Strategic Planning Research Unit
A specialist team within DLP Planning Ltd

For and on behalf of
Torbay Council

Economic Development Needs Assessment

Prepared by
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CONTENTS PAGE

APPENDICES

0.0 EXECUTIVE SUMMARY

a) Study Scope and Context

0.1 The objective of this Economic Development Needs Assessment (EDNA) is to identify future employment land needs across the Torbay area for the period 2022 to 2040.

0.2 This EDNA has been prepared having regard to advice set out in the National Planning Policy Framework (NPPF), National Planning Practice Guidance (PPG) and the objectives of the Torbay Economic Growth Strategy (2022-2030) and its supporting evidence base.

0.3 This study takes account of sectoral and economic forecasts/projections, past employment land take-up trends, demographically derived assessment of current and future labour supply, evidence of market demand, wider market signals and areas of market failure.

0.4 The land and floorspace requirements identified in this EDNA relate to the requirements for business and commercial activities, including land use classes E(g)(i), E(g)(ii), E(g)(iii), B2 and B8.

b) Functional Economic Market Area (FEMA)

0.5 The Torbay FEMA has been assessed in accordance with Planning Practice Guidance.

0.6 The evidence presented in this report suggests that Torbay is broadly a self-contained FEMA, acknowledging some strong commuter links between Torbay and parts of neighbouring authorities, in particular Teignbridge.

0.7 It is recommended that for plan-making purposes and to ensure a 'best fit' aligned to local authority boundaries, Torbay's economic market area is best represented as a single self-contained FEMA covering the local authority area of Torbay.

c) Economic Baseline

0.8 The local economy in Torbay currently supports total employment of around 50,340 jobs (BRES, 2022) (48,500 Full-Time Equivalent jobs).

0.9 Torbay has a reasonably diverse economy with particular sectoral strengths in services, health and hospitality.

0.10 The labour productivity in Torbay (GVA per hour worked) is below that of the South West region as a whole.

0.11 The overall compound annual growth rate (CAGR) of Torbay (1998-2021) shows a similar performance to that of Devon and the South West, although the rate of post-2008 financial crash recovery in Torbay was comparatively slower.

d) Commercial Market Signals

0.12 Stakeholder engagement identified that Torbay has generally under-performed against regional and national employment markets.

0.13 Whilst there is comparatively lower demand for office floorspace, there is particular demand for small-medium size industrial units (1,000-20,000 sqft) with demand being mostly in engineering/manufacturing sectors. There is some local demand for larger B8 units with limited availability of units in the 40,000-100,000sqft range. There is also a need for 'grow on' space to support existing businesses and to promote continued growth of specialist sectors (e.g. photonics).

0.14 Access to the strategic road network and skilled labour force is a key prerequisite for most occupiers.

0.15 Viability is often an issue, particularly for bringing forward employment allocations within

residential schemes.

0.16 Recent successful Levelling Up Funding bids include an award of £20m towards a proposal to extend Brixham harbour and fish market, including the delivery of an additional 7,000 sqm quayside and landing space (expected to deliver 150 new jobs), and £8m for an Electronics and Photonics Production Park providing new specialist production and manufacturing facilities at Torbay Business Park through a 2,040 sqm production centre (creating 175 new jobs) and unlocking 1.2 hectares of additional land (creating a further 100 jobs).

0.17 Analysis shows a healthy office vacancy rate in Torbay of 11.7% and an industrial vacancy rate of 8.8%. A guideline for a 'healthy' vacancy rate is generally considered to be around 7.5%[1], therefore, the higher rate of vacancy in Torbay demonstrates a relatively good supply of office premises to allow choice and flexibility in the market.

e) Future Economic Growth

0.18 Analysis of the three baseline forecasts of the main forecasting houses (CE, OE and Experian) indicates an expected compound annual growth range of 0.65% for CE, 0.48% for Experian and 0.25% for OE.

0.19 This equates to a total jobs growth over the plan period of 7,530 under the CE forecast, 5,300 under the Experian forecast and 2,730 under the OE forecast.

