Focused Sub-Regional Review of RSS Evidence Base to inform the South Worcestershire Joint Core Strategy

Background Paper 3

Economic Development

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Disclaimer

This report has been prepared on behalf of the South Worcestershire Joint Officer Steering Group as independent technical advice to inform the formulation of the Joint Core Strategy for South Worcestershire. The report is based on a review of evidence submitted to and arising from the West Midlands Regional Spatial Strategy (RSS) Phase Two Examination in Public (EiP) in 2009 and a small number of additional studies subsequently undertaken on behalf of West Midlands Regional Assembly/ West Midlands Leaders Board.

Every effort has been made to verify and check the material presented in this report, including all figures and tables. However, the authors cannot accept any responsibility for errors, inaccuracies, omissions or misrepresentations in the original material which has been reviewed. The views expressed in this document do not necessarily reflect those of the South Worcestershire Authorities.

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Executive summary

- Section 1.5 examines the basis for employment land provision in the Regional Spatial Strategy (RSS) Phase Two Revision. Starting from the use of past trends to assess future requirements, the approach also took into account a range of other factors, including proposed housing provision. A 5 year minimum requirement was identified for each district along with indicative longer term requirements for the period up to 2026.
- Section 3 covers the provision of strategic employment sites. In the case of Regional Investment Sites (RIS), it demonstrates how the RSS Phase Two Examination in Public (EiP) Panel supported the prioritisation of the proposed RIS at Longbridge (Birmingham) to serve the needs of the Birmingham to Worcestershire High Technology Corridor. The RSS process did not identify any need for a Major Investment Site or Regional Logistic Site in South Worcestershire.
- Section 4 relating to retail provision focuses on the identification of a regional network of town and city centres within which Worcester is identified as a Tier 3 centre. It then examines future comparison retail floorspace requirements, leading to specific floorspace figures for Worcester up to 2026 proposed in the RSS.
- In turn, Section 5 looks at the network of town and city centres with regard to provision for future office development. It reviews the evidence examined during the RSS Phase Two process and presents the conclusions reached by the EiP Panel in respect of office floorspace requirements for Worcester up to 2026.
- Section 6 provides an RSS perspective on the proposed Worcester Technology Park. It outlines the RSS position regarding the proposed relocation and expansion of Worcester-Bosch to a site adjacent to M5 Junction 6. It also relates the proposed Technology Park to the discussion on RIS and refers to the regional Conformity Assessment which found that no case had been made to support such a development in the location.
- Section 7 reviews the RSS evidence on the linkages between economic development and housing provision. It outlines how housing development influenced the RSS employment land provision. It then explores to what extent housing provision in the RSS was made in response to the prospects for economic and employment development.

1 Introduction

1.1 In September 2010, the South Worcestershire Joint Officer Steering Group commissioned the authors to undertake a focused sub-regional review of the evidence base which underpinned the Regional Spatial Strategy (RSS) for the West Midlands. This was not intended as a comprehensive review of the entire RSS evidence base but as a focused sub-regional analysis of RSS evidence in respect of a number of specific issues identified by the Joint Officer Steering Group which were directly relevant to the formulation of Joint Core Strategy (JCS) policy for South Worcestershire.

1.2 This is the third in a series of Background Papers which have been prepared to document this review of RSS evidence. In accordance with the Brief for this work set by the South Worcestershire Authorities, this Background Paper covers the following economic development issues:-

- The basis for the employment land, office and retail provision in the RSS;
- The RSS perspective on the proposed Worcester Technology Park; and
- Linkages between economic development and housing provision.

Where applicable, cross-reference is made to highlight items covered in other Background Papers.

1.3 This focused review has endeavoured to establish, as far as it is possible, the latest 'common ground position' arising from the technical RSS evidence base. Reference is made in particular to the evidence submitted to and arising from the RSS Phase Two Examination in Public (EiP) in 2009 as this may be seen as the latest regional 'common ground position' which is most likely to be acceptable to interested parties. Selective additional studies prepared for the West Midlands Regional Assembly (WMRA)/West Midlands Leaders Board (WMLB) after the RSS Phase Two EiP is also referred to, where this might be relevant to the JCS, even if this was not debated as common ground at the RSS Phase Two EiP.

1.4 The RSS for the West Midlands was published originally in June 2004 (at the time as "Regional Planning Guidance") and subsequently underwent a partial revision which was carried out in three phases. The RSS Phase One Revision developed a sub-regional strategy for the Black Country which was completed in January 2008. The RSS Phase Two Revision dealt with a range of topics, including housing and employment land provision, town and city centres as well as office and retail development. The RSS Phase Two Revision Draft (the

"Preferred Option") was submitted by WMRA to the Secretary of State in December 2007 and was subject to testing at an Examination in Public (EiP) in spring 2009. The independent EiP Panel submitted their report with conclusions and recommendations to the Secretary of State in September 2009. The RSS Phase Three Revision looked at a number of issues, including rural services, provision for gypsies and travellers, environmental matters and minerals provision. WMRA published Interim Policy Statement and Policy Recommendations in respect of these matters in March 2010.

1.5 In November 2010, the High Court quashed the decision of the Secretary of State of 6 July 2010 to revoke Regional Strategies (the successors to RSSs). As a consequence, the Regional Strategy as it stood on 5 July 2010 forms an ongoing part of the development plan[1]. However, the Government has subsequently reiterated its intention to abolish Regional Strategies and has introduced draft legislation through the Localism Bill[2].

1.6 Whilst the legal position regarding Regional Strategies is likely to change, the evidence base that underpinned those strategies may still be relevant to local planning authorities. In an earlier letter the Chief Planner in the Department for Communities and Local Government [3] reminded authorities that "where local planning authorities are bringing forward new development plan documents or reviewing adopted plans they should present evidence to support their plans. The examination process will continue to assess the soundness of plans, and Inspectors will test evidence put forward by local authorities and others who make representations". The letter stated that "Evidence that informed the preparation of the revoked Regional Strategies may also be a material consideration, depending on the facts of the case".

1.7 The RSS evidence reviewed in this Background Paper may therefore still be relevant to the JCS process. However, it should be noted that:

- This Paper is not intended to be comprehensive review of the RSS evidence base but concentrates on key issues as defined by the South Worcestershire Joint Officer Steering Group;
- Some of the RSS evidence reaches back a few years in time and may therefore have become superseded. Where applicable, Local Planning Authorities will have to have regard to more recent evidence; and

[1] See 'Advice produced by The Planning Inspectorate for use by its Inspectors' which is available at http://www.planning-inspectorate.gov.uk/pins/advice_for_insp/Cala_Homes.pdf
[2] The Localism Bill is available at http://services.parliamnet.uk/bills/2010-11/localism.html
[3] The letter by the CLG Chief Planner to Chief Planning Officers is available at http://www.communities.gov.uk/documents/planningandbuilding/pdf/1631904.pdf

- Local Planning Authorities will also need to take into account local evidence and other local factors and considerations in bringing forward their own development plan documents.

2 The basis for employment land provision in the RSS

Introduction

2.1 In preparing the RSS Phase Two Revision, WMRA (as the Regional Planning Body) was asked to provide further guidance to Local Planning Authorities on the quantification of future employment requirements for their areas. This was seen as a key issue for informing the preparation of Core Strategies that were subsequently to come forward following new planning legislation.

2.2 The underlying objective of seeking to quantify land requirements was to ensure that the RSS, in conjunction with the Regional Economic Strategy (RES), could provide a flexible and robust supply of employment land to support sustainable economic development and growth across all parts of the Region.

2.3 In order to address this issue, the Regional Planning Body asked the West Midlands Employment Land Advisory Group (WMELAG)[4] to undertake a study into future land requirements and to consider alternative ways this assessment might be achieved. The results of this study were set out in a revised Employment Land Background Paper published in March 2009[5].

Alternative possible models

2.4 The first stage of the WMELAG Study focussed on a review of different approaches to employment land quantification in previous Development Plan policies across the Region (see Section 2 of the WMRA Employment Land Background Paper 2009). This identified that there were two main methods that had been used for expressing the quantification of employment land, i.e.:

a) identifying the total amount to be built over the entire plan period;

b) adopting a 'plan, monitor, manage' minimum reservoir approach.

2.5 On balance, WMELAG concluded that there were considerable advantages in using the minimum reservoir approach with two key benefits (ibid., para 2.15):

[4] The West Midlands Employment Land Group (WMELAG) consists of members from local authorities, Advantage West Midlands, the West Midlands Business Council and other interest groups.
[5] WMRA (2009) Employment Land Background Paper, March 2009, which can be viewed at http://www.wmra.gov.uk/documents/Employment%20Land%20Background%20Paper%20Revised%20Version%20March09.pdf

- it avoids large areas of land being allocated over a long time period;
- it gives flexibility to adjust targets based on the performance of the economy, an important factor given the likely ongoing structural changes.

2.6 Turning to the actual quantification of employment land within different Development Plans, it was clear that there was a wide range of methodologies adopted. This led onto the second stage of the Study where two possible methods of projecting future needs were examined and evaluated.

2.7 The first methodology was based on **Labour Demand Projections** where changes in employment levels for each industrial sector are converted into equivalent employment land requirements over a specified period of time. "This is based on the understanding that, if a number of people are currently employed on a specified area of land, then changes in future employment levels similarly imply changes in future employment land requirements. The main assumption here is that employment densities will remain stable over the period of the analysis" (ibid., para. 3.3).

