Appendix 3:

Revised Carmarthenshire Local Development Plan 2018 – 2033
Second Deposit

Housing and Economic Growth

The following sets out a summary of evidential work undertaken to support the preparation of the Second Deposit LDP. It seeks to review the evidence base on household and economic growth underpinning the content of the Plan and what this means in terms of the provision of new homes and jobs during the Plan period 2018 - 2033. This is a central component of the Plan and will underpin the growth identified in the Plan and the allocation of sites across the County.

In preparing the Revised LDP the Council must ensure that both economic and housing growth are broadly aligned, accepting there is no direct mathematical relationship. With respect to population and household growth, regard must be had to the WG 2018-based projections, however the evidence base should consider a variety of options, based on a series of assumptions. The WG 2018 based projections identify low rates of growth, commensurate with those published in the 2014 based projections.

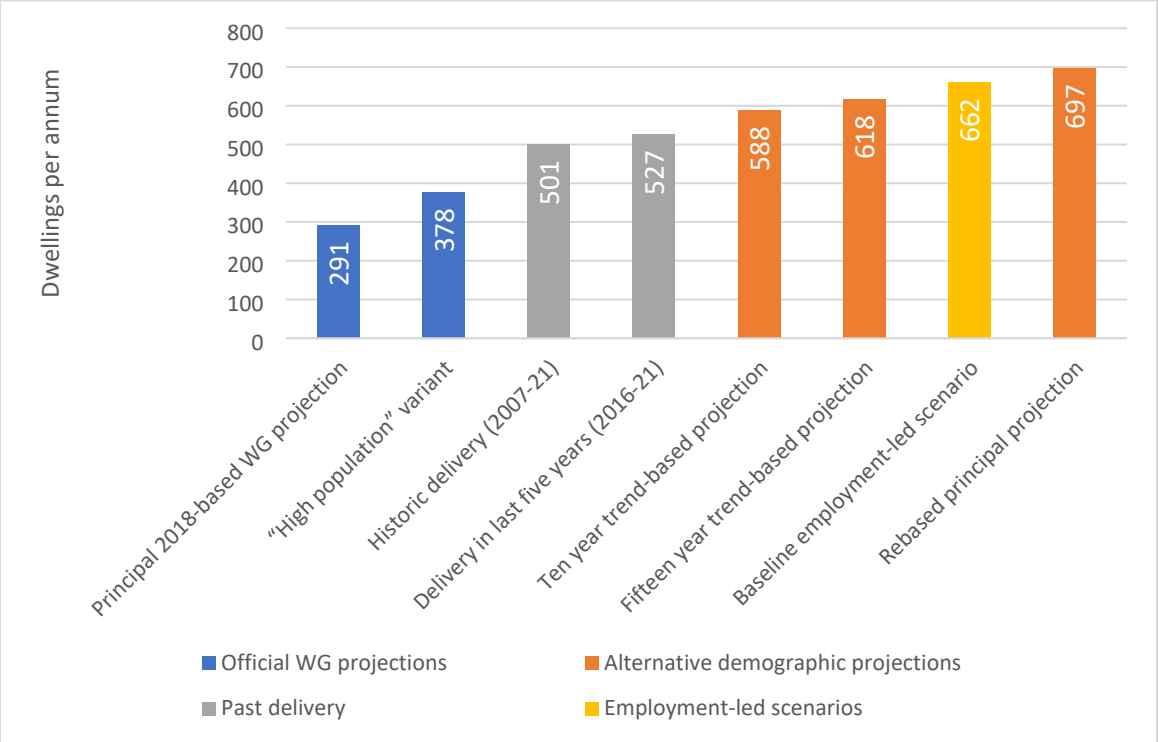
The following bullet points set out a number of the considerations in determining a balanced growth level for the county. The following context is noted in reaching decision on the recommended level of growth. It is worth noting that the first Deposit LDP included a housing requirement of 8,835 homes which with the associated flexibility allowance resulted in a provision of 10,160 homes.

