

Insight focus

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Cardiff Capital Region: Planning for Growth

The Cardiff Capital Region City Deal offers a unique opportunity to boost the local economy, but what level of housing growth is required to support it and what does this mean for the next round of Local Development Plans or a Strategic Development Plan for South East Wales?



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The ten local authority areas in South East Wales have signed up to the £1.2 billion Cardiff Capital Region (CCR) City Deal. It aims to provide a 5% uplift in GVA and create up to 25,000 new jobs by 2036, representing a 40% increase above forecasted levels of growth. It also sets out to attract an additional £4 billion of private sector investment to the region and to deliver the South Wales Metro.

In order to achieve this aspirational level of growth, the local economy requires a workforce of sufficient size and with an appropriate mix of skills. Planning policy therefore has a key role to play in ensuring the right number and types of homes are provided in the right locations in order to accommodate the workers that are needed to drive the economy forward.

Competitiveness Commission (established as part of the CCR City Deal). A failure to do so will result in the CCR losing out on employment and regeneration opportunities as investment and growth flow away to other areas of the country.

This Lichfields Insight Focus explores the implications of the CCR City Deal for housing and the potential consequences of applying the Welsh Government 2014-based household projections as published when setting future housing requirements within Local Development Plans or a Strategic Development Plan in South East Wales.

CARDIFF CAPITAL REGION: CITY DEAL

5% uplift in GVA

25K additional jobs

£4BN in private sector investment

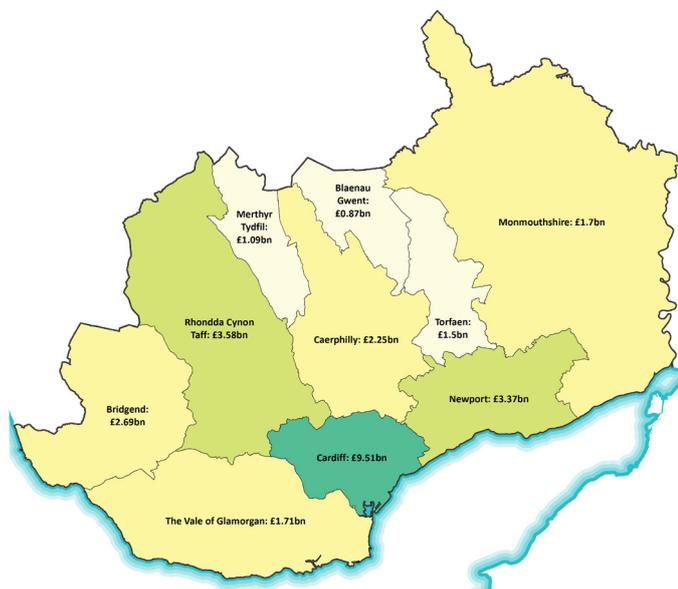
Cardiff in context

The City of Cardiff is the economic powerhouse of South East Wales, providing a third of the region's jobs and GVA (see figure 1). The city has enjoyed significant levels of recent investment and growth.

However, if the CCR is to achieve the aspirations of the City Deal, it will need to remain competitive with the rest of the UK, and in particular the other nine Core City regions (see figure 2) which have been identified

as comparators for the CCR by the Growth and

Figure 1: Cardiff Capital Region economy by local authority (2017): total GVA. (Sub regional total: £28.27 bn)



Source: Lichfields analysis of Experian data (March 2017 release)





Increasing the region's productivity performance relative to the rest of the UK is a priority to achieve economic growth.

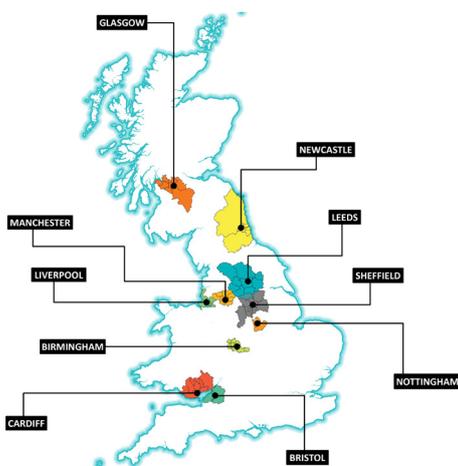


...the Capital Region should aim to become an attractive place to live, and in the context of average increases in the UK population over the next 20 years it should seek to keep pace with average population growth in the UK core cities.

