over-ruled by the Secretary of State. A higher figure could well then be written in (as has in fact happened in the West Midlands in the past and other areas more recently), without the Regional Assembly having the opportunity to consider where such provision should be located, or what safeguards to the strategy (eg on phasing) should be implemented.
- 5.12 The Preferred Option probably represents a reasonable balance between these dangers, but (it must be stressed) that the risks associated with this level (and even with the other, lower levels) are only acceptable with strong phasing policies. ***Effective demand for housing*** is the sum of what can be afforded by individual purchasers in the market for owner-occupation (including through shared equity, etc) plus social housing provision. The government has suggested that local authorities should aim to maintain a 5-year supply of developable land, to support housebuilders in both private and public sectors. If significantly more land than this is made available ***at any one time*** the risks discussed earlier in this report (3.11-3.31 and 4.6-4.9) follow. This key question is discussed further below (5.14 *et seq*).
- 5.13 ***Distribution between parts of the region***: because of its leverage on churn, the balance of new development between the MUAs and the rest of the region is a critical indicator of pressure on stemming selective migration. In making locational choices about additional land, a high priority should be given to maximising provision in MUAs (without going so far as might compromise the attractiveness of existing housing by over-development). The locational choices outside the MUAs should similarly have regard to the effects on the market for existing housing, and particularly avoid diluting demand for vulnerable areas. At a more local level, it is worth noting that provision below trend demand in the highest pressure areas can divert demand to other areas, some of which may better fit strategic requirements.
- 5.14 ***Phasing land provision*** provides the best means of balancing the risks of over-provision against the need for some certainty about the location of development, should it become necessary. The present intention for numbers applicable to two 10-year periods seems too coarse to be likely to

be effective, while attempting District numbers for 5-year periods is fraught with practical difficulties and dangers. A better approach may be to seek a maximum threshold (or a minimum within MUAs) in terms of years' supply of readily available land, related to the planned total for the area (*within* the relevant 10-year period). This would appear to be a legitimate approach in terms of the Housing White Paper's references to maintaining a 5-year supply of genuinely available land.

- 5.15 The adequacy of current provision, and the need (or not) for release of additional land should be the subject of audit and discussion by the relevant parties (builders, LAs, RSLs, infrastructure providers) in the context of the RSS Annual Monitoring Report. It would also make sense if Districts were grouped in Housing Market areas for this purpose. These issues are discussed further in paras 5.24 onwards.

Economy

- 5.16 The major areas of choice concern (a) the way in which major new employment land is brought forward, and (b) the way in which policy seeks to shape market forces that tend to favour only a few of the most successful centres.
- 5.17 It is important *both* that interventions on sites and centres are ahead of (but in touch with) demand *and* that sites for particular purposes are reserved for that purpose (unless circumstances have radically changed). Action that is well-coordinated between relevant parties, based on shared good quality information will be crucial. Any initial figures need frequent up-dating, feeding into responsive management of policy and action. Figures provided in the RSS are a useful initial guide, but will be rapidly superseded so the RSS should make explicit provision for regular updates.
- 5.18 The Annual Monitoring Report provides an appropriate context for sharing of up to date information and discussion of responses, and the RSS Implementation Plan and Annual Monitoring Report need to be well integrated to achieve this.

Transport

- 5.19 The growth objectives of RSS and RES require exploitation of the economic agglomeration potential of the region's urban cores (especially the MUAs but not excluding others). This potential could be inhibited, undermined or even reversed by an approach to transport which places too much weight on short-run congestion relief and not enough on wider connectivity, longer-run environment and quality of life. The major areas of choice concern the priority between (a) urban transport and (b) inter-urban and inter-regional transport improvements, and (c) the extent and nature of any system of demand management and pricing.

Urban transport

- 5.20 The major deficiency compared with advanced industrial regions in other countries is the lack of good quality urban public transport systems, adequate to support and exploit the agglomeration potential of the MUAs.. Failure to address this endangers the ability of the MUAs to provide either the quality of life or the intensity of linkages necessary to international competitiveness. In finalising the RSS Revision consideration should be given to means of giving this more explicit priority.

Inter-urban and inter-regional transport

- 5.21 Improving inter-urban and inter-regional transport is also desirable, but has in the past triggered further dispersion, generating additional traffic and congestion. Achieving a better balance between improving accessibility and managing the wider consequences will require a truly integrated approach to policy and implementation – not just within the field of transport, but between transport, development and regeneration. This is partly an issue of demand management, but at least as much a matter of creating a stronger relationship between urban regeneration and transport programmes (dealt with in the concluding section of this Chapter).