- Build rates – this paper highlights a past historic build rate of 501 dpa and 521 dpa over the last 5 years.
- Committed Sites – There are currently 3,244 dwellings within the proposed housing allocations that have planning permission (as at 1st October 2022). Lower growth will reduce the potential to identify non committed sites and the ability to plan for the allocation of new sites.
- Average household sizes at 2.30 persons. This may be a reflection of individuals being left with no choice but to stay in the family home or share with other adults, due to a shortage of available housing. (See commentary below)
- Reduction in the flexibility from 15% (1st Deposit Plan) to a maximum of 10% in the Revised LDP
- Impact on the Council's Council Affordable Housing Strategy and the level of provision identified in the Plan.
- Correlation between the provision of new homes and job creation within the County.
- The job growth forecast by Experian is unlikely to be supported if the population of Carmarthenshire was to grow in the manner suggested by the principal Welsh Government projection.
- Need to ensure growth levels and distribution consider the impacts on the Welsh language noting that the Revised LDP identifies the whole County as linguistically sensitive. Further evidential work is being undertaken to understand and mitigate any impacts.

  The following table sets out a summary of the growth scenarios identified in the appended paper.

	Additional residents	Jobs per annum 2020-33	Homes needed per annum[1]
Principal 2018-based WG projection	6,197	201	291
"High population" variant	9,460	257	378
Ten year trend-based projection	14,468	276	588
Fifteen year trend-based projection	15,854	353	618
Baseline employment-led scenario	16,407	337	662
Rebased principal projection[2]	17,635	401	697

Figure 1: Summary of Housing and Economic Growth Scenarios (2018-33)



[1] Applying 2018-based household membership rates, with no adjustments

[2] Drawing on demographic trends in the five year period to 2020, rather than the equivalent period to 2018 like the latest official WG projection

Recommendation

It is recommended that the Council adopts the Ten year trend-based projection as the basis for the Revised LDP and its housing and growth requirements. This is based on an annual dwelling delivery rate of 588.

It is further proposed that a 10% flexibility be incorporated which would reduce the overall provision in the Plan from 10,160 to 9,702 and would provide for a balanced level of provision across the County.

Briefing

Carmarthenshire Housing and Economic Growth Report

October 2022

2. This note is intended to provide the steering group with an early indication of emerging findings, ahead of a draft report being prepared. It presents modelled outputs developed by SQW and Edge Analytics and is accompanied by separate technical analysis from SQW, which further explains their approach to economic forecasting.

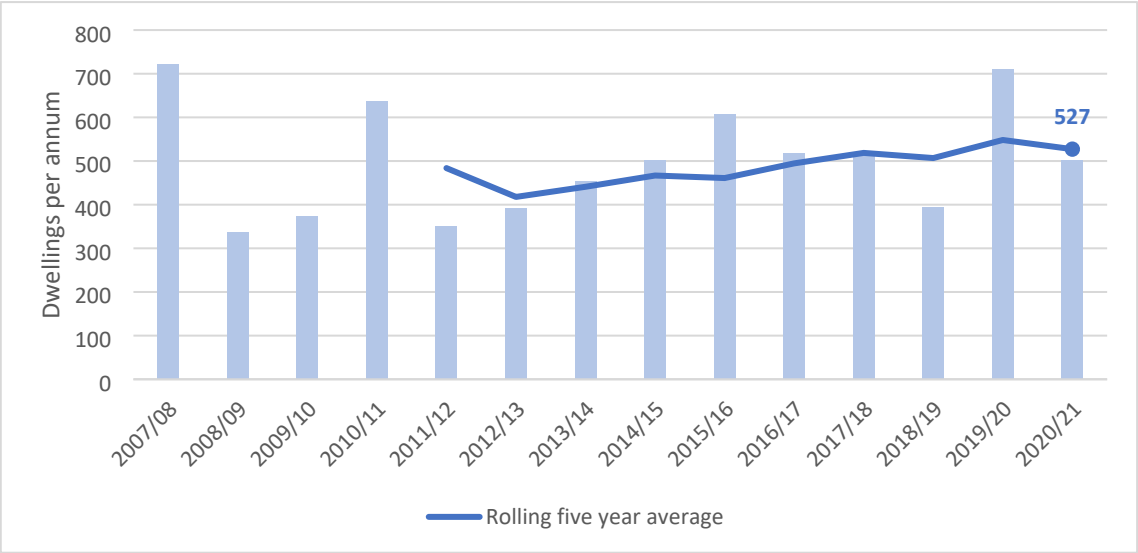
3. Please note that not all of the scenarios presented here will necessarily appear in the final report, as such it is provided for information purposes and not as a definitive representation of the final evidence report.