Growth and Competitiveness Commission Report, November 2016

The economy and population growth

Figure 2: UK Core City Regions



Source : The Core Cities group.

The CCR: an economic health check

The CCR has a relatively small economy (see figure 3), which has experienced modest levels of growth and lower representation in high tech sectors compared to the other Core City regions. Its slow recovery following the recession has also shown that it is vulnerable to economic shocks. This indicates that the success of the region is not assured. In addition, the CCR faces tough local competition for investment from its nearest Core City neighbour, Bristol, which ranks at the top of the Core Cities group on numerous metrics.

The City Deal has the potential to provide a much needed catalyst for growth, and without it, it is likely that the gap between the CCR and the other Core City regions will widen.

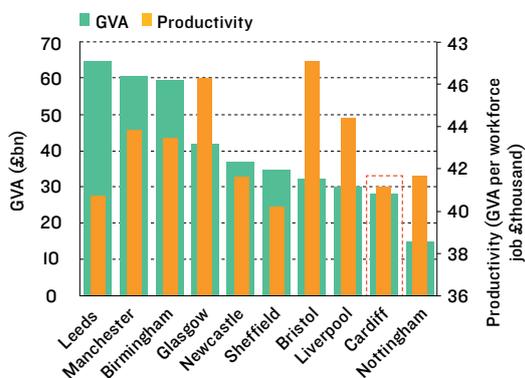
However, meeting the ambitious goals of the City Deal will be challenging, particularly given the historically lower growth of employment in high tech sectors, which are a key driver of productivity and a source of well-paid jobs. In order to increase high tech growth, it will be important to address the issue of retention of graduates, particularly in STEM (Science, Technology, Engineering and Mathematics) subjects.

What does the City Deal mean for population growth?

Population increase can be an important driver of economic growth. In its November 2016 Report, the Growth and Competitiveness Commission recommended that the CCR keeps pace with average population growth across the UK Core City regions. The most recent official population projections across the UK regions¹ indicate that, on average, the total population of the Core City regions will increase by 8.9% between 2017 and 2037. However, the population of the CCR is anticipated to increase by only 6.3%.

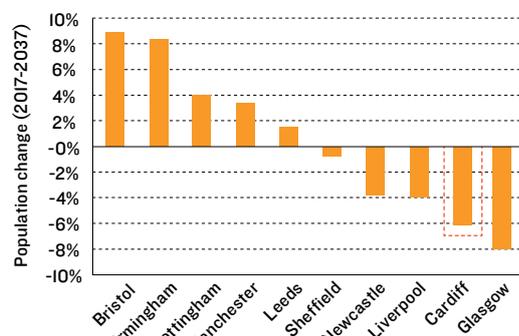
Of even greater concern, however, is the projected change in the working age population (age 16-64) in the CCR, upon which the economic prosperity of the area largely depends. Across the Core City regions, the working age population is expected to increase by an average of just 0.7% between 2017 and 2037, reflecting the wider trend of an ageing population across the UK. However, in the CCR, the working age population is anticipated to decrease by 6.1% – the second largest decrease across the Core City regions after Glasgow (see figure 4).

Figure 3: Total GVA / productivity by Core City region (2017)



Source: Lichfields analysis of Experian data (March 2017 release)

Figure 4: Projected change in working age population by Core City Region (16-64) 2017-2037



Source: ONS population projections, WG population projections, Scottish population projections

¹ONS 2014-based sub-national population projections (England), Welsh Government 2014-based local authority population projections (Wales), National Records of Scotland 2014-based population projections for Scottish areas

Planning policy: why not apply the latest household projections as published?

In Wales, the most recent Welsh Government household projections, based on the latest population projections, are to be utilised as the starting point for housing requirements in Local Development Plans (LDPs). However, the projections are policy neutral and take no account of key factors such as economic conditions or regeneration objectives.

The population and household projections draw upon past trends and are heavily weighted towards those experienced over the last five years. They thereby project forward the lower levels of population growth and household formation experienced during the period of frail recovery immediately following the recession. The 2014-based household projections indicate a level of household growth that is 21% lower for Wales (and 16% lower for the CCR region) compared to the previous (2011-based) projections between 2014 and 2036. This direction of travel is completely at odds with the City Deal aspirations for growth.