2.8 The detailed steps in the model are set out in the WMRA Employment Land Background Paper along with an assessment of its strengths and weaknesses, particularly the potential difficulties involved in its practical application (ibid., paras 3.4 to 3.8). Given these difficulties and the fact that the model appeared to significantly under-estimate future land requirements, WMELAG abandoned this approach.

2.9 The second methodology was based on examining **Past Trends**. In this respect, WMELAG were fortunate to have available the Regional Employment Land Study data which had been collected since the mid-1980s. This gave them a basis for predicting future growth of the economy based on past performance over 5, 10 or 15 year periods. It was further acknowledged that "taking an average rate of development over a long period helps to smooth out effects associated with economic or development cycles, drawing out underlying trends" (ibid., para 3.11).

2.10 The results of applying a past trends approach (based on identifying gross figures with two indicative growth rates) formed the basis of consultation on the RSS Phase Two Spatial Options with the following figures identified (see Table 1 below).

2.11 In overall terms, the consultation supported the identification of District level employment land figures but also identified a number of issues relating to the past trends approach, not least the fact that they do not necessarily reflect the policy aspirations of the RSS (and the emerging strategy for population and housing) or future trends in the economy (ibid., paras 3.15 to 3.17). Nevertheless, WMELAG considered that the past trends model offered the most effective way forward, particularly if it were developed such that additional factors were taken into account (ibid., para 3.18).

Table 1: Employment land figures in RSS Spatial Options (Past Trends Approach)

	Total hectares developed 1995-2004	1995-2004 average completions	Indicative readily available 5 year reservoir figure based on 2.2.% historic figure of output	Indicative readily available 5 year reservoir figure based on 2.4% forecast growth rate output	Indicative longer-term requirements 2001-2026
Worcester	25.5	2.6	13	14	65-70
Wychavon	44	4.4	22	24	110-120
Malvern Hills	18.4	1.8	9	10	45-50
Worcestershire	**143.5**	**44**	**71**	**79**	**355-395**
West Midlands	**1863.1**	**186.3**	**933**	**1022**	**4665-5110**

Source: WMRA Employment Land Provision Background Paper 2009 – Table 1

Developing the Preferred Option

2.12 On the basis of the first two stages of the Study and the results of consultation on Spatial Options, WMELAG concluded that the development of the RSS Preferred Option should be based on the following principles:

- a minimum requirements approach to employment land requirements based on a 5-year period of demand which would be subject to regular annual monitoring (ibid., para 4.1);
- employment land requirements based on an analysis of past trends whilst taking into account a range of other factors (ibid., para 4.2) through a consultative and iterative process.

2.13 With regard to the latter, this was illustrated in Diagram 1 within the WMRA Employment Land Background Paper (ibid., page 18) demonstrating how the 5 year minimum requirement was derived, including consultations with local authorities.

2.14 It was stressed that, in each case, the final figures were a gross requirement rather than net and that industrial land lost to non-industrial uses was not therefore included (ibid., para 4.3). It was further suggested that the 5 year figure was a reliable estimation of likely short term requirements and that this amount should be provided at the start of the plan period. It was also noted that reasonable allowances should be made for the likely recycling of employment land through redevelopment (ibid.).

2.15 The Employment Land Background Paper subsequently described how the minimum reservoir requirement was then multiplied by three to create the 'indicative' longer-term requirements covering the period to 2026. It was emphasised that the figures were set cautiously to avoid the unnecessary release of large amounts of land and that the identification and release of land would need to be controlled through a Plan, Monitor, Manage approach (ibid., para 4.4).

Table 2: Derivation of employment land figures for South Worcestershire (2006-2026)

	Indicative readily available 5 year reservoir figure (ha)	Indicative longer term require-ments (ha) 2006-2026	Population mid year 2004 (16+)	Indicative longer term per 10,000 population	Claimants unem-ployed July 07	Indicative longer term require-ments per 100 unem-ployed	Housing require-ment Net Working Baseline 2006-2026	Indicative longer term require-ment per 1000 dwellings
Worcester (b)	27 (a)	81 (b)	75,200	10.77	1,395	5.80	10,500	7.71
Wychavon (b)	23	69	94,500	7.3	961	7.18	9,100	7.58
Malvern Hills (b)	11	33	60,700	5.43	507	6.5	4,900	6.73
Worcestershire	**96**	**288**	**447,300**	**6.44**	**6,068**	**4.74**	**36,600**	**7.85**
West Midlands	**1055**	**3165**	**4,270,200**	**7.41**	**101,096**	**3.13**	**365,600**	**8.65**

Footnotes:

(a) 27 of which 9 hectares will be provided in Malvern Hills and Wychavon, the exact balance to be determined through the preparation of a Joint Core Strategy

(b) 81 of which 27 hectares will be provided within Malvern Hills and Wychavon, the exact balance to be determined through the preparation of a Joint Core Strategy

Source: WMRA Employment Land Provision Background Paper – Appendix 2

2.16 The detailed results of the 'step by step' process, demonstrating the derivation of figures for each District and the influence of consultation comments were set out in Appendix 1 of the WMRA Employment Land Background Paper. Within this, one of the key adjustment mechanisms considered involved the relationship to housing growth where the indicative longer-term requirements were compared to the number of dwellings being proposed for a District. A final table was included as Appendix 2 to the WMRA Employment Land Background Paper to demonstrate these relationships, an extract of which is provided in Table 2 above.

2.17 It is these final results and the principles that underlie them that were subsequently included into Policy PA6A of the RSS Phase Two Revision[6] as set out in Table 3 below.

2.18 In final commentary on the figures, the Employment Land Background Paper stated:

"The proposed distribution of employment land reflects on the one hand a satisfactory split between MUAs and non-MUAs but it must be recognised that the past allocation strategies have a bearing on the proposed distribution and that the current proposals represent a direction of change that will need to be continued in future RSS Revisions" (ibid., para 4.8).

Table 3: Employment Land Provision in RSS Phase Two Revision Draft – Preferred Option

	Rolling five- year reservoir (ha)	Indicative long-term requirements (ha)
Worcester (b)	27 (h)	81 (i)
Wychavon (b)	23	69
Malvern Hills (b)	11	33
Worcestershire	**96**	**288**
West Midlands	**1,055**	**3,165**

Footnotes:

(b) in these districts, discussions will be required to ensure that cross boundary issues are resolved

(h) of which 9 ha will be provided in Malvern and Wychavon, the balance to be determined by a joint Core Strategy

(i) of which 27ha will be provided in Malvern and Wychavon, the balance to be determined by a joint Core Strategy

Source: RSS Phase Two Preferred Option (2007) Policy PA6A – Table 4

Discussions at the EiP and Panel conclusions

2.19 In considering the Prosperity for All Policies, the RSS Phase Two EiP Panel noted that "the Phase 2 Revision leaves most aspects of the policies for employment/economic development unchanged from the current RSS and

[6] WMRA (2007) West Midlands Regional Spatial Strategy Phase Two Revision Draft – Preferred Option, December 2007, which is available at http://www.wmra.gov.uk/Planning_and_Regional_Spatial_Strategy/RSS_Revision/RSS_Revision_Phase_2/Preferred_Option.aspx

there was (overall) little controversy about the changes proposed" (RSS Phase Two EiP Panel Report 2009, para 5.1[7]). The Panel noted the close relationship to the Regional Economic Strategy and concluded that the 'portfolio approach' to the general provision of non-town centre employment embodies in Policy PA6 was fully reflective of the Government's emerging guidance in draft PPS4 (ibid., para 5.2).

2.20 The Panel noted one point of detail raised by developers regarding the policy where it was argued that policy would prevent rationalisation of QinetiQ's site at Great Malvern. However, this argument was not accepted as the Panel concluded that QinetiQ's aspirations at Malvern would be perfectly capable of accommodation through the Joint Core Strategy and development management processes (ibid., para 5.2). It was considered that the proposed wording of Policy PA4 would not create any barrier to this.

2.21 The basic strategic policy principles were therefore generally supported by all but it was clear that the main controversy turned on the scale of employment land provision as set out in Table 4 to Policy PA6A of the RSS Phase Two Preferred Option.

2.22 One issue of concern in this regard, initially raised by the Government Office and also supported by development interests, was that there should be a greater relationship between employment land proposals and housing provision (ibid., paras 5.3 and 5.4). The Panel concluded, however, to the contrary, acknowledging that the extent of housing growth envisaged was a factor taken into account in the method described in the WMRA Employment Land Background Paper. They therefore concluded that "as a generality the 5 year reservoir figures put forward by WMRA have a sound evidential base" (ibid.).

2.23 The Panel also gave weight to the views of Advantage West Midlands (AWM) who argued that there should be no attempts to have a simple mechanistic formula for the level of employment land provision, citing the facts that much change in employment can take place without new development and that much new employment takes place either in town centre locations or outside of B Class development. This was accepted by the Panel who concluded "we find the general arguments of WMRA and AWM on the justification for the 5 year reservoir figures to be convincing" (ibid., para 5.5 – This is discussed further in Section 7 below).

[7] The RSS Phase Two EiP Panel Report, October 2009, is available at http://www.wmra.gov.uk/documents/RSSphase2panelreport.pdf .