Context

4. The existing Local Development Plan, adopted in December 2014, aimed to provide an average of **1,013 dwellings per annum** over the period from 2006 to 2021. Less than half as many homes are believed to have been delivered, with the Council's monitoring indicating that **501 dwellings per annum** have been provided on average since 2007[3]. Delivery has though exceeded this long-term average in six of the past seven years, which have seen as many as 710 homes completed in a single year.

Figure 2: Historic Housing Completions in Carmarthenshire (2007-21)

[3] The Council's published monitoring does not appear to confirm the number of dwellings completed in 2006/07, the first year of the current plan period



Source: Council monitoring; Turley analysis

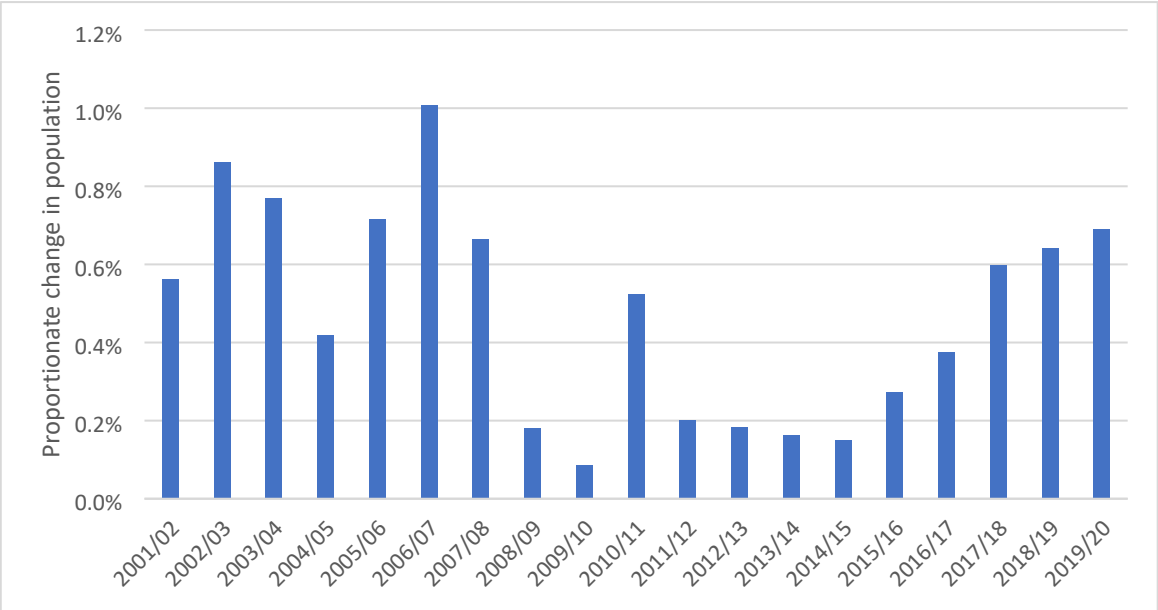
5. This undersupply surprisingly does not appear to have led to a worsening in affordability, with the ratio between entry-level house prices and earnings in Carmarthenshire having markedly improved since 2007. House prices were then equivalent to circa 6.6 years' earnings, but are now estimated to equate to 5.2 years' earnings. This has been largely driven by a 51% rise in lower quartile earnings, which has more than offset the 20% rise in the cost of purchasing an entry-level home[4].

6. Undersupply equally has not stopped the population of Carmarthenshire from growing at an average rate of 0.4% per annum since the start of the current plan period in 2006, matching the average for Wales and being the ninth highest figure recorded amongst its 22 local authorities. The rate of housing provision may have nonetheless been a factor behind the relatively slow growth recorded between 2008 and 2015, with the subsequent stepping up of delivery – from 435 dwellings per annum in that period to 541 thereafter – then enabling a return to higher levels of population growth. There is, however, a degree of uncertainty around whether the population has actually grown to this extent, with the 2021 Census indicating that Carmarthenshire was home to fewer residents than previously estimated[5].