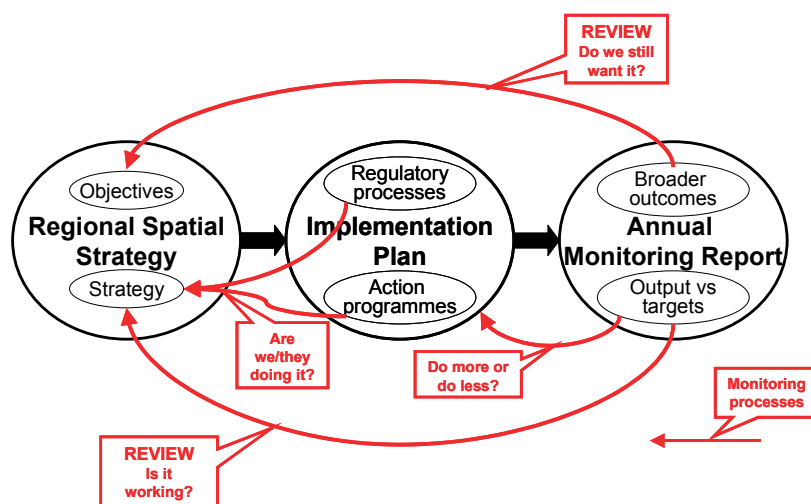
Demand management

- 5.22 Demand management, particularly road pricing, has been seen (both by Government and local authorities) primarily as a means of tackling congestion. This is too narrow a framework: households and businesses choose where to locate from the *whole* stock of buildings (not just new development), and transport pricing has great potential leverage on this very large volume of locational choice. This has implications for both transport demand and economic functioning.
- 5.23 Demand management has the potential to be a means of reconciling the need for a better transport system with transport's tendency to disperse activity. Most of the economic benefit of road pricing is locked up in the money it raises: this is a major potential source of revenue, not just for transport investment but also for regeneration actions that make the transport system work better by reducing the need to travel. Exploiting this potential will require a genuinely innovative and integrated approach to planning and implementation of both transport and regeneration.

Implementation and monitoring

- 5.24 In managing risk, the policy content of the RSS is only a starting point. While the balance between different actions is critical to the outcome, there are huge uncertainties affecting most of the quantities in a 20-year plan at the regional scale. It is therefore critically important to the outcome that the implementation process is well-coordinated and driven by up to date information. These requirements are recognised in the Government's specification of the RSS process (PPS11) by the Implementation Plan (IP) and the Annual Monitoring Report (AMR) respectively.
- 5.25 Advice given recently to the English Regions Network¹⁷ pointed out that a balance between consistent strategic direction and flexible tactical responses required a strong relationship between RSS, IP and AMR. This is encapsulated in the idea of a continuous planning approach, also known as 'plan, monitor and manage' (Figure 5.1). This has implications for the policy content of RSS as well as for the IP and AMR, as indicated in following sections.

Figure 5.1: Plan, Monitor and Manage



Implications for RSS

- 5.26 The point has been made several times in this report that the projections used in preparing the RSS are subject to many uncertainties: the only real certainty being that they will be revised several times during the currency of the plan. It follows that, as far as possible, if any projections are written into RSS policies (and so alterable only through Review), this should be done in a way that allows more up to date information to be used in determining how the policy

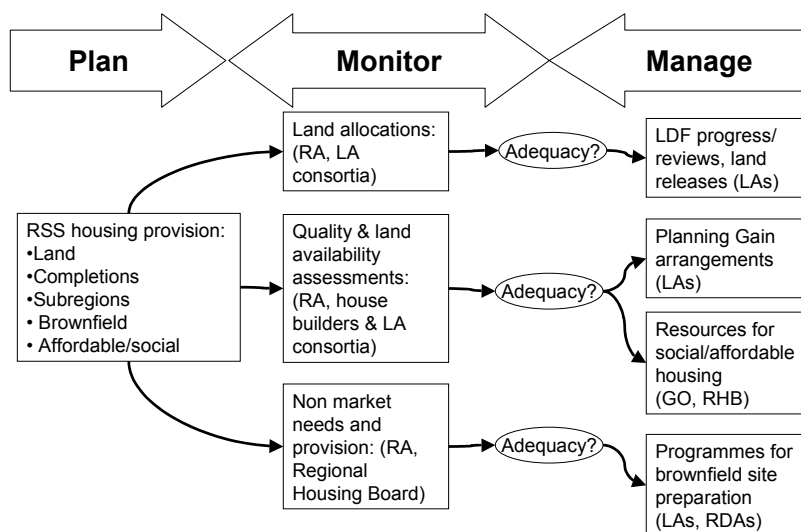
¹⁷ see MVA (2006), 'Advice to Regional Assemblies on preparing Implementation Plans for RSSs', Report to English Regions Network

is applied. The RSS policy should ensure also the participation of implementation partners and transparency concerning how their interests are reflected in decision-making.