Planning Policy Wales states that the latest household projections should form just part of the range of evidence informing housing requirements. However, if the 2014-based household projections were applied as published within LDPs (or a Strategic Development Plan) in the CCR, the effect would be to lock in the decline in the working age population described above. This would result in a smaller workforce and potential difficulties for the economy in future. Whilst a portion of this gap will be made up by the increasing number of older people staying in the workforce for longer, life expectancy is also increasing. This means that dependency ratios will increase, with a smaller workforce needing to support services and facilities for the larger older population, thereby resulting in additional social and economic pressures. By contrast, five

of the other Core City regions are projected to see an increase in the size of their working age population. Therefore, there is a risk that, if the CCR does not boost the size of its future workforce, investment will be attracted away from South East Wales and towards the UK's "younger" city regions.

The location of new housing: attracting and retaining workers

The location of new housing is critical for ensuring it is attractive to workers. The South Wales Metro is a core component of the City Deal, which is intended to increase the prosperity of the region through improved transport connectivity (see figure 5). By aligning development with new and existing rail links, there is the potential to provide an attractive housing offer that will appeal to young graduates and more experienced professionals. This could include both urban extensions and new settlements.

Whilst Cardiff should not and cannot accommodate all of the region's new housing, a strong and growing Cardiff is vital to the success of the CCR, with other areas benefitting from and emulating its strength. This is particularly important given the economic vulnerability of the CCR when compared to the rest of the UK. The aim should be to take advantage of the City Deal and the Metro project in particular to support higher levels of housing growth throughout the region, thereby generating benefits for communities across South East Wales.

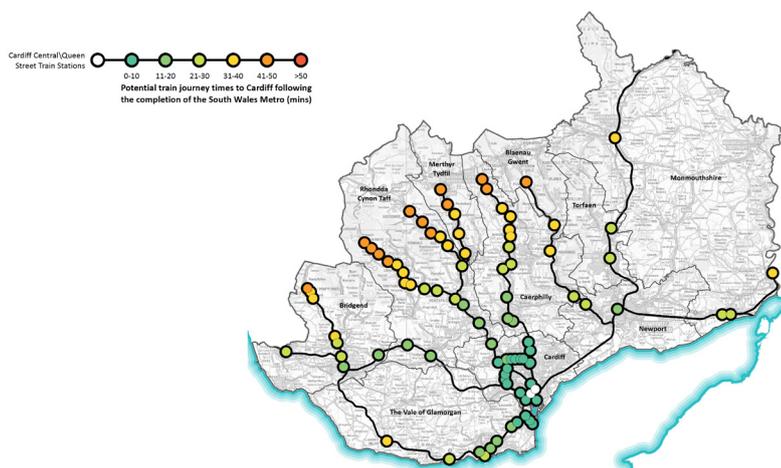
Both the Metro project and the City Deal overall should help to improve land values and increase viability. However, this will take time, and it is important to ensure that the delivery of much-needed housing is not delayed through the allocation of marginal sites. Hence, the need to ensure site viability and deliverability at the outset.



To grow, the Cardiff Capital Region will need to focus on retaining people in the region as they develop their skills, keeping students after they graduate and matching them to job and enterprise opportunities, attracting more experienced workers later in their career and developing a more flexible housing market UK core cities.

Growth and Competitiveness Commission Report, November 2016

Figure 5: Potential future train journey times to Cardiff following the completion of South Wales Metro



Source: Lichfields

The City Deal aspirations for economic growth and the 2014-based household projections point in different directions. Whilst forming the starting point for housing requirements in LDPs, the projections reflect the outcomes of past economic conditions and a policy context which saw lower rates of housing delivery. Critically, these projections assume a significant reduction in the number of working age people in the CCR. Relying on these figures alone would perpetuate past patterns of economic underperformance. The projections therefore cannot form the basis for the aspirational plan-making that is required to make the City Deal work.

The ten local authorities in South East Wales have signed up to the City Deal and so have made the decision to strive for economic growth. However, this growth cannot come about without attracting and retaining working age residents, and particularly highly skilled workers. As such,

there is a need to emphasise the link between housing delivery and economic growth and to place the housing issue more centrally within the City Deal programme.

Planning policy across the CCR must take account of the need to support economic growth by providing for an appropriate level of housing in accessible, attractive locations. With proposals for a Strategic Development Plan for the South East Wales region yet to take shape, there is a timely opportunity to coordinate housing policy across the region to align with the City Deal.

However, given that the SDP will not be adopted before 2021 – five years into the City Deal period – it is vital that local authorities take up the immediate challenge to plan positively to support the prosperity of the region through their LDP housing policies.

Figure 6: Key messages



Source: Lichfields

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