0.20 Using the Experian forecast as a baseline (which presents a moderate level of growth which broadly aligns with past trends), adjustments have been made to various sectors to develop a Local Growth Scenario which takes account of known supply for relevant industries and local advantages likely to support future growth prospects.

0.21 The Local Growth Scenario therefore incorporates adjustments to the agriculture, forestry & fishing, manufacturing, construction and wholesale & retail sectors. After incorporating these adjustments, this scenario forecasts an increase of 6,730 jobs in Torbay over the 2022 to 2040 plan period.

f) Risks due to Brexit and Covid-19

0.22 The scale of risk in the sectoral jobs growth forecasts for Torbay over the period 2022-2040 has been identified for both risks derived from Brexit and risks derived from Covid-19.

0.23 This analysis suggests that just over one third of existing jobs (36%) and just under a fifth of forecast total growth within the Torbay derived from the growth scenario forecast (19%) are at high risk of negative consequences of Brexit. The majority of existing jobs and forecast jobs growth under the growth scenario are in sectors at moderate or low risk of negative consequences of Brexit.

0.24 A lower proportion of new jobs expected to be delivered under the Growth Scenario will be in high risk sectors (9%) compared with the proportion of high risk jobs expected to be delivered under the OE, Experian and CE baseline forecasts.

0.25 One continued impact of Covid-19 is the trend towards 'hybrid' or 'flexible' working arrangements. This change in working practices is therefore likely to impact on the quantum of employment space required to be planned for to support existing and future jobs growth, particularly in the sectors requiring desk- or office-based working.

0.26 Projected working from home rates have been factored into the land requirement modelling for the sectors requiring office floorspace. In the modelling it is assumed that a proportion

[1] Planning Advisory Service, Housing & Economic Development Needs Assessment Technical Advice Note Volume 3 Economic Development, April 2016

of jobs, including newly created jobs in each sector, will be filled by workers working from home in accordance with the projected rates.

g) Labour Supply versus Labour Demand

0.27 A boost to housing supply would generate a positive need for economic development based on growth in labour supply broadly consistent with the Growth Scenario.

0.28 No uplift to the minimum Local Housing Need (LHN) is considered necessary or necessarily desirable to support an explicit balance between jobs and homes.

0.29 The Labour Supply scenarios considered by this study indicate no likely significant adverse effect on commuting trends and the relationship between jobs and homes.

0.30 Net-to-Gross Margins for loss replacement and flexibility may support additional job creation.

h) Future Employment Land Needs

0.31 Future employment land requirements for Torbay have been calculated for the period 2022 to 2040 based on both a **past completions trend scenario** and a **labour demand local growth scenario**.

0.32 The **past completions trend scenario** is based on the average annual gross floorspace completions for the period 2016/17 to 2021/22 multiplied by the 18-year plan period and converted to a land requirement by applying a 40% plot ratio. As it is a 'gross' completions trend, it does not make any allowance for the replacement of past losses.

0.33 The **past completions trend scenario** presents a positive picture of growth based on historic completions trends, which if these were projected forward over the plan period (2022 to 2040), would result in an employment land requirement of **20.4 ha**.

0.34 The **labour demand local growth scenario** is based on a local jobs growth forecast derived from an Experian baseline projection. This scenario incorporates sector specific adjustments to reflect anticipated growth trends, trends in working from home, and a flexibility margin to account for losses and provide choice and flexibility in the market.

0.35 The **labour demand local growth scenario** identifies an employment land requirement **20.5 ha** over the plan period.

0.36 The close alignment between the past completions trend and local growth scenarios supports the recommendation that the Council should plan to deliver **20.5 ha** employment land over the period 2022 to 2040. The overall employment floorspace and land requirement by use class is summarised in the table below.

Local Growth Scenario Requirement (2022-2040)	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Hectares	5.6	10.5	4.5	**20.5**
Square metres	22,294	41,805	12,616	**76,715**

i) Supply/Demand Balance to Address Future Needs

0.37 The current supply/demand balance within Torbay is calculated as the difference between the existing pipeline supply of commitments and the requirements set out under the recommended labour demand growth scenario.