Housing provision

- 5.27 The RSS is required to state total amounts of land for the full (20 year) plan period, in spite of the many uncertainties that apply and the extreme sensitivity of the fundamental strategy to over-provision. This places great weight upon having an effective phasing policy, capable of responding to up to date information about (for example) land availability, price levels in the overall market area, the demand for new housing, recent projections of household formation, progress with regeneration, infrastructure provision and finance for social housing and brownfield site preparation. A basic process is represented diagrammatically in Figure 5.2, and the housing phasing policy in RSS should be written to reflect this.

Figure 5.2: Structure of process for housing delivery



Employment land and provision for commercial floorspace in centres

- 5.28 The present intention is to state amounts to be provided in RSS policies, in order to provide firm guidance to Local Development Frameworks. In terms of broad orders of magnitude, and as an indication of the appropriate strategic balance between areas such quantification has a valid role. However, as with housing (and possibly more so), these initial estimates will be rapidly overtaken by events, and left unaltered could be actively damaging to RSS policy. For example, an upturn in overall requirements would mean needless constraints on the most successful centres, while a downturn would favour them (while simultaneously putting off action in support of less successful centres. Similar considerations apply to employment land provision.
- 5.29 In both cases the tables of quantities should be reduced to supporting text and the preparation and release of sites made subject to a continuing review process triggered by the AMR and managed in discussion with the key implementation partners in an open and accountable way.

Transport provision

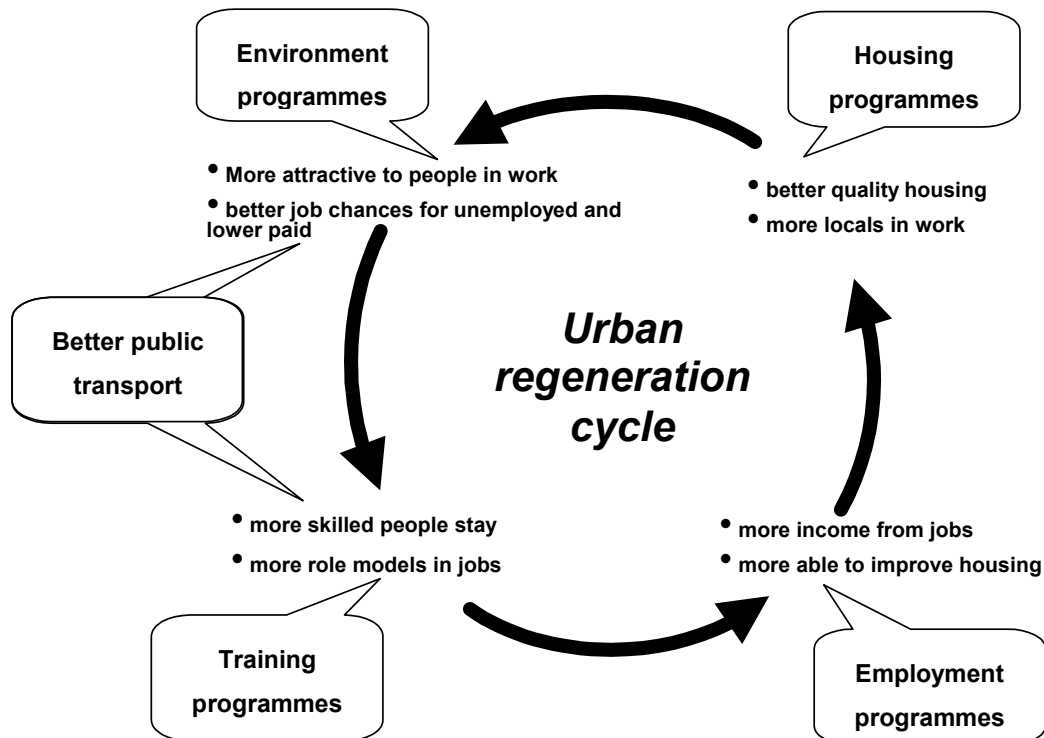
- 5.30 The transport priorities are not expressed in away that would allow the rate and order of implementation to reflect the success or otherwise of the urban regeneration process: effectively they are static, free-standing responses to the initial set of transport problems and development proposals. This presents a fundamental risk to the RSS strategy, since transport is a *driver* of patterns of economic activity and urban settlement, not just a passive respondent. If, for example, inter-urban transport provision runs ahead of urban regeneration, the risk is that it will be undermined by further dispersion.

- 5.31 The IP must provide for the prioritisation and programming of transport action to take account of progress on a broader front than the remit of LTPs, and AMRs should provide the evidence base.
- 5.32 The significance of demand management in this context is potentially much greater than simply a tool for tackling congestion. Most of the economic benefit of road pricing is tied up in the money that it raises. Applying these funds to a broad spectrum of transport and urban regeneration measures, coordinated with other relevant programmes that tackled the underlying causes of growing travel demand, would provide wider benefits (as well as a better response to the narrow problem of congestion).