Figure 3: Average Annual Population Growth in Carmarthenshire (2001-20)

[4] ONS (2022) House price to workplace-based earnings ratio, Tables 6a, 6b and 6c

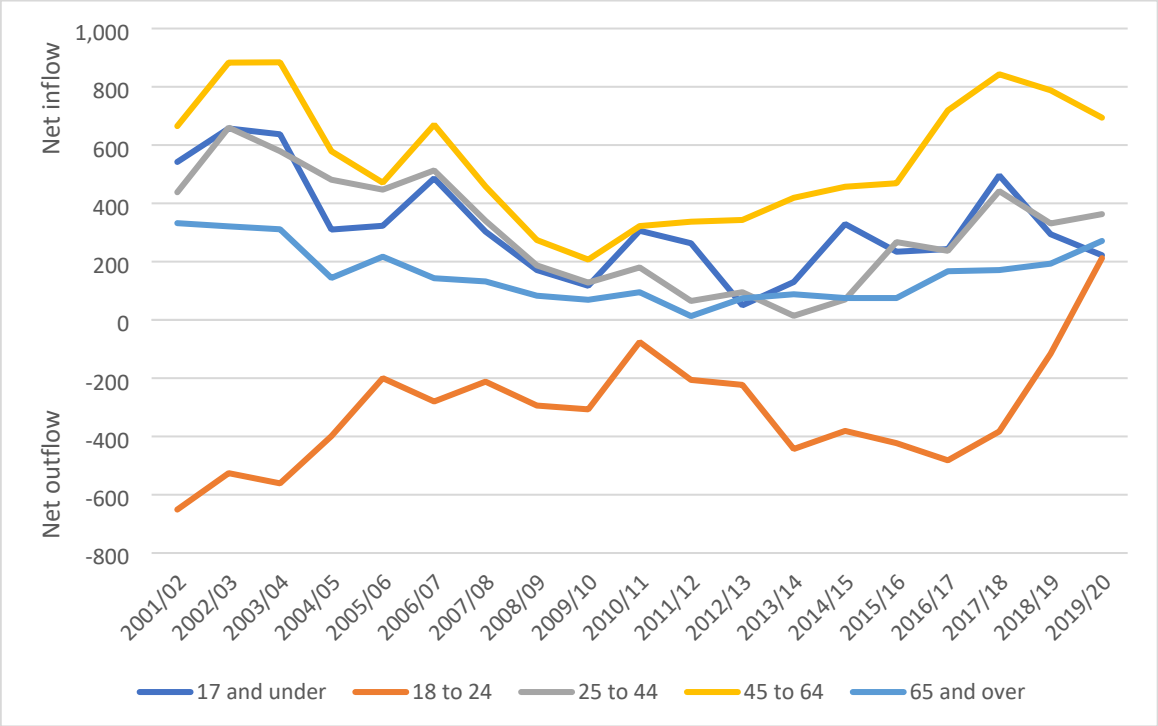
[5] The ONS estimated that Carmarthenshire had 190,073 residents in mid-2020, but the 2021 Census found that the county had a population of around 187,900 people as of the following March



Source: ONS; Turley analysis

7. Notwithstanding this uncertainty, the Office for National Statistics (ONS) believed that population growth in Carmarthenshire was being mainly driven by the net inflow of people from other parts of the UK and, to a lesser extent, from overseas. It has also been notable, in respect of the former, that younger people have been more effectively attracted and retained in recent years, with 2019/20 seeing the first net inflow of those aged 18 to 24 for almost twenty years. The net inflows of those aged 25 to 44 have also recently been at their highest levels since the start of the current plan period, as shown by Figure 3 overleaf.

Figure 4: Net Migration Flows by Age Group (2001-20)



Source: ONS; Turley analysis

8. Population growth, despite an apparent undersupply of housing, will have no doubt supported the growth of Carmarthenshire's economy. SQW have reviewed two historic datasets which suggest that **over 538 jobs per annum** have been created throughout the county between 2007 and 2020[6].