2.24 However, whilst accepting the 5 year reservoir approach, the Panel was less convinced on the method for identifying the longer-term level of employment land provision for the 20 year plan period. They noted that some planning authorities, as well as developer interests, had expressed concern that simply to multiply the 5 year reserve figures by 3 rather than 4 would not be logical (ibid., para 5.6).

2.25 In response to this challenge, WMRA strongly re-iterated the rationale for using x3 rather than x4, particularly given that the recent rates of development taken to calculate the 5 year reservoir had been high. It was argued that, if 'green field' land were to be brought forward and this was not required, this could sterilise land that could be used for other productive use and would also undercut urban renaissance efforts aimed at using 'brown field' land (ibid., para 5.7).

2.26 In concluding on this matter, the Panel however found in favour of the objectors: "we were not convinced that these issues [promoted by WMRA] justify departing from the logic of applying a x4 basis for the total indicative requirement over the 20 year plan period." They further suggested that this would not mean that new land would need to be allocated if it were not required and would not lead to unrestricted development in areas of high demand. Rather, it was their view that "the position for employment land would be, and indeed should be, broadly comparable to that for housing land" (ibid., para 5.8).

2.27 Their interpretation of what this meant in practice was that "this would be very much comparable to the 10 years' identified supply required for housing land in PPS3. Beyond this, authorities might wish to give some general indication of where further land, if required, might be located, for example as part of sustainable urban extensions to avoid the need for premature reviews of Core Strategies" (ibid.).

2.28 The Panel further noted that, if the rate of depletion proved less than anticipated (e.g. due to lack of demand or the supply being topped up by the re-use of sites), then this would obviate the need for further land being allocated during the plan period. Conversely, were the reservoir to be taken up more quickly than anticipated, there would be clear policy backing to maintain the flow necessary to secure the buoyant economy that is sought.

2.29 Accordingly, their final recommendation was that "In short, x4 with appropriate phasing appears to us to be the sound and rational basis on which the RSS should go forward and we recommend accordingly at **R5.5** and **R5.6**" (ibid., para 5.8). The implications of applying this approach to South Worcestershire were as set out in Table 4 below.

Table 4: Employment land provision for South Worcestershire (2006-2026) as recommended by the RSS Phase Two EiP Panel

	Rolling five- year reservoir (ha)	Indicative long-term requirements (ha)
Worcester (b)	27 (h)	108 (i)
Wychavon (b)	23	92
Malvern Hills (b)	11	44
Worcestershire	**96**	**384**
West Midlands	**1,055**	**4,220**

Footnotes:

(b) in these districts, discussions will be required to ensure that cross boundary issues are resolved

(h) of which 9 ha will be provided in Malvern and Wychavon, the balance to be determined by a joint Core Strategy

(i) of which 27ha will be provided in Malvern and Wychavon, the balance to be determined by a joint Core Strategy

Source: RSS Phase Two EiP Panel Report 2009

(Note: In subsequent discussion on the Worcester-Bosch issue (see Section 6 below) the Panel made it clear that its proposed relocation of Worcester-Bosch was not factored into the 5-year employment land reservoir figures for the relevant districts in the above table - see RSS Phase Two EiP Panel Report 2009, para 8.105.)

3 Strategic Employment Sites

3.1 As in the approved RSS, the RSS Phase Two Revision proposed that a range and choice of employment sites should be provided and maintained to meet the needs of the Regional economy. It further proposed that this should be achieved through the development of a portfolio of employment land, including a hierarchy of sites as set out in Policy PA6 (RSS Phase Two Revision Preferred Option 2007, page 96).

3.2 The first tier in this hierarchy related to those sites of regional significance for which there were separate policies included in the RSS, i.e. Regional Investment Sites (RIS), Major Investment Sites (MIS) and Regional Logistics Sites (RLS). Where appropriate, the implications of each of these policies for

South Worcestershire and the relationship to recent evidence is summarised below.

Regional Investment Sites (RIS)

3.3 Policy PA7 of the Revision proposed that RIS should support the diversification and modernisation of the regional economy and the Region's cluster priorities. It also set out the intended criteria for their identification, including the requirement that they should be of the order of 25-50 hectares in size and should be high quality sites attractive to national and international investors.

3.4 The Policy further proposed that at least one site should be made available, or linked by public transport, to each Urban Regeneration Zone and High Technology Corridor (HTC) with a specific proposal that a new site should be identified in the Birmingham to Worcestershire HTC.

3.5 This latter proposal was fully discussed at the Examination in Public where consideration was given to the need or otherwise for a new RIS in the Worcester area. As this matter is examined below with regard to the proposal for a Worcester Technology Park (see Section 6 below), there is therefore no need to review it here, other than to note that the Panel supported prioritising the proposal for the RIS being promoted in the emerging Longbridge Action Area Plan as the means of meeting the needs of the policy (RSS Phase Two EiP Panel Report 2009, para 5.18 and R5.13).

Major Investment Sites (MIS)

3.6 Policy PA8 of the Revision proposed that provision should be made for up to two MIS to meet the need for accommodating very large scale investment by single users with an international choice of locations. As MIS were intended to be located within or close to the MUAs (e.g. Wobaston Road, Wolverhampton), there are no direct implications for South Worcestershire stemming from this policy.

Regional Logistics Sites (RLS)

3.7 Policy PA9 of the Revision proposed that, within the portfolio of employment sites, provision should be made for RLS to provide opportunities for the concentrated development of warehousing and distribution uses. It also set out criteria to guide their identification including, amongst other factors, the requirement that they should be of the order of 50 hectares or more in size and have existing or potential for dedicated access to the regional rail and highway networks. This policy approach was very much based on the findings of a Regional Logistics Sites Study[8], which estimated that at least 150 hectares of land would be required in RLS type locations to serve the needs of the West Midlands up to 2021.

3.8 The accompanying text to Policy PA9 (RSS Phase Two Revision Preferred Option 2007, para 7.46) stressed that “major concentrations of warehousing and distribution will be discouraged both within urban areas and immediately adjacent to motorway junctions, where a high level of heavy goods traffic would further exacerbate congestion.” It also identified other sites in the employment land portfolio within the Region that would accommodate logistics developments but none of these were in Worcestershire.

3.9 As part of its background analysis, the Regional Logistics Sites Study analysed the pattern of warehouse development in the Region over the period 1996 – 2005 (MDS Transmodal et al. 2005, page 15), recognising the trend to larger warehouse buildings and a concentration of development in certain areas (e.g. M42/A5 Tamworth and Atherstone; M6/M69 Nuneaton, Coventry and Rugby; M6 Birmingham and Solihull).

3.10 However, in relation to Worcestershire it concluded “the areas of M40 South Warwickshire; A5 & A49 Shropshire; M5 South Worcestershire and A49 Hereford & North Worcester have seen limited demand; where take up has occurred it has principally been driven by the need to service the local area to which it relates” (ibid.).

3.11 The RLS Study subsequently divided up the Region into 15 broad sub-regions for the purpose of assessing their potential as Regional Logistics Locations with the results set out in Table 13 of the RLS Study. Whilst 8 sub-regions were identified with potential, South Worcestershire, not being well located to markets, was not (see Table 5 below).

3.12 This same pattern of very low market demand was identified by the RLS Study Update completed in 2009[9]. This showed that the percentage of B8 development in South Worcestershire was less than 1% of the regional total 1995-2009 (see Appendix 2 of the RLSS Update).

3.13 This lack of market interest was very much reflected at the Examination in Public where, despite many locations and sites being promoted by different interests across many parts of the Region, none were in Worcestershire.

[8] MDS Transmodal et al. (2005) Regional Logistics Sites Study Stage Two Final Report 2005 which can be found at
http://www.wmra.gov.uk/documents/Regional%20Logistic%20Study%20Stage%202.pdf
[9] MDS Transmodal & Savills (2009) Regional Logistics Sites Study Stage Two Update 2009 which can can be found at
http://www.wmra.gov.uk/documents/Regional%20Logistics%20Study%20Update%202009.pdf

Following the discussions at the EiP, the Panel did make a number of recommendations in relation to Policy PA9, including amendments to sub-section B (i):

"Sites should also (i) Ideally be in the order of 50 ha or more but smaller inter-modal sites may be appropriate for consideration as RLS if they can be closely associated with substantial warehousing on adjacent or closely related land…" (see RSS Phase Two EiP Panel Report 2009, Recommendation R5.14 on page 135).

Table 5: Assessment of Broad Sub-Regional Locations – Summary for South Worcestershire

Broad Sub-Region	Market Demand and Central Location to Markets	Good Quality Rail Access	Good Quality Road Access	Labour Market Conditions	Regional Logistics Location
15. South Worcestershire	*No*	*Moderate Quality Rail Access*: W8 loading gauge Available capacity Full length trains Operational flexibility	*Good Quality Road Access:* Good network of motorways and dual carriageways Low levels of network stress on most of network and good levels of vehicle speed	*Moderate access to labour*	*No*

Source: MDS Transmodal et al. 2005, Table 13

3.14 The Panel also recommended increasing the scale of provision in sub-section C of the Policy to "at least 200-250ha" to reflect the more up to date analysis in the 2009 Update of the RLSS (ibid.).