0.38 This supply/demand balance identifies a potential total deficit of supply of **15.4 ha** split across all employment use classes, as shown in the table below.

Supply/Demand Balance	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Hectares	**-5.4**	**-6.9**	**-3.1**	**-15.4**
Square metres	**-21,591**	**-27,776**	**-12,503**	**-61,870**

1.0 INTRODUCTION

a) Background

1.1 DLP Planning were appointed by Torbay Council (TC) to prepare an Economic Development Needs Assessment (EDNA). The objective of the study is to identify future employment land needs across the Torbay area for the period 2022 to 2040. This EDNA will provide a robust and up to date evidence base to inform the emerging Local Plan (2022-2040) which will replace the currently adopted Torbay Local Plan 2012-2030.

1.2 The last assessment of employment land needs was carried out as part of the Employment Land Review (ELR, 2013), which recommended that the Local Plan allocated a total of 17 hectares (ha) of net additional employment land to achieve a net jobs growth of 5,200 jobs between 2012 and 2030.

1.3 The Torbay Local Plan (2012-30) was adopted in December 2015 and sought to meet this target by requiring at least 25% of strategic allocations as employment uses. Whilst there has been some successful delivery of employment land since the last Local Plan was adopted (largely though public sector interventions) delivery of allocated employment sites for (former) Class B uses has been low despite housing or retail elements of mixed use developments being implemented. This is not necessarily due to a lack of demand for employment land, rather a combination of factors as will be discussed later in this report.

1.4 An update to the ELR 2013 is therefore required in order to ensure that the emerging Local Plan meets future employment requirements by ensuring communities in Torbay have access to jobs, taking account of local needs and growth requirements.

b) Study Scope

1.5 This EDNA has been prepared having regard to advice set out in National Planning Practice Guidance (PPG) and the objectives of the Torbay Economic Growth Strategy (2022-2030) and its supporting evidence base.

1.6 This study takes account of sectoral and economic forecasts/projections, past employment land take-up trends, demographically derived assessment of current and future labour supply, evidence of market demand, wider market signals and areas of market failure.

1.7 The land and floorspace requirements identified in this EDNA relate to the requirements for business and commercial activities. The current and pre-existing definition of these activities has been the subject of recent changes to the Town and Country Planning (Use Classes) Order 1987 (as amended). As currently defined, these comprise:

- E(g)(i) – Office (for the purposes of operation and administrative functions)
- E(g)(ii) – Research & development
- E(g)(iii) – Industrial processes, sometimes termed ‘light industrial uses’ (where those activities could be carried out in a residential area without detriment to its amenity)
- B2 – General industrial processes (excluding incineration, chemical treatment, landfill or hazardous waste)
- B8 – Storage & distribution (including open storage)

1.8 Whilst this study will identify projected jobs growth across all employment sectors, it will only identify specific land and floorspace requirements for the ‘traditional’ employment uses listed above (i.e. those formerly within the B Use Class prior to 2021). The identification of land and floorspace requirements for retail, leisure, education or healthcare needs (for example) therefore falls outside the scope of this study.

c) Stakeholder Engagement

1.9 A key part of the research to inform this study involved engaging directly with stakeholders across the commercial property and employment sectors. Interviews and workshops were undertaken with individuals from a range of organisations and sectors including Torbay Council, Heart of the South West Local Enterprise Partnership (LEP), Torbay Development Agency (TDA) Group, the Electronics and Photonics Innovation Centre (EPIC), local developers and commercial property agents, local employers (including from manufacturing, photonics, fishing and med-tech sectors, NHS, and South Devon College) and neighbouring authorities. Discussions were framed around a series of open questions to draw upon the expertise and locally-specific knowledge of each stakeholder. We also issued questionnaires to local employers where these were requested instead of an interview, to which we received one response.

d) Structure of this report

1.10 The following sections of this EDNA are structured as follows:

- Section 2 – National Policy Context
- Section 3 – Literature Review
- Section 4 – Defining the Functional Economic Market Area (FEMA)
- Section 5 – Economic Baseline
- Section 6 – Commercial Market Signals
- Section 7 – Future Economic Growth
- Section 8 – Risks Due to Brexit and Covid-19
- Section 9 – Labour Supply versus Labour Demand
- Section 10 – Future Employment Land Needs
- Section 11 – Supply/Demand Balance to Address Future Needs
- Section 12 – Conclusions

