

# Note on housing figures in the SQW study

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## 1. Introduction

SQW consultants were commissioned by Advantage West Midlands (AWM) in 2007 to undertake a study to examine the interface between housing and the economy in the West Midlands region<sup>1</sup>. AWM commissioned the SQW report to examine the relationship between housing and economic growth in the region, in order to inform the emerging West Midlands Economic Strategy (WMES) review process and also to establish a set of baseline data for the Agency's engagement with the WMRSS revision process.

The purpose of this note is to clarify a number of points in response to queries from the Examination in Public Panel which were raised at the Housing Technical Seminar on 28<sup>th</sup> January 2009. This note needs to be read in conjunction with the main SQW report and the set of accompanying slides.

## 2. Clarification of the 412k figure referred to in the study

The period between May and November 2007 was a time when various strands of housing work by the West Midlands Regional Assembly (WMRA) were under dynamic consideration. This is explained in the WMRA Housing Background Paper Supplement<sup>2</sup> which was prepared by the Assembly in response to a request from the EiP Panel. It is within this dynamic context that the SQW study must be considered.

The SQW report states that:

*“WMRA Officers provided a ‘Reference Point’ table to the SQW/CE team on 18 June 2007, based on an analysis and interpretation of the*

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<sup>1</sup> Study to examine the interface between housing and the economy in the West Midlands Region – commissioned by Advantage West Midlands – SQW Consulting and Cambridge Econometrics, October 2007. [Core Document (CD) 122]. Available at: <http://www.wmra.gov.uk/documents/Interafce%20%20between%20Housing%20and%20the%20Economy.pdf>

The main report should be read in conjunction with the accompanying set of slides 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>

<sup>2</sup> West Midlands Regional Spatial Strategy Phase Two Revision – Housing Background Paper Supplement. March 2009.

*responses of individual authorities to the Spatial Options consultation at that point. The reference point figure is thus an officer-sourced one and has no formal status as it has not been endorsed by the Regional Planning Partnership. For the purposes of SQW/CE's model, a figure of 412,557 has been used throughout as an approximation for an 'Option 3' figure (2006/26)" (footnote 5 on page 3).*

WMRA need to explain that the above quote refers to two different sets of figures in the context of the development of the WMRSS Phase Two Revision Preferred Option. One is called the 'Reference Point' which was based on an analysis and interpretation of the responses of individual authorities to the Spatial Options consultation (see below). The other one is a figure of 412,557 dwellings which has been used in the study as an approximation for an 'Option 3' level in the Spatial Options consultation<sup>3</sup>. It should be noted that further on (e.g. on pages 11 and 16) the SQW report interlinks these figures and refers to the 412k figure as the 'Reference Point'.

For clarity, the 'Reference Point' used by WMRA was based on an analysis and interpretation of the responses of individual authorities to the Spatial Options consultation as at May 2007. However, this 'Reference Point' was a figure of around 340,000 dwellings (net) (or 410,000 dwellings (gross)) for the period 2006-2026; it was not the figure of 412,557 referred to in the SQW study as the 'Reference Point'.

The figure of 412,557 is referred to in the SQW study as an approximation of Option 3 level in the Spatial Options consultation, i.e. an estimate of projected housing demand based on official household projections. This working figure was provided by Assembly officers in good faith to allow SQW to test scenarios for the purposes of the study. However, following further analysis and review during this period, the figure for projected household demand that emerged in the technical work used by the Assembly when developing the Preferred Option was different from the earlier working figure supplied to SQW. As documented in detailed in the Housing Background Paper<sup>4</sup>, the projected household demand figure used during the preparation of the Preferred Option was around 382,000 dwellings (net) 2006-2026.

### **3. Explanation of the 389k figure referred to in the study**

The SQW study explored two separate scenarios, the "*Baseline*" and the "*Convergence*" approaches, modelled on the GVA growth spectrum. Neither

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<sup>3</sup> Cf, West Midlands Regional Spatial Strategy - Phase Two Revision Spatial Options, page 20. Available at: [http://www.wmra.gov.uk/documents/WMRSS\\_FINAL\\_webversion.pdf](http://www.wmra.gov.uk/documents/WMRSS_FINAL_webversion.pdf)

<sup>4</sup> West Midlands Regional Spatial Strategy Phase Two Revision - Preferred Option. Communities for the Future - Housing Background Paper. Final version (Amended) January 2008. Available at: <http://www.wmra.gov.uk/documents/RSS%20Phase%20Preferred%20Option%2020Housing%20Background%20Paper%20-Final%20-%20Amended%20version%20Jan%202007.pdf>

were designed to be “policy – on” nor to include reference to the overall vision of the RSS.

The Baseline scenario was established through consideration of trend growth and identified a broad figure of 374,000 new houses to 2026 (see Appendix 1 below). The Convergence scenario considered how convergence of GVA growth with the UK rate by 2026 might be achieved. Given that the basis for delivering the convergence scenario was predicated on achievement of differential growth of existing AWM clusters, the figure that emerged from this scenario was 389,254 new houses to 2026 to deliver a rate of growth roughly equivalent to the amount needed to close the GVA output gap with the rest of the country.