9. One potential consequence of undersupply, however, is that residents of Carmarthenshire are living in larger households than was previously anticipated. The Welsh Government's 2008-based projections largely drew upon trends prior to the current plan period and suggested that the average household in Carmarthenshire would contain 2.05 people in 2021. The latest 2018-based projections, in contrast, anticipated an average of 2.26 people per household in the same year, while the Census suggests that there were actually slightly more (2.30). This may be a reflection of individuals being left with no choice but to stay in the family home or share with other adults, due to a shortage of available housing.

Demographic projections

10. The principal variant of the Welsh Government's 2018-based projections suggests that only **291 dwellings per annum** will be needed in Carmarthenshire over the new plan period[7] (2018-33). This rises to **378 dwellings per annum** under the "high population" variant[8] but even that falls below the rate of provision recorded in all but three of the last 14 years, and indeed in each of the last nine. Over 291 dwellings per annum have been provided in every year of the current plan period, setting the principal projection in essential context.

11. Both of these demographic scenarios are based to 2018, so take no account of two further years – now available from the ONS – in which the population of Carmarthenshire has continued to grow strongly as shown by the earlier Figure 2. Rebasing the principal Welsh Government projection to take this into account, by effectively moving forward its five-year trend period, consequently has a significant impact and suggests that some **697 dwellings per annum** could be needed throughout the county over the new plan period. This does, however, reduce again when the *length* of the trend period is extended to ten years (**588dpa**) or fifteen years (**618dpa**) rather than the default five.

12. In considering this scenario, and indeed the official projections, it is important to acknowledge that from a demographic perspective there is a degree of uncertainty as to whether the level of population growth suggested in the underpinning estimates has actually happened to the extent suggested, following the release of the initial findings from the 2021 Census. This will not be fully resolved until revised population estimates are released by the ONS, so in the meantime – as we explore below – it is useful to consider other drivers of potential population change, such as the scale of the economic opportunity in Carmarthenshire.

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[6] This represents the level of job growth suggested by the ONS "jobs density" dataset. Experian alternatively suggest that 646 jobs per annum have been created over the same period (2007-20)

[7] Allowing for a vacancy rate of 3.8% based on Council Tax data published by the Welsh Government

[8] This is based on '*high fertility, life expectancy and migration assumptions*'

Supporting baseline employment growth

13. SQW have reviewed three up-to-date employment forecasts and endorsed the one from Experian, in which **circa 337 jobs per annum** would be created between 2020 – the historical base point – and 2033. This is comparable to, if slightly lower than, another forecast from Cambridge Econometrics but has been favoured for consistency, having been previously used as a baseline for Carmarthenshire. In contrast, the baseline forecast from Oxford Economics is very divergent from the historic trend.

14. The job growth forecast by Experian is unlikely to be supported if the population of Carmarthenshire was to grow in the manner suggested by the principal Welsh Government projection, with Edge Analytics' modelling indicating that this would support the creation of only **201 jobs per annum** over the rest of the new plan period[9] (2020-33). This would increase to **257 jobs per annum** under the "high population" variant, but would evidently remain some way short of the forecast.

15. Edge Analytics' rebased version of the principal projection, which draws on trends over five years to 2020, in contrast appears able to support the creation of some **401 jobs per annum**, surpassing what must be acknowledged as only a baseline forecast from Experian. This makes it unsurprising that further modelling, this time employment-led, suggests that slightly fewer homes (**662dpa**) would be needed over the entire plan period to support only that baseline level of growth.

Table 2: Summary of Housing and Economic Growth Scenarios (2018-33)

	Additional residents	Jobs per annum 2020-33	Homes needed per annum[10]
Principal 2018-based WG projection	6,197	201	291
"High population" variant	9,460	257	378
Ten year trend-based projection	14,468	276	588
Fifteen year trend-based projection	15,854	353	618
Baseline employment-led scenario	16,407	337	662
Rebased principal projection[11]	17,635	401	697