2.0 NATIONAL POLICY CONTEXT

2.1 This section sets out the national planning policy and guidance as relevant to planning for economic growth, and which has informed the approach undertaken in this EDNA.

a) National Planning Policy Framework

2.2 The National Planning Policy Framework (NPPF) sets out the Government's planning policies for England and how these are expected to be applied. The original NPPF was published in 2012 and has been most recently revised in December 2023.

2.3 The overarching purpose of the NPPF and the planning system itself is to encourage sustainable development (as set out in paragraph 8 of the NPPF). The policies set out in the NPPF set out the Government's position on what sustainable development means in practice including the three core dimensions to achieve this. These core dimensions are considered interdependent and should therefore be pursued in mutually supportive ways:

a) **An economic objective** – to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure;

b) **A social objective** – to support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations; and by fostering a well-designed and safe built environment, with accessible services and open spaces that reflect current and future needs and support communities' health, social and cultural well-being; and

c) **An environmental objective** – to contribute to protecting and enhancing our natural, built and historic environment; including making effective use of land, helping to improve biodiversity, using natural resources prudently, minimising waste and pollution, and mitigating and adapting to climate change, including moving to a low carbon economy.

2.4 Paragraph 20 of the NPPF identifies employment (alternatively termed economic development) amongst activities where strategic policies must ensure sufficient provision for future needs and land uses as part of an overall strategy for the pattern and scale of growth. Paragraphs 85 to 89 of the NPPF set out how the Government is committed to supporting the economy stating that "*significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development*".

2.5 Policies set out within Local Plans should:

a) "set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;

b) set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;

c) seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and

d) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances".

2.6 Paragraph 126 of the NPPF sets out how planning policies and decisions should reflect changes in the demand for land. This requires regular reviews of both the land allocated for development and of land availability. When Local Planning Authorities (LPAs) consider

there is no reasonable prospect of an application coming forward for the use allocated in a plan, the NPPF advises that they should:

a) *"as part of plan updates, reallocate the land for a more deliverable use that can help to address identified needs (or, if appropriate, deallocate a site which is undeveloped); and*

b) *in the interim, prior to updating the plan, applications for alternative uses on the land should be supported, where the proposed use would contribute to meeting an unmet need for development in the area".*

b) Planning Practice Guidance

2.7 Planning Practice Guidance (PPG) regarding 'Housing and economic needs assessment' was published by the government in March 2015 and last updated in December 2020.

2.8 The guidance explains how LPAs can determine the type of employment land needed in their area by producing a robust assessment of the needs of existing businesses. National economic trends will be used to understand future needs, however the PPG notes that these national trends may not translate to all areas, due to local distinctions in the employment base. To understand, prepare, and maintain evidence around both current and future business requirements, the PPG[2] emphasises the importance of close liaison with the business community to understand current and potential future business use requirements, stating that LPAs will need to assess:

- The best fit functional economic market area
- The existing stock of land for employment uses within the area;
- The recent pattern of employment land supply and loss – for example based on extant planning permissions and planning applications (or losses to permitted development);
- Evidence of market demand (including the locational and premises requirements of particular types of business) – sourced from local data and market intelligence, such as recent surveys of business needs, discussions with developers and property agents and engagement with business and economic forums;
- Wider market signals relating to economic growth, diversification and innovation; and
- Any evidence of market failure – such as physical or ownership constraints that prevent the employment site being used effectively.

2.9 The PPG[3] also states that policy makers should use a range of data when considering employment need including:

- Sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand)
- Demographically derived assessments of current and future local labour supply (labour supply techniques)
- Analysis based on the past take-up of employment land and property and/or future property market requirements
- Consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.

[2] PPG Ref. ID: 2a-026-20190220
[3] PPG Ref. ID: 2a-027-20190220

2.10 The PPG supports the analysis of past trends (take-up) as one form of evidence to inform 'projected' trends in future market demand. Past take-up may inform the assessment of undersupply (or oversupply) in provision for economic development but recommends that this is considered alongside forecast scenarios of future expected changes.