The Implementation Plan

- 5.33 PPS11 states that the Implementation Plan should be “integral to the RSS”. The most important way of mitigating risk is that RSS incorporates a strong, collaborative and responsive Implementation Plan, driven by good quality, up to date monitoring. In summary this should:
- Ensure that any quantities contained in the RSS are capable of being updated in the light of the latest relevant information; and
 - That the RSS offers relevant guidance to programmes of action necessary.
- 5.34 The over-riding aim of the RSS is to convert the past patterns of economic, social and environmental change from the ‘vicious circles’ of social polarisation and urban decline (illustrated in Figures 3.7 and 3.16) to a virtuous circle of urban regeneration. Appropriate policies in the RSS are only the start: strong and well-coordinated actions of many partners are essential to the outcome illustrated in Figure 5.3.

Figure 5.3: The vision: joined up action leading to an urban renaissance



Appendix 1: Source documents

Reference number, Title	Date	Source	Content
1. WM RPG – Panel Report	Oct 2002	ODPM	Step change and strategic risk
2. West Midlands RSS (published as RPG11).	June 2004	ODPM	Base line for Revision
3. WM RSS Phase 2 Revision – Project Plan	Nov 2005	WMRA	Revision scope/process
4. RSS Revision: Spatial Options	Jan 2007	WMRA	Public consultation document
5. RSS Revision Spatial Options Sustainability Appraisal	Dec 2006	WMRA/ Ursus	Sustainability Appraisal of Ref 4
6. RSS Revision: Spatial Options – Consultation Report.	May 2007	WMRA	Report on consultations on ref 4
7. RSS Revision: Spatial Options. Infrastructure Implications of Housing Options	Jan 2007	WMRA	In house version – superseded by Ref 19
8. RSS Revision Spatial Options: Housing Background and Housing Demand Papers	Jan 2007	WMRA	Based on ONS 2003-based household projections – superseded by Ref 19
9. Housing Requirements in the W Midlands 2007-2026	Jan 2007	CPRE.	Study of uncertainties in household projections
10. Impact of Housing Growth on Public Water Supplies .	Feb 2007	Environm't Agency	Source for parts of Ref 19
11. Impact of Housing Growth on Water Quality, Waste Water	Feb 2007	Environm't Agency	Source for parts of Ref 19
12. RSS Housing Options: CO ₂ emissions	Feb 2007	WMRA/ Stockholm	CO ₂ effects of Spatial Options (Ref 4)
13. Panel Report, RSS Revision – the Black Country	Mar 2007	DCLG	Report on WMRA's Black Country proposals
14. RSS Revision Phase One –The Black Country	Mar 2007	DCLG	Panel proposals for Phase 1 Revision
15. Impact of South East economy and Milton Keynes/South Midlands GA on the W Midlands	May 2007	AWM/WM Enterprise	Effects of MKSM Growth Area proposals on WM
16. Reports to Regional Planning Partnership on developing Preferred Option	May, July 2007	WMRA	Scope of choices to be made; key principles
17. RSS Infrastructure Review Report	July 2007	WMRA/ Mott Macdonald	Superseded by Ref 19
18. Projected Housing Need & Demand 2006-2026	12 July 2007	WMRA/ Cambridge Centre for Housing	Market, intermediate and social housing needs (2004-based projections)
19. Infrastructure Review of Options (Interim and Draft Final versions)	July 2007	WMRA/MottMcD	Infrastructure constraints on locational choices
20. Flood Risk Appraisal	July 2007	WMRA/ Faber Maunsell	Flood risk x District related to housing numbers
21. EU Habitat Regulations Assessment – Screening	July 2007	GO-WM/ Ursus	Outcomes for EU registered habitats
22. DCLG: Housing Green Paper	July 2007	DCLG	Policy context for housing land and social housing

23. WMRA: draft Preferred Option	July/ August 2007	WMRA	Draft Housing and Economy Chapters; draft housing distribution tables
24. Sustainability Appraisal of Preferred Option (Draft)	July 2007	WMRA/ Ursus	Draft in several sections
25. Preferred Option housing x District (Confidential draft)	1-8 Aug 2007	WMRA	Word draft recommendations; Excel table; Map of housing need/provision balances x District
26. Housing: Reference Point figures compared to Land Capacity returns	1 Aug 2007	WMRA	Excel table dated 10 July 2007
27. Comparison retail floor space needs; Update of Regional Centres Study.	1 Aug 2007	WMRA	Excel and Word tables of floorspace of office and comparison shopping requirements/scope
28. Re-fresh of WM Housing Land Capacity Study	6 August 2007	WMRA	updates 2004 WM HLS and Urban Capacity Study and 2006 City Region Studies
29. Housing and Economy Study (AWM).	17 August 2007?	AWM/ SQW	Implications of economic change for housing provision