Source: Turley; Edge Analytics; SQW

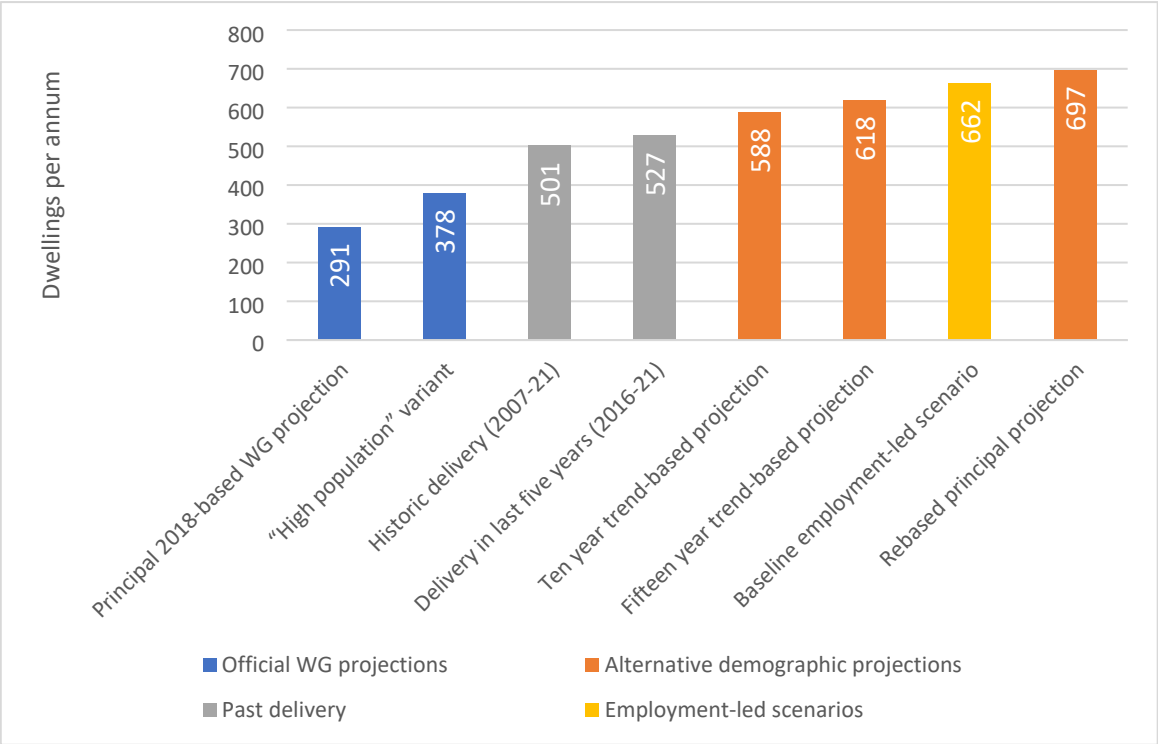
16. The housing need associated with each scenario is further illustrated, and benchmarked against past delivery, at Figure 4 below.

Figure 5: Summary of Housing and Economic Growth Scenarios (2018-33)

[9] Reasonably assuming that **economy activity** rates change in the manner forecast by the Office for Budget Responsibility; **unemployment** remains at the average rate recorded over the past five years (3.9%); the **commuting** ratio remains at 1.09 as recorded in both 2001 and 2011; and **double jobbing** continues at the rate recorded over the last decade

[10] Applying 2018-based household membership rates, with no adjustments

[11] Drawing on demographic trends in the five year period to 2020, rather than the equivalent period to 2018 like the latest official WG projection



Source: Turley; Edge Analytics

Planning for stronger job growth

17. While arguably not a reflection of need per se – with the Welsh Government distinguishing policy-based considerations from assessments of housing need that are based on demographics and past trends[12] – there is also a scenario in which the Council chooses to pursue a higher level of job growth beyond the baseline forecast.

18. SQW have indeed identified the potential for a higher level of job growth if various known and potential investments are made. They estimate that some **642 jobs per annum** could be created throughout Carmarthenshire over the remaining years of the new plan period (2020-33) in such an investment-led scenario, potentially requiring the provision of as many as **896 dwellings per annum**.

19. This could reduce, however, if such strong job growth was to alter the longstanding trend that has seen a net outflow of commuters from Carmarthenshire, with the Welsh Government itself encouraging more sustainable commuting patterns[13] and this arguably therefore representing another policy choice for the Council. This could be explored through further modelling that would likely help to bridge the gap between the existing demographic and employment-led scenarios.