2.11 The PPG therefore supports the methodology adopted in this EDNA to triangulate evidence from demographic ('labour supply') and employment forecasts ('labour demand') alongside projections from past completions trends, as well as engagement with relevant local and regional stakeholders as part of an assessment of wider market signals. As also noted in PPG, it is important to take account of longer term economic cycles and consider alternative scenarios which may inform evidence of future needs.

2.12 This may include identifying instances where sites have been developed or sought for specialist economic uses (such as the Electronics and Photonics Innovation Centre (EPIC) which was developed in Paignton)[4]. Logically this extends into acknowledging the influence of the plan-making process. This reflects where longer timeframes for the allocation and bringing forward of land and floorspace for economic development may not necessarily be captured as part of the reasons for high levels of take-up in the short term when sites are actually delivered.

2.13 As also highlighted in the PPG[5] it is important to consider whether there are specific requirements in the local market which affect the types of land or premises needed. Analysis of the available stock of land and local take-up rates can allow policy makers to identify whether there is a mismatch between quantitative and qualitative supply of land and floorspace to meet future demand for economic development.

2.14 Consideration of clustering certain industries can be beneficial to encourage collaboration, productivity and innovation as well as in driving the economic prospects of that area particularly in relation to supporting new or specialist sectors[6]. The requirements of the logistics industry, for example, may require collaboration between neighbouring authorities, infrastructure providers and other interests to reflect access to labour supply and strategic transport networks[7]. The contribution of facilities providing a sustainable supply of goods to national and regional markets should also be considered in the context of their contribution to local employment opportunities and alongside appropriate support for other forms of logistics requirements serving local markets.

[4] PPG Ref. ID:2a-209-20190220
[5] PPG Ref. ID:2a-209-20190220
[6] PPG Ref. ID:2a-032-20190722
[7] PPG Ref. ID:2a-031-20190722

3.0 LITERATURE REVIEW

3.1 This section also reviews key documents within the Council's existing and emerging evidence base, and economic evidence and strategies developed at a regional level. The summaries below draw out the key economic strengths and employment growth opportunities identified in these documents.

a) Torbay Employment Land Review (July 2006)

3.2 The 2006 ELR was commissioned to review the appropriateness and feasibility of existing employment land and to identify options to unlock economic development potential and boost productivity in Torbay as part of the then Regional Spatial Strategy (RSS). Urban Property Economics (UPE) produced the report.

3.3 Between 1996 and 2006, economic growth in Torbay largely aligned with national trends, however relative to other local authorities in the immediate area, growth was slower, with at least 75% of residents' employment in activities/services that primarily served the local population.

3.4 UPE concluded that commercial property markets in Torbay had underperformed against both regional and national markets from 2000 through to 2006. Notably, infrastructure constraints and local competition were recorded as being significant barriers to inward investment. Given the prevailing market conditions and constraints at the time of publication, UPE recommended that around 47 acres (19 ha) of employment land should be allocated to meet needs to 2016.

b) Torbay Employment Land Review (October 2013)

3.5 Peter Brett Associates were commissioned in October 2013 to undertake a limited Employment Land Review that assessed 14 strategic sites or locations to identify their potential for supporting employment growth. The 14 sites/locations comprised a mix of allocated sites, vacant sites and town centre regeneration areas.

3.6 Aligned with the outcome of the earlier 2006 Employment Land Review, the ELR (2013) found that Torbay continued to lag behind the South West region and recorded lower wages, a lower skills base and an economy that was heavily reliant upon the tourism sector. The commercial property market continued to be developed to meet the premises needs of small local service businesses, and inward investment continued to be limited.

3.7 The study also found that industrial employment has significantly decreased for many years among Torbay and across Devon and the Southwest in general due to the changes in the structures of these economies and soaring competition for land through demand for higher value uses.

3.8 A growth in office-based employment was identified as a result of the strategic planning policy focus on sectors such as business services as key contributors toward economic growth and competitiveness, and also the historical growth in public sector services.