4 Retail provision in the strategic centres

<u>Introduction</u>

4.1 The RSS Phase Two Revision acknowledged the importance of town and city centres to the quality of life of the people of the Region. It recognised that a strong network of strategic centres balanced by a network of smaller town, district and local centres offered the best prospects for ensuring that everyone continued to enjoy good access to shops and other services (RSS Phase Two Revision Preferred Option 2007, para 7.52).

4.2 In developing these principles, a regional network of 25 Town and City Centres was identified (ibid., Policy PA11) within which Worcester was classified as a 'Tier 3' Centre alongside the likes of Hereford, Shrewsbury and Telford. In line with Government guidance set out in PPS6[10], a new Policy PA12A was also included proposing Comparison Retail Floorspace Requirements for each of the centres identified in the network, including Worcester.

4.3 The Revision further recognised the importance to local communities of centres falling outside this strategic network with Policy PA12B, identifying a set of principles for guiding their further development.

4.4 The key background evidence supporting these policies was provided by a Regional Centres Report, originally prepared in 2006 but significantly updated by Roger Tym and Partners in 2007. In turn, this was further updated in 2009 to inform discussions at the Examination in Public. A short review and summary of this evidence is given below.

<u>Background studies</u>

The Regional Centres Study 2006[11]

4.5 This study only provided analysis up to 2021 and therefore needed to be updated when the RSS plan period was extended to 2026. However, the retail hierarchy adopted by the RSS Revision (identifying Worcester as Tier 3) was originally defined in the 2006 study based on Comparison Goods turnover at 2001 (Table 5.1 of the 2006 Study).

The Regional Centres Update Report 2007[12]

4.6 In line with the brief set by the WMRA, the 2007 Update re-examined a number of the underlying assumptions included in the earlier study and re-ran the centres model extending the time horizon to 2026. Key changes to data inputs included:

[10] PPS6 – Planning Policy Statement 6 – Planning for Town Centres (2005) can be viewed at http://www.communities.gov.uk/documents/planningandbuilding/pdf/147399.pdf
[11] RSS – Regional Centres Study – March 2006 can be viewed at http://www.wmra.gov.uk/documents/Planning%20and%20Regional%20Spatial%20Strategy/RSS%20Revision/RSS%20Revision%20Phase%202/Centres%20-%20MAIN%20REPORT%20for%20website.pdf
[12] Roger Tym & Partners (2007) RSS – Regional Centres Study Update – November 2007 can be viewed at http://www.wmra.gov.uk/documents/West%20Midlands%20Regional%20Centres%20Update.pdf

a) **Population forecasts** – two new calculations were made; one using ONS 2004 forecasts, the other adopting RSS based forecasts reflecting the distribution of new housing in the RSS Phase Two Revision. Wychavon was identified as having the 5th highest anticipated population growth in the Region in the ONS forecast (14.8%) but this was different from the ‘policy on’ RSS based assessment (Roger Tym & Partners 2007, paras 2.5-2.8);

b) **Per Capita Spending in the base year** – this was updated to 2004 with a higher base year spending level anticipated (resulting from a higher comparison goods expenditure growth rate of 8.7% 2001-2004 and a narrowing of the UK differential) leading to a significant increase in the overall quantum of retail need anticipated (ibid., para 2.9);

c) **Expenditure Growth Rates** – slight adjustments were made to the 2006 assumptions resulting in a range of growth rates being identified, i.e. 5.15 (High), 4.40 (Medium) 3.80 (Low) per cent, per capita, per annum growth (ibid., para 2.10);

d) **Change in Floorspace Efficiency** – no change was made to the 2006 assumption of a 2 - 2.5 percent increase in efficiency per annum (ibid., para 2.11);

e) **Special Forms of Trading including the impact of e-trading** – it was stressed that this was a difficult area to predict but a range of 8.70 – 12.40% was adopted as a more reasonable estimate of the share of comparison sales at 2021 taken through special forms of trading compared to 20% in the original study (ibid., 2.12);

f) **Comparison Retail Commitments** – updated information was included from the WMRA where applicable (ibid., para 2.16).

4.7 These revised assumptions were subsequently used in a number of re-runs of the retail model (under a number of UK comparison scenarios and different region-wide control totals) to identify a revised range of Comparison Sales Areas requirements for the centres in the retail hierarchy.

4.8 In the case of Worcester, the range of identified need emanating from this analysis (ibid., Chapter 4 – extract from Tables 4.1 to 4.4) is as set out in As can be seen, there was little difference between the outcomes stemming from the alternative population bases on which the calculations were made. The consultants noted, however, that they would expect the WMRA to prefer the RSS base assessments but caution that, whilst they could give greater confidence to the 2021 figures, this was less the case at 2026 (ibid., para 5.1).

Accordingly, they advised that there should be a strong emphasis on the plan-manage-monitor approach, particularly in centres where existing commitments would meet much of the identified need up to 2021 (ibid., para 5.6).

4.9 Table 6 below. As can be seen, there was little difference between the outcomes stemming from the alternative population bases on which the calculations were made. The consultants noted, however, that they would expect the WMRA to prefer the RSS base assessments but caution that, whilst they could give greater confidence to the 2021 figures, this was less the case at 2026 (ibid., para 5.1). Accordingly, they advised that there should be a strong emphasis on the plan-manage-monitor approach, particularly in centres where existing commitments would meet much of the identified need up to 2021 (ibid., para 5.6).

Table 6: Comparison Sales Area Requirements for Worcester

	Minimum sq. m sales (net)	Maximum sq. m sales (net)	Mid-point sq m sales (net)
ONS based up to 2021	35,000	47,000	41,000
RSS based up to 2021	34,000	46,000	40,000
ONS based up to 2026	59,000	70,000	64,500
RSS based up to 2026	58,000	69,000	63,500
Note: Figures are for before commitments are taken in to account.			

Source: Roger Tym & Partners 2007

<u>The submitted RSS Phase Two Revision</u>

4.10 As noted above, Policy PA11 of the RSS Phase Two Revision proposed a regional Network of Town and City Centres within which Worcester was identified in Tier 3. The policy proposed that this network of 25 town and city centres should be the preferred location for, amongst other things, “major retail developments (i.e. where the comparison retail element exceeds 10,000 sq m gross).

4.11 Policy PA12A then established the Comparison Retail Floorspace Requirements 2006-2026 for each of these centres set out in gross terms using the results of the Centres Study Update 2007 referred to above. In each case, as advised by the consultants, a net to gross ratio of 75% was applied (with rounding to the nearest 5,000 sq metres) resulting in the proposals for Worcester set out in Table 7 below. (Note: For comparison purposes, examples from the other tiers of the hierarchy have also been included.)

Table 7: Comparison Retail Floorspace Requirements (sq metres gross)

	2006-2021	2021-2026
Tier 1 Birmingham	225,000	130,000
Tier 2 Wolverhampton	70,000	30,000
Tier 3 Worcester	**55,000**	**30,000**
Tier 4 Redditch	30,000	20,000

Source: RSS Phase Two Revision Preferred Option 2997, Policy PA12A

4.12 RSS Phase Two Revision Preferred Option Policy PA12A further proposed that "In the current round of LDF preparation, local authorities should aim to make provision for the 2006-2021 requirement and should also have regard to the 2021-2026 requirement. However, planning permission for developments intended to meet requirements arising after 2021 should not be granted before 2016".

The Regional Centres Update Report 2009[13]

4.13 Although the RSS Phase Two Preferred Option was published in December 2007, the consultation process did not end until December 2008 due to the further housing study commissioned by GOWM. New issues arose in the interim both as a result of the consultation (e.g. GOWM questioning as to what evidence was available to support the high levels of growth in retail floorspace anticipated in 2021-26) and in relation to the implications of the credit crunch for the proposals in the Preferred Option.

4.14 Given this situation, the WMRA appointed Roger Tym and Partners to undertake a further Update of the Centres Study, particularly to review the key assumptions in the comparison retail requirement forecasts. In this case, the following further changes to the assumptions were suggested and used as inputs to a further round of modelling:

a) **Population forecasts** – again, two population forecasts were adopted; one using ONS 2006 sub-national forecasts, the other re-using the

[13] RSS – Regional Centres Study Update Report 2009 can be viewed at http://www.wmra.gov.uk/documents/WEST%20MIDLANDS%20REGIONAL%20CENTRES%20STUDY%20May%202009.pdf

previous RSS based forecasts reflecting the distribution of new housing in the RSS Revision. At the regional level, the 2006 ONS forecasts were some 5.2% higher in 2026 than the 2004 ONS forecast (Roger Tym & Partners 2009, para 2.28);

b) **Per Capita Spending in the 2006 base year** – in this case, 2006 per capita spending levels were used (expressed at 2006 prices) with the regional relationship to the UK average falling slightly from the previous assumption (ibid., para 2.34);

c) **Expenditure Growth Rates** – these were assessed for 4 periods 2006-2008, 2008-2016, 2016-2021, 2021-2026. Other than 2006-2008, where actually recorded rates were used, a range of High, Medium and Low growth rates for per capita spending were adopted for each period, ranging from a low of 1.3% in 2008-2016 to a high of 6.3% in 2016-2021 (ibid., Table 2.1);

d) **Change in Floorspace Efficiency** – in this case, a wider range of assumptions were identified with variations across different periods up to 2026; these ranged from a low of 0.68% for 2008-16 to a high of 2.20% for 2016-2021 (ibid., para 2.35);

e) **Special Forms of Trading including the impact of e-trading** – once again it was acknowledged that there continued to be uncertainty with respect to future changes in SFT with revised Low, Medium and High figures adopted (ibid., paras 2.36 and 2.37);

f) **Comparison Retail Commitments** – this was not changed.