Planning to address a consequence of past under-supply

20. The modelling introduced above uses assumptions drawn from the official 2018-based projections to convert the population into households. Research by Edge Analytics has,

[12] Welsh Government (March 2020) Development Plans Manual: Edition 3, p104

[13] Welsh Government (February 2021) Planning Policy Wales: Edition 11, paragraph 3.50

however, found that these projections build in the aforementioned assumption that many individuals will live in larger households, rather than in smaller households – or alone – as more did in the past. Given that this historic trend will have been at least partially influenced by the supply of housing falling short of the previously evidenced need, there is arguably a rationale for seeking to avoid embedding this situation into the future projections of housing need, should the Council wish to take such a policy approach.

21. Edge Analytics have developed an adjustment targeted at the younger people, aged 25 to 34, who are most likely to have been historically affected and are most likely to aspire to form independent households when given the opportunity to do so. The adjustment is applied to the household membership rates within the Welsh Government's 2018-based projections and assumes a partial return to the trend of the earlier 2008-based projections over the course of the new plan period[14] (2018-33). These earlier projections are arguably more positive in largely drawing from a time that was not influenced by undersupply during the current plan period.

22. Edge Analytics have initially applied this adjustment to a selection of the scenarios introduced above, with Table 2 showing how it uplifts the number of households formed by the same population and consequently elevates the implied annual need for housing by circa 72-75 homes. This assumes that the development of these additional homes would create the space for younger adults to live alone or in smaller households, rather than in larger shared households or with family for example.

Table 3: Impact of Alternative Assumptions on Household Membership[15] (2018-33)

	Additional residents	Homes needed without adjustment	**Homes needed *with* adjustment**
Ten year trend-based projection	14,468	588	**661**
Fifteen year trend-based projection	15,854	618	**693**
Baseline employment-led scenario	16,407	662	**734**
Rebased principal projection	17,635	697	**770**

Source: Edge Analytics

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11 October 2022

CARP3003

[14] As illustrated at **Appendix 1**

[15] Equivalent outputs linked to the Welsh Government's 2018-based projections will be requested from Edge Analytics, for completeness

Appendix 1: Impact of Adjusting Household Membership Rates

SENSITIVITY PARAMETERS				Carmarthenshire 2033		
Rates	Sex	AgeGrp	Category	HH-08	HH-18	Mid-point
HH-18 PR	Male	25-29	1 person	26.1%	6.3%	16.2%
HH-18 PR	Male	25-29	2 person	24.9%	24.6%	24.7%
HH-18 PR	Male	25-29	3 person	32.1%	28.9%	30.5%
HH-18 PR	Male	25-29	4 person	11.5%	20.4%	15.9%
HH-18 PR	Male	25-29	5+ person	5.4%	19.8%	12.6%
HH-18 PR	Male	30-34	1 person	27.5%	12.6%	20.1%
HH-18 PR	Male	30-34	2 person	25.3%	21.8%	23.5%
HH-18 PR	Male	30-34	3 person	28.6%	29.0%	28.8%
HH-18 PR	Male	30-34	4 person	12.6%	21.8%	17.2%
HH-18 PR	Male	30-34	5+ person	6.1%	14.8%	10.4%
HH-18 PR	Female	25-29	1 person	17.5%	4.4%	11.0%
HH-18 PR	Female	25-29	2 person	37.4%	31.1%	34.3%
HH-18 PR	Female	25-29	3 person	28.4%	24.9%	26.7%
HH-18 PR	Female	25-29	4 person	10.5%	24.0%	17.3%
HH-18 PR	Female	25-29	5+ person	6.1%	15.6%	10.9%
HH-18 PR	Female	30-34	1 person	12.2%	9.2%	10.7%
HH-18 PR	Female	30-34	2 person	28.4%	28.6%	28.5%
HH-18 PR	Female	30-34	3 person	29.9%	25.5%	27.7%
HH-18 PR	Female	30-34	4 person	18.5%	23.0%	20.7%
HH-18 PR	Female	30-34	5+ person	11.0%	13.7%	12.4%