Again, it must be reiterated that this calculation took place some time ago and within the parameters set by the study, which was consciously undertaken in a policy-off way and without reference to the overall vision outlined for the regional spatial strategy. The SQW work and associated slides that set out the way the figures were used and calculated have already been submitted to the Panel. The relevant tables are set out at Appendix 1 for convenience.

## Appendix 1

The model suggests, under the Baseline Scenario, that demand for new housing units (2006-2026) in the HMAs & their sub-geographies would look like...

|                                      |   | All     |
|--------------------------------------|---|---------|
| <b>South</b>                         | Bromsgrove, Malvern Hills, Redditch, Worcester, Wychavon, Wyre Forest, Stratford-on-Avon, Warwick   | 116,623 |
| <b>West</b>                          | Herefordshire, Bridgnorth, North Shropshire, Oswestry, Shrewsbury and Atcham, South Shropshire  | 39,064  |
| <b>Central</b>                       | Telford and Wrekin, Cannock Chase, Lichfield, South Staffordshire, Tamworth, North Warwickshire, Nuneaton and Bedworth, Rugby, Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall, Wolverhampton | 196,757 |
| Central - Coventry                   | Coventry  | 19,597  |
| Central - Birmingham, Solihull       | Birmingham, Solihull  | 68,676  |
| Central - Black Country              | Dudley, Sandwell, Walsall, Wolverhampton  | 41,562  |
| Central - Telford                    | Telford and Wrekin  | 22,818  |
| Central - Rugby, Nuneaton, North War | Rugby, Nuneaton and Bedworth, North Warwickshire  | 30,541  |
| Central - Lichfield and Tamworth     | Lichfield, Tamworth   | 8,809   |
| Central - South Staffs and Cannock   | South Staffordshire, Cannock Chase  | 4,755   |
| <b>North</b>                         | East Staffordshire, Newcastle-under-Lyme, Stafford, Staffordshire Moorlands, Stoke on Trent   | 21,733  |
| North - Urban areas                  | Newcastle-under-Lyme, Stoke on Trent  | -2,521  |
| North - outside MUA                  | East Staffordshire, Stafford, Staffordshire Moorlands   | 24,254  |
| Major Urban Areas                    | Birmingham, Coventry, Dudley, Sandwell, Walsall, Wolverhampton, Solihull, Newcastle-under-Lyme, Stoke on Trent  | 127,314 |
| Central urban areas                  | Birmingham, Coventry, Dudley, Sandwell, Walsall, Wolverhampton, Solihull  | 129,835 |
| Total                                |   | 374,178 |

The model suggests, under the Convergence Scenario, that demand for new housing units (2006-2026) in the HMAs & their sub-geographies would look like...

|                                      |   | All     |
|--------------------------------------|---|---------|
| <b>South</b>                         | Bromsgrove, Malvern Hills, Redditch, Worcester, Wychavon, Wyre Forest, Stratford-on-Avon, Warwick   | 120,301 |
| <b>West</b>                          | Herefordshire, Bridgnorth, North Shropshire, Oswestry, Shrewsbury and Atcham, South Shropshire  | 40,938  |
| <b>Central</b>                       | Telford and Wrekin, Cannock Chase, Lichfield, South Staffordshire, Tamworth, North Warwickshire, Nuneaton and Bedworth, Rugby, Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall, Wolverhampton | 204,399 |
| Central - Coventry                   | Coventry  | 20,014  |
| Central - Birmingham, Solihull       | Birmingham, Solihull  | 70,258  |
| Central - Black Country              | Dudley, Sandwell, Walsall, Wolverhampton  | 43,941  |
| Central - Telford                    | Telford and Wrekin  | 23,159  |
| Central - Rugby, Nuneaton, North War | Rugby, Nuneaton and Bedworth, North Warwickshire  | 31,883  |
| Central - Lichfield and Tamworth     | Lichfield, Tamworth   | 9,456   |
| Central - South Staffs and Cannock   | South Staffordshire, Cannock Chase  | 5,687   |
| <b>North</b>                         | East Staffordshire, Newcastle-under-Lyme, Stafford, Staffordshire Moorlands, Stoke on Trent   | 23,616  |
| North - Urban areas                  | Newcastle-under-Lyme, Stoke on Trent  | -1,678  |
| North - outside MUA                  | East Staffordshire, Stafford, Staffordshire Moorlands   | 25,295  |
| Major Urban Areas                    | Birmingham, Coventry, Dudley, Sandwell, Walsall, Wolverhampton, Solihull, Newcastle-under-Lyme, Stoke on Trent  | 132,535 |
| Central urban areas                  | Birmingham, Coventry, Dudley, Sandwell, Walsall, Wolverhampton, Solihull  | 134,213 |
| Total                                |   | 389,254 |

Source: SQW set of slides 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>