4.15 Once again, these revised assumptions were used in a number of re-runs of the retail model to identify a further revised range of Comparison Sales Area requirements for the centres in the retail hierarchy. In the case of Worcester, the range of identified need emanating from this analysis (ibid., paras 2.52 – 2.63) is as set out in Table 8 below.

4.16 One extra feature of the 2009 Update was that it included a new Chapter 4 on the potential impact of the housing proposals being promoted by GOWM following its further housing study (i.e. an extra 80,000 dwellings). In this it was acknowledged that it was population (not households as such) that would influence retail spending and that the impact of the proposals should not be over-emphasised. This was due to the continuing reduction in household size and its relative importance compared to the primary driver of demand for floorspace in the form of projected increases in per capita spending (ibid., para 4.80).

Table 8: Comparison Sales Area Requirements for Worcester

	Minimum sq. m sales (net)	Maximum sq. m sales (net)	Mid-point sq m sales (net)
ONS based up to 2021	32,000	41,000	36,000
RSS based up to 2021	27,000	35,000	31,000
ONS based up to 2026	54,000	65,000	60.000
RSS based up to 2026	48,000	58,000	53,000
Note: Figures are for before commitments are taken in to account.			

Source: Roger Tym & Partners 2009

4.17 Nevertheless, it was acknowledged that the revised distribution of population resulting from the extra households would have some impact with some shift in focus in investment away from the MUAs towards the South East of the Region.

Discussions at the EiP and Panel conclusions

The retail hierarchy

4.18 The key background matter of controversy at the RSS Phase Two EiP was over the definition of the tiers for the strategic centres in Policy PA11 with concerns over the potential misunderstanding or misuse of the hierarchy. The WMRA confirmed the background to the different tiers (i.e. that they reflected existing turnover) and that they were not intended to limit the possibility or ability of centres roles to change over time. They had been introduced at the request of GOWM to comply with the guidance in paragraph 2.1 of PPS6 (RSS Phase Two EiP Panel Report 2009, para 5.34).

4.19 In addressing the issue, the Panel were concerned that "the tiers seem merely descriptive and do not convey any particular policy towards the centres in the different tiers and their function". They also considered "that the hierarchy is unduly detailed bearing in mind that it only derives from banding of existing turnover" (ibid., para 5.35).

4.20 In order to simplify and clarify this position, they therefore recommended that a 3-tier categorisation should be adopted with "tiers distinguished by functional names rather than number and, within the tables, the centres should be placed in order of intended retail comparison growth ... in each tier and not simply in alphabetical order" (ibid.). Thus the hierarchy recommended was:

1. Regional Centre (Birmingham);
2. Major sub-regional centres;
3. Other strategic sub-regional centres.

4.21 In case of the third tier, Worcester was shown in 4th position after Telford, Walsall and Solihull. With regard to other centres, the Panel concurred with the WMRA that no others warranted strategic categorisation but recommended that "it should be made explicit in policy PA12B that the non-strategic centres should be identified in Core Strategy DPDs to mirror the provision in Policy CF2(B) that settlements for balanced sustainable development should be so identified" (ibid., para 5.36).

Convenience Retail Floorspace

4.22 Of less controversy was a general point regarding retail convenience floorspace. WMRA confirmed that the reason that this was not referred to in policy was that it was regarded as a matter for local rather than regional consideration. The Panel concurred with this view but recommended that this should be made explicit in supporting text (ibid., para 5.37).

The Retail Comparison Floorspace figures

4.23 A number of issues arose regarding the detailed comparison floorspace figures included in Policy PA11 and the split of these figures between portions of the plan period.

4.24 Reference was made to the submitted 2009 Regional Centres Study Update which, it was recognised, reflected potential adjustments to the figures in Policy PA12A. As these figures were expressed in net rather than gross terms, the Panel had asked the WMRA to convert these (using a 75% net to gross ratio) and this demonstrated that the consequent updated gross figures were around 85% of those in the Preferred Option. The WMRA stressed that the revised figures should not, however, be regarded as a new policy position of the WMRA but were merely presented for comparative purposes (ibid., para 5.38).

4.25 In considering this matter, the Panel noted that "while obviously different choices could have been made in respect of some of the parameters included in the calculations, they were not subject to widespread challenge" (ibid.). They also acknowledged that any increased housing that they might recommend "could be a factor that might broadly offset the negative influences of the recession or at least tend in that direction" (ibid., para 5.39). Accordingly, the Panel accepted the WMRA argument for leaving the figures in the submitted Preferred Option generally unchanged (ibid.).

4.26 As to the split between time periods, despite arguments from GOWM that the figures should be defined in 5 yearly segments, the Panel supported the WMRA view that the figures should not be differentiated other than between 2006-21 and 2021-26. As noted by the Panel, "market delivery will inevitably be 'lumpy' and all that is being asked of the LPAs is to examine ways in which the prospective growth might be accommodated were demand to be forthcoming" (ibid., para 5.40).

Flexibility

4.27 The final retail issues discussed at the EiP related to paragraph 7.68 of the submitted RSS Revision. This acknowledged that, whilst the requirements set out in Policy PA12A should not normally be exceeded, Core Strategies might well wish to review them in the light of local circumstances. It was suggested that any significant variations (i.e. more than 5,000 sq metres) would have to be supported by evidence and demonstrate that they would not have any detrimental impact on other strategic centres.

4.28 At the EiP, the extent of this 'flexibility' was compared to the 10,000 sq metre threshold suggested for comparison retail floorspace at non-strategic centres before the need for impact assessment (see RSS Phase Two Revision Preferred Option 2007, para 7.74 and Policy PA12B). In considering this issue, the Panel (amongst other matters) noted that the adoption of a lower percentage flexibility for non-strategic centres might inhibit developer interest in these smaller centres to the detriment of those requiring regeneration. Overall, they recognised that a fine balance had to be struck but ultimately concluded and recommended that "it would simplify consideration of major comparison retail schemes for a common figure of 10,000 square metres to be applied in relation to both Policy PA12A and PA12B" (RSS Phase Two EiP Panel Report 2009, para 5.41).

5 Office provision in the strategic centres

Introduction

5.1 The introduction to the previous section on retail has already referred to the regional network of 25 Town and City Centres proposed in the RSS Revision within which Worcester is classified as a 'Tier 3' Centre. As in the case of retail, in line with Government guidance set out in PPS6, a new Policy PA13A was included in the Revision proposing Office Floorspace Requirements for each of the centres identified in the network, including Worcester.

5.2 The key background evidence supporting this policy was provided by the Regional Centres Study, originally prepared in 2006, with an updated overview being provided in 2009 by Roger Tym and Partners to support the WMRA's position and inform discussions at the Examination in Public. A short review and summary of this evidence is given below.

The Regional Centres Study 2006

5.3 The 2006 Regional Centres Study[14] (paras 6.24 – 6.36) provided the original analytical basis for the development of Policy PA13A with the assessment of future office need derived from a 3-step approach:

g) The use of the Cambridge Econometric model to forecast the gain in office jobs across the West Midlands;

h) A conversion of this growth in jobs to office floorspace requirements (i.e. a net gain in occupied office stock) through the application of an average density assumption of 18 sq m. per worker;

i) The distribution of the total net gain in occupied office stock to different parts of the Region taking into account past trends, physical constraints, market demand and policy goals.

5.4 A range of different assumptions and scenarios were then used to derive a baseline assessment of future office needs (see Table 6.10 of the Study) which, in the case of Worcester, forecast a net gain in occupied office floorspace from 2001-2021 of 40,000 sq metres (see Table 9 below). (Note: for comparison purposes, examples from the other tiers of the hierarchy have also been included.)

[14] Roger Tym & Partner (2006) Regional Centres Study which is available at http://www.wmra.gov.uk/documents/Planning%20and%20Regional%20Spatial%20Strategy/RSS%20Revision/RSS%20Revision%20Phase%202/Centres%20-%20MAIN%20REPORT%20for%20website.pdf

Table 9: Baseline assessment of future office needs (2001-2021)

Strategic Centre	Forecast gains in occupied floorspace 2001 – 2021 (‘000s sq metres)
Birmingham	400
Wolverhampton	50
Worcester	**40**
Redditch	30
Total for Region	**3740**

Source: Roger Tym & Partners 2006

The submitted RSS Phase Two Revision

5.5 In practice, the same hierarchy of 25 Town and City Centres derived from the assessment of comparison retail spending was used as the framework for defining future office requirements as set out in Policy PA13A. This policy identified the amounts of new office development (square metres gross) that local authorities should plan for “within or on the edge of each of the centres” in the period 2006 – 2026. As in Table 10 below, in the case of Worcester, this is 55,000 sq metres. (Note: For comparison purposes, examples from the other tiers of the hierarchy have also been included.)