3.9 In order to address these ongoing challenges, the Torbay Development Agency and partners sought to drive investment in the District by developing cluster development strategies, focused on advanced engineering, marine and call centres.

3.10 Torbay supports an agglomeration of high technology advanced electronics businesses, marine businesses, emerging environmental science and marine technology sectors, and healthcare research and technology sectors. Tourism was identified as becoming the major industry in Torbay due to the attractive landscape of the bay, surrounding small valleys, ridges, and coastline.

3.11 The study identifies a comparatively poor transportation network which has impacted the

attractiveness of inward investments and motivation for businesses to stay in Torbay.

3.12 The Torbay Local Plan Evidence Base (2013) projected total employment of around 55,600 in Torbay by 2032, this represents an increase of 5,200 new jobs over the plan period. The four major employment sectors were expected to be Health and Social Work, Hospitality and Catering, Retail, and Business services, and the demand for premises among Hotels, Health and Care Facilities, Leisure and Recreational Facilities, Offices and Educational Facilities was estimated to increase significantly. The total land requirement was projected to increase in Warehousing, Offices, Leisure and Recreational Facilities, and Retail Shops, Restaurants and Hotels.

3.13 Some 65,000 sqm of net additional floorspace (equivalent to around 17ha additional employment land supply) was identified as being required to withstand the future demands of jobs and housing growth in Torbay. The study identified that over half of the suggested net additional floorspace (36,200 sqm or 9.5 ha) should be for uses that fall outside of traditional B Class land uses (including retail and leisure, such as that associated with town centre and waterfront regeneration). Approximately 28,600 sqm should be allocated to B Class uses, of which a large proportion of (around 26,500 sqm or 7ha) would be required as office floorspace and the remaining 2,150 sqm (or 1ha) should be allocated for industrial or warehousing uses (ideally in business area locations, such as business parks close to strategic access routes).

3.14 The study concludes that additional employment floorspace is likely to be essential to support other jobs in education, healthcare facilities and hospitals etc. instead of new business estates or leisure parks.

3.15 Of the 14 sites/locations assessment, aside from the town centre regeneration sites and existing estates, approximately 18.4ha of land was identified as being deliverable and suitable for employment growth. In addition to this, mixed-used schemes, including significant development at Edginswell (Torquay Gateway), White Rock, Claylands and Barton Landfill were expected to deliver circa 23ha of employment land, bringing the total potential allocation for employment purposes to 42ha.

c) Torbay Local Plan (2012-2030)

3.16 Taking account of the findings of the ELR (2013) and the Economic Growth Strategy (2012), the Torbay Local Plan (2012-2030) aims to secure economic growth by setting out a growth strategy for a prosperous Torbay (**Policy SS1**). The Plan supports the creation of 5,000-5,500 net additional jobs (an average of 275-300 jobs per annum) and the delivery of at least 17ha employment land over the Plan period. **Policy SS1** also places emphasis on bringing forward employment space as early as possible in the Plan period.

3.17 Paragraph 4.1.27 of the Local Plan identifies existing employment floorspace commitments (for Use Classes B1, B2 and B8 as they were defined at the time) at:

- White Rock (including the Electronics Photonics Innovation Centre, EPIC);
- Edginswell Business Park;
- Town Centre sites, including Torwood Street and other developments in the adopted Town Centre Masterplans;
- Devonshire Park (former Nortel site), Paignton;
- South Devon College's Hi-Tech Centre;
- Claylands, Paignton; and
- Land at Yalberton Road/Yannons Farm, Paignton.

3.18 The Plan identifies a number of Strategic Delivery Areas (SDAs) which it was intended would be the focus for delivery of new employment floorspace, homes and infrastructure. A

number of allocated Future Growth Areas are identified within the SDAs (**Policy SS2**), including:

- Edginswell, Torquay
- Paignton North and West Area, including Collaton St Mary, Paignton; and
- Brixham Road, Paignton.

3.19 **Policy SS2** states that Future Growth Areas will deliver *"a range of employment opportunities, delivered in the early stages of development, designed to meet