Table 10: Office Development Requirements 2006-2026

	Office Development Requirements 2006-2026 (square metres gross)
Tier 1 Birmingham	590,000
Tier 2 Wolverhampton	220,000
Tier 3 Worcester	**55,000**
Tier 4 Redditch	45,000

Source: RSS Phase Two Revision Preferred Option 2007, Policy PA13A

5.6 As noted in the supporting text to the Policy (RSS Phase Two Revision Preferred Option 2007, para 7.83), the figures were derived from the baseline estimate of future office requirements contained in the Regional Centres Study but adjusted to reflect a number of factors including the distribution of new housing proposed in the RSS. The time scale was also adjusted to be consistent with the plan period of 2006 to 2026.

5.7 The supporting text to Policy PA13A further proposed that:

"The requirements proposed in the policy should be seen as broad estimates and it is recognised that it will be necessary to review them through the process of preparing Core Strategies. However, within the MUAs and the Settlements of Significant Development, they should be seen as lower limits and, if lower figures are proposed, clear evidence to justify the position will be required" (ibid., para 7.86).

The Regional Centres Update Report 2009

5.8 Given the impact of the credit crunch, the key element of review in the Regional Centres Study Update of May 2009[15] focussed on the previous economic forecast derived from the Cambridge Econometrics model. The 2006 Study had produced a region-wide forecast for growth in the Financial and Business Services (FBS) sector of 2.1% leading to an anticipated jobs growth 2001-2021 of approximately 208,000. In turn, this had then been converted into a regional need for 3.7 million sq metres of office floorspace (see Roger Tym & Partners 2009, para 3.72).

5.9 The 2009 Update, however, recognised a less optimistic picture for the West Midlands than previously assumed with the rate of growth in employment in the FBS sector reduced to .5% per annum. Moreover, it was noted that it was anticipated that the West Midlands would recover from the recession at a slower rate than the UK (ibid., para 3.74).

5.10 Against this background, the Update made three broad observations:

a) it was likely that the requirements in Policy PA13A would prove challenging with implications for the trajectory where demand was delayed until later in the RSS lifetime of a few years beyond it;

b) the gloomy prognosis made it more imperative to support the growth in the FBS sector through the provision of quality office stock in those locations within the Region which remain competitive;

c) there was a risk that the economic forecasters had been slow to react to the recession but had then over-reacted (ibid., para 3.75).

5.11 Given these changing circumstances, the Update recommended that "there is a recognition in the explanatory wording to Policy PA13A to the effect that much of the demand projected for the period up to 2026 will occur towards the

[15] Roger Tym & Partners (2009) Regional Centres Study – Further Update, May 2009, which is available at http://www.wmra.gov.uk/documents/WEST%20MIDLANDS%20REGIONAL%20CENTRES%20STUDY%20May%202009.pdf

middle and later parts of the RSS lifetime and mainly after 2016 and that there should (therefore) be strong emphasis on monitoring and management" (ibid., para 3.76).

<u>Discussions at the EiP and Panel conclusions</u>

5.12 There was no major controversy over the office policy at the Examination in Public with the Panel supporting the proposal recommended in the 2009 Update to add explanatory text after Policy PA13A (see above). Consistent with their view on retail provision, they once again recommended that the number of tiers in the hierarchy should be reduced with the naming and citing of centres within the tiers by scale of development (RSS Phase Two EiP Panel Report 2009, para 5.46). This recommendation (R5.25) resulted in Worcester being identified in 5th place in Tier 3 of the hierarchy behind Walsall, West Bromwich, Telford and Newcastle-under-Lyme.

5.13 Further to this, some participants argued for greater flexibility to allow more out-of-centre office developments but this was rejected by the Panel who did not consider that "any further relaxation of the sequential requirements would be warranted" (ibid., para 5.48). Indeed, the Panel went on to recommend minor amendments to the supporting text to clarify that "if office development cannot be secure at any of the designated strategic centres or is not appropriate for location on a RIS, the expectation is that other town centres designated in Core Strategies would be the next sequentially preferable location for such development" (ibid., para 5.49).

6 The RSS perspective on the Worcester Technology Park

<u>RSS Phase Two EiP Position</u>

6.1 Within the context of the employment land policies in the RSS, the EiP Panel considered the proposed relocation and expansion of Worcester-Bosch from a 7 ha site in Worcester to a 30 ha site east of M5 Junction 6 in Wychavon district. Originally it had been suggested by the promoters that the proposed site should be a Regional Investment Site (RIS) in the Birmingham to Worcestershire High Technology Corridor (HTC). However, in order to avoid competition with the proposed RIS at Longbridge (Birmingham), which had already been approved in the Longbridge Area Action Plan, it was then suggested that the proposed Worcester-Bosch site should be regarded as a sub-regional employment site (RSS Phase Two EiP Panel Report 2009, para 8.104).

6.2 Although such sub-regional sites would not normally be named explicitly in the RSS, the EiP Panel concluded that explicit reference to the proposal in the RSS would exceptionally be justified in this instance (ibid.). Accordingly, the Panel recommended the inclusion of a specific policy in to the RSS:

"Policy SS10 Worcester Sub-regional Employment Site: To facilitate the relocation and expansion of Worcester-Bosch to further the development of high-technology environmental manufacturing, a Sub-regional employment site of some 30 hectares will be provided to the east of the M5 in the vicinity of Junction 6" (ibid., Recommendation R8.20 on page 225)[16].

6.3 As part of the discussion regarding Regional Investment Sites (RIS), the RSS Phase Two EiP also considered the need or otherwise for a new RIS in the Worcester area. This arose particularly from the original proposal regarding the Worcester-Bosch relocation and a related proposal for a new Technology Park on the M5 near Worcester. Whilst the EiP Panel supported the relocation of Worcester-Bosch as described above, they concluded that at that point in time the type of development proposed for the Technology Park should be channelled to the RIS at Longbridge which served the Birmingham to Worcestershire HTC. Consequently, the Panel saw no need for a RIS to accommodate a Technology Park in the Worcester area, pending a future review of the regional strategy. This is set out as follows in para 5.18 of the RSS Phase Two EiP Panel Report (2009):

"Given the need to prioritize the Longbridge RIS at this stage and as an alternative solution has been identified to meet the needs of Worcester Bosch (including 40,000 square metres of warehousing which would not fit within RIS criteria), we can see no reason to dissent from the WMRA/AWM view that the Birmingham-Worcester High Technology Corridor (HTC) would be adequately served by RIS pending the next review of the Regional Strategy in a SIRS context."

Regional conformity assessment

6.4 In spring 2010 WMLB, in its role as statutory consultee, was consulted on an outline planning application for the Worcester-Bosch site. The application related to that part of the site east of M5 Junction 6 to be occupied by Worcester-Bosch. The supporting material for that planning application showed the proposed development as part of a wider proposal, with the site to be occupied by Worcester-Bosch as a first phase and the proposed Technology

[16] The Panel also made it clear that the Worcester Bosch relocation was not factored in to the 5-year employment land reservoir figures for the relevant districts in the RSS (see RSS Phase Two EiP Panel Report 2009, para 8.105).

Park as a second phase. (The outline planning application only concerned the first phase.)

6.5 In May 2010 the WMLB submitted a conformity opinion to Wychavon District Council which was written on the basis of the existing and emerging RSS. In this particular case, significant weight was given to the discussion at the RSS Phase Two EiP and the conclusions and recommendations of the EiP Panel (see above). The conformity assessment was predicated on the assumption that the Secretary of State, in finalising the Regional Strategy, would follow the recommendations of the EiP Panel. (This did of course not happen as the RSS was instead revoked in July 2010.)

6.6 The WMLB conformity assessment found that the economic case for the development proposed in the planning application appeared to be focussed on one particular company (Worcester-Bosch) with the possible expansion sites (for the proposed Technology Park) speculative at that point in time. The conformity assessment concluded that the principle of providing for relocation and expansion of Worcester-Bosch was supported in the context of the needs of this particular manufacturer. Any speculative development (including the suggested Technology Park) was not supported as no case had been made to support such a development in the location.

6.7 Against this background, the WMLB conformity advice was that the proposal in the outline planning application was capable of being in general conformity with the Regional Strategy on the basis that:

1) the development was specifically to enable a local manufacturer (Worcester Bosch) to expand. It was advised that the detailed terms of any planning permission should seek to secure this point;

2) the accompanying proposals for a technology park were not supported as no case had been made to support such a development in this location;

3) detailed assessments were recommended to ensure compliance with the Quality of the Environment policies in the RSS;

4) the anticipated changes to the Regional Strategy followed the recommendations of the RSS Phase Two EiP Panel in respect of the principle of this development.

7 Linkages between economic development and housing provision

7.1 The impact of changing economic performance on household projections and the demand for housing is considered in Background Paper 1. This third

Background Paper provides a brief summary of key issues arising from the RSS Phase Two process regarding linkages between economic development and housing provision. Like at the RSS Phase Two EiP, these issues are considered here from two perspectives which are treated in turn:

i) The extent to which employment land provision in the RSS was linked to housing need and supply issues; and

ii) The extent to which housing provision in the RSS related to employment development, in particular in respect of labour demand/supply issues.

Employment land provision and housing supply

7.2 In determining the scale of employment land provision across the region, the RSS Phase Two process considered the linkages between employment land supply and housing development (see Section 1.5 above). The Employment Land Provision Background Paper[17] published by WMRA in March 2009 (pages 14-18) explained the process by which the employment land figures in the RSS Phase Two Preferred Option were developed. It showed that one of the factors that had been taken into account was the interrelationship between housing and employment provision.

7.3 At the RSS Phase Two EiP arguments were advanced by some participants that there was no coordination between the housing and employment provision figures in the RSS Preferred Option. However, having considered the evidence presented, the Phase Two EiP Panel did not accept these claims and concluded that:

"On the contrary the iterative process described in that Background Paper makes clear that in addition to past trends, existing stock, cross-boundary issues, the need for small sites and the extent of additional provision under the separate Regional categories (PA7-9), the extent of housing growth envisaged is a factor taken into account. We therefore conclude that as a generality the 5 year reservoir figures put forward by WMRA have a sound evidential base" (RSS Phase Two EiP Panel Report 2009, para 5.4).

7.4 The EiP Panel was satisfied that, in overall terms, the 5 year reservoir employment land figures in the Preferred Option did take account of housing growth proposals. The Panel also commented on the arguments and motives of

[17] WMRA (2009) RSS Phase 2 Preferred Option Employment Land Background Paper (Revised Version - March 2009) which is available at http://www.wmra.gov.uk/documents/Employment%20Land%20Background%20Paper%20Revised%20Version%20March09.pdf

representatives of the development sector who argued that employment land and housing figures should be increased.

"It is also difficult to escape the conclusion hinted at not just by WMRA but by respondents such as CPRE, that at least some of the arguments expressed from consultants representing housing developers were more to do with seeking to justify higher housing provision than meeting employment land needs. Indeed there seemed a circularity in some arguments that sought higher employment land provision so as not to hold back buoyant aspects of the economy but also then higher housing provision so that labour requirements might be met" (ibid.).

Housing provision in the context of employment development/forecasts

7.5 The housing/economy relationship was also considered in respect of the level of housing to be provided across the West Midlands. This revolved particularly around the extent to which housing provision should be made in response to economic factors and the needs of the regional economy such as job growth forecasts and labour supply and demand issues. It needs to be said upfront that, whilst consideration was given to various economic studies and data during the RSS Phase Two process, this did not lend itself to reaching clear and incontestable conclusions about the level of housing to be provided. These discussions during the RSS Phase Two process were also affected by the impact of the economic recession which are considered briefly at the end of this section.

The SQW Consulting & Cambridge Econometrics Studies 2007 & 2010

7.6 One of the main pieces of work that aimed to shed some light on the relationship between economic development and housing demand in the West Midlands was undertaken by SQW Consulting & Cambridge Econometrics for AWM in 2007[18] which was updated on behalf of WMRA in 2010[19]. This work aimed to estimate the scale of housing demand driven by economic growth between 2006 and 2026 and how this compared to planned levels of housing growth in the RSS. The study drew on econometric modelling which aimed to project economic growth in different sectors and employment growth related

[18] SQW Consulting (2007) Study to examine the interface between housing & the economy in the West Midlands region which is available at http://www.wmra.gov.uk/documents/Interafce%20%20between%20Housing%20and%20the%20Economy.pdf

[19] SQW Consulting & Cambridge Econometrics (2010) The Economic Demand for Housing in the West Midlands 2006-2026 which is available at http://www.wmra.gov.uk/documents/Housing/10519%20-%20WMRA%20-%20Housing%20%20the%20economy%20-%20final%20report%2008021 0.pdf

to this. This was used to estimate labour supply demand and the demand for housing arising from these economic and employment growth forecasts[20]. The 2010 work was carried out to give an indication of changes in economic and housing projections in the light of the economic recession and potential public spending reductions[21].

7.7 In simple numeric terms, the scenarios developed in the 2007 study projected a level of housing demand for the West Midlands arising from economic growth between 374,200 and 389,300 dwellings (net) for the period 2006 to 2026 (see SQW Consulting & Cambridge Econometrics 2007 slides[22]). In contrast, the revised scenarios in the 2010 study projected lower levels of economic-led housing demand of between 358,500 and 376,600 dwellings (net) for the same period (SQW Consulting & Cambridge Econometrics 2010, page 50).

7.8 For the South Housing Market Area (HMA)[23], the 2007 work projected a level of housing demand arising from economic growth between 116,600 and 120,300 dwellings (net) for the period 2006 to 2026 (see SQW Consulting & Cambridge Econometrics 2007 slides). In contrast, the revised scenarios in the 2010 study projected lower levels of economic-led housing demand in the South HMA of between 73,700 and 76,800 dwellings (net) for the same period (SQW Consulting & Cambridge Econometrics 2010, page 50).

7.9 The comparison shows substantial differences in the results of the 2007 and 2010 studies which, in overall terms, indicated substantial reductions in the projected housing supply demand arising from economic and employment growth. At regional level, all of the scenarios in the 2010 SQW Consulting & Cambridge Econometrics study were below the levels of housing growth recommended in the RSS Phase Two EiP Panel Report and were very close to those in the RSS Phase Two Preferred Option. The figures for the South HMA also saw a substantial reduction but were still above the RSS requirements. However, this latter point can be explained to a large extent by the fact that the model used by SQW Consulting & Cambridge Econometrics was trend

[20] See Section 2 of the SQW Consulting & Cambridge Econometrics 2010 report for a description of the model and the assumptions made.
[21] The work reported in the 2010 SQW Consulting & Cambridge Econometrics study was undertaken between August and December 2009 and therefore pre-dates the public spending reductions announced in the 2010 Budgets and the Comprehensive Spending Review of October 2010.
[22] SQW Consulting & Cambridge Econometrics 2007 presentation which is available at http://www.wmra.gov.uk/documents/Planning%20and%20Regional%20Spatial%20Strategy/RSS%20Revision/RSS%20Revision%20Phase%202/Slide%20set%208.pdf
[23] The South Housing Market Area as set out in the Regional Housing Strategy (2005) and used in the SQW/CE study comprises all of the Worcestershire districts (Bromsgrove, Malvern Hill, Redditch, Worcester, Wychavon and Wyre Forest) as well as Stratford upon Avon and Warwick districts in Warwickshire.

driven and therefore based on historic patterns of migration into the South HMA which regional policy has aimed to reverse.

7.10 Whilst this econometric modelling provided interesting information from an economic and employment growth perspective, the output of the work needs to be treated with a significant degree of caution. There are a number of limitations to the assumptions, data and outputs, many of which were highlighted in the 2010 SQW Consulting & Cambridge Econometrics report itself (see paras 2.30 and 2.31):

a) The housing demand figures were projections *not* predictions of future economic growth-led demand;

b) The work was trend based, i.e. assuming that past trends (demographic and employment trends) would continue into the future;

c) The output of the modelling could vary significantly, depending on the assumptions made and the input data (e.g. the data was based on the 2001 Census but there had been some significant changes since then, e.g. in respect of occupations and tenures). The significant differences between the outputs of the 2007 and 2010 studies illustrate this point;

d) No consideration was given to wider planning and development issues such as land supply or planned infrastructure provision which may have a significant effect on future housing supply and delivery;

e) There was significant uncertainty in respect some of the key components of the modelling, especially the future of the economy and the housing market, e.g. economic growth rates, the impact of the recession, public spending reductions;

f) The work adopted a 'policy off' approach (ibid., page 9) in that it did not take account of the potential impacts of ongoing or future policy implementation such as regeneration programmes, changes in monetary or fiscal policy, provision of infrastructure etc.

7.11 Acknowledging the limitations of the modelling, SQW Consulting & Cambridge Econometrics cautioned that "[The model] therefore should not be taken as an exact determinant of required housing supply distributions across the region, but rather as providing an economic demand dimension to the ongoing debate on housing provision as we move into the development of the Strategy for the West Midlands. Our findings are not a prediction of where housing should be located to support economic growth, but an informed view of how economic demand will be differentiated spatially of certain economic scenarios are realised" (ibid., para 2.30).

The Arup study of 2008

7.12 In 2008 Arup prepared a report for AWM[24] which aimed to project the effect on GVA growth arising from the spatial distribution of new housing in the RSS Phase Two Preferred Option. As part of this, the study compared trend based job growth and anticipated labour supply arising from the RSS. It identified some significant 'stress points' in the West Midlands which could see imbalances between trend based job growth and anticipated labour supply, including in the south-eastern part of the region, including Malvern Hills (Arup 2008, pages 40 to 42).

7.13 However, akin to the SQW Consulting & Cambridge Econometrics work, the Arup study also had some significant limitations, some of which were recognised in the report itself. Although the study was 'policy on' in respect of net housing provision, it was essentially trend based and 'policy off' in other respects (e.g. trend based job growth projections). The report highlighted that both the RSS and the Regional Economic Strategy had wider spatial and non spatial objectives which sought to address and reverse some of these past trends, including redistributing job growth towards the region's major urban areas which would reduce the demand pressures outside these areas (see ibid., pages 2 to 3 and Chapter 7).

The RSS Phase Two EiP

7.14 As part of the discussion of the scale and distribution of new housing development, the RSS Phase Two EiP also considered economic factors. The above studies provided an input into this debate, alongside a range of other evidence presented by participants. Some participants, mainly from the development and house building sector, suggested that increases in housing provision should be made, in particular in the south-eastern part of the West Midlands, to match anticipated economic growth.

7.15 The EiP Panel Report picked up these arguments in particular in the sub-regional discussions. This was very prominent in respect of Southern Warwickshire but the discussion similarly applies to South Worcestershire. The Panel concluded that:

[24] Arup (2008) Housing Policy and Economy Study which is available at http://www.advantagewm.co.uk/Images/Housing%20and%20Economy%20Study%2027.10.08%20FINAL_tcm9-16859.pdf

"Development interests supported increases in provision arguing that the buoyant economy of the area warranted higher provision. In some instances they sought support from the SQW and Arup studies for AWM. We pressed AWM to explain the benefit in GVA terms indicated in the Arup study from higher housing provision in the south of the region, a point of even greater significance for Stratford-on-Avon District and some Districts further west. It seemed to us that all that the analysis was saying is that if you assume that future residents will have similar employment profiles to existing residents then these benefits will accrue. Large-scale employers were not necessarily being indicated that might be inhibited as a result of labour shortages. ... For the most part, however, AWM confirmed that in the southern Districts it is the residence of economically active persons who either commute long-distances or the home base of people in roles that may be nationwide or even worldwide that forms the basis for the assumed benefits. Such households are attracted by the environment and accessibility of these Districts and are not necessarily related to local employment" (RSS Phase Two EiP Panel Report 2009, para 8.50).

7.16 Similar discussion took place in respect of South Worcestershire. The EiP Panel found that:

"There were developer-led suggestions for higher provision in general on grounds similar to those advanced in relation to the southern Warwickshire authorities. But, again it would seem the GVA argument relates essentially to footloose long-distance commuters or home-workers rather than particular employer needs. The key QinetiQ research centre at Malvern appeared not necessarily to be likely to experience job growth and overall, if taken together, from evidence provided by Worcestershire County Council the economically active/jobs balance in the three authorities appears essentially neutral" (ibid., para 8.97).

7.17 In view of this, the EiP Panel did not see a justification for increasing the housing requirement in the RSS on the grounds of economic or employment growth. However, as set out in Background Paper 1, the Panel nevertheless recognised that housing provision in areas such as South Worcestershire should take account the effect of in-migration, including employment related in-migration of 'footloose' home-workers or long-distance commuters.

Studies regarding the impact of the economic recession on house building and housing demand

7.18 A number of studies were conducted to consider the impact of the economic recession in the West Midlands, including in respect of housing demand and provision. It should be noted, however, that some of these refer to information available in early 2009 and that all of the studies were written in advance of the 'Emergency Budget' of June 2010[25] and the Comprehensive Spending Review of October 2010[26].

7.19 A study by ECOTEC for WMRA published in April 2009[27] investigated the implications of the credit crunch and the economic downturn on the housing development in the West Midlands[28]. The study highlighted some of the short term impacts of the economic recession, including the significant reductions in housing starts and completions in the region. Among other things, the study concluded that, given these shortfalls and the anticipated medium term impact of the economic downturn and public spending reductions, this would raise doubts as to whether the housing targets in the RSS Phase Two Preferred Option or any higher numbers could be realised within the plan period up to 2026.

7.20 The authors of the study also came to the view that the credit crunch and the economic recession would continue to impact on housing markets over the medium to longer term. They concluded that "Our evidence suggests that the current situation is not a 'blip' in the housing market, with a quick recovery, and could result in some fundamental longer term changes in terms of tenure and housing type demand, and lower levels of build whilst capacity is restored in the development sector" (ECOTEC 2009, pages 30-31).

7.21 Another study by ECOTEC and GVA Grimley for WMRA published in June 2009[29] set out the implications of the credit crunch and the economic downturn for housing markets across the West Midlands. The report acknowledged that there was a great deal of uncertainty around the future trajectory of the recession, the subsequent recovery and the implications for housing development. Besides the regional picture, the study also contained information for each of the four Housing Market Areas (HMAs) in the West Midlands.

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[25] HM Treasury (2010) Budget 2010 which is available at http://www.hm-treasury.gov.uk/d/junebudget_complete.pdf

[26] HM Treasury (2010) Spending Review 2010 which is available at http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf

[27] ECOTEC (2009) The Implications of the Economic Downturn for Regional Housing Targets which is available at http://www.wmra.gov.uk/documents/The%20implications%20of%20the%20economic%20downturn%20for%20regional%20housing%20targets%2016.04.09.pdf

[28] The research for the report was undertaken between December 2008 and March 2009.

[29] ECOTEC and GVA Grimley (2009) Implications of Market Conditions for West Midlands Housing Markets and Regional Housing Policy which is available at http://www.wmra.gov.uk/documents/Housing/Credit%20Crunch%20Report%20FINAL.PDF

7.22 With regard to the South HMA, the report found that "The South HMA contains, on average, the most expensive housing in the West Midlands region. This HMA has longstanding problems relating to affordability, which could worsen if the most pessimistic economic scenarios were to materialise, and if the area was affected by job losses across a range of economic sectors. However, given the historically high levels of demand for housing, the owner occupied housing market in this HMA could recover more rapidly than in other HMAs" (ECOTEC and GVA Grimley 2009, page v).

7.23 The study also highlighted that the South HMA had experienced shortfalls in the provision of affordable housing. "It was suggested during the consultations that new affordable housing developments may only be developed if the public sector provides funding for affordable housing schemes, given the relative small scale of developments and the more limited opportunities for planning gain" (ibid., para 7.3.4). However, in view of the major public spending cuts over the next few years, the availability of public sector funding for affordable housing will be very limited.

7.24 Finally, Nevin Leather Associates prepared a report for WMRA which was published in February 2010[30]. Firstly, the report explored the impacts of the economic downturn on the housing market in the West Midlands to that date. It provided an overview of a range of data on the state of the housing market such as falling house prices, reductions in sales turnover, decreases in mortgage availability and worsening terms as well as sharp drops in housing starts and completions in the West Midlands.

7.25 The study also reflected on potential changes in demographic and economic demand for housing as a result of the recession. The authors of the study were of the view that "There may also be reductions in the short term demand for housing which has been caused by the recession. International migration is likely to be responsive to a degree to employment reductions, and young people may also defer household formation until employment and income prospects pick up. It is likely therefore that demand will ratchet downwards as a response to the financial and economic crisis" (Nevin Leather Associates 2010, para 5.2).

7.26 The Nevin Leather Associates study also discussed some of the wider issues and implications of the banking crisis and changes in the financial markets. The study pointed out that a restructuring of financial institutions was occurring

[30] Nevin Leather Associates (2010) The Impact of Recession on Housing in the West Midlands and the Implications for Policy which is available at http://www.wmra.gov.uk/documents/Housing/West%20Midlands%20impact%20of%20Recession%20Report%20final.pdf

and that, according to the Bank of England, the banking system was not expected to return to normality for another three years (ibid., para 5.3). It was also anticipated that lending rules would be tightened and that borrowing in the housing market would be more restricted. According to the authors of the study, "The world has therefore changed, and this change is likely to lead to a restructuring of the housing system (in terms of finance as well as tenure) both nationally and regionally. The scale and implications of these changes may take some time to emerge, partly because to a significant extent the market for housing and the housing system itself has been frozen by the financial crisis" (ibid., para 5.4).

7.27 This was expected to have significant implications for housing delivery, particularly in regeneration areas and in respect of affordable housing provision. The Nevin Leather Associates report argued that developers would regulate the supply of land and properties they place on to the market in order to avoid price depression and to secure greater future profitability (ibid., para 5.23). "The current model of development where the construction industry restrict supply to gain profit from inflating land values will take several years to reflate. Therefore in the medium term difficult places will continue to need public subsidy to produce a supply of new housing" (ibid., para 5.26). A reduction in land values and development profit levels was thought to lead to lower development rates and/or lower levels of developer contributions.

7.28 Not only would this affect the development of 'difficult' sites (e.g. in regeneration areas) but also the provision of affordable housing through private developers. Nevin Leather Associates argued that "The conclusion we have reached from the assessment of the current market circumstances is that the model of delivering new affordable housing is broken for the foreseeable future, and that restrictions on the ability of banks to reflate an asset boom will mean that without new models of delivery, the downward ratchet of supply evident after the 1991/2 recession may re emerge" (ibid., para 5.28). In view of this and the very substantial reductions in public spending on affordable housing announced in the Comprehensive Spending Review of October 2010, there are major questions about how affordable or low cost housing can be delivered in the future, at least in the short to medium term.

8 Concluding remarks

8.1 This Background Paper has covered a range of issues from the RSS evidence base in respect of economic development issues, in accordance with the Brief for this work set by the South Worcestershire Authorities.

8.2 Whilst the legal position regarding RSSs/Regional Strategies is likely to change, the evidence base that underpinned those strategies may still be relevant to local planning authorities and the formulation of Joint Core Strategy policy for South Worcestershire. However, as explained in the introduction to this Paper, in using this material it should be noted that:

- This Paper is not intended to be comprehensive review of the RSS evidence base but concentrates on key issues as defined by the South Worcestershire Joint Officer Steering Group;
- Some of the RSS evidence reaches back a few years in time and may therefore have become superseded. Where applicable, Local Planning Authorities will have to have regard to more recent evidence; and
- Local Planning Authorities will also need to take into account local evidence and other local factors and considerations in bringing forward their own development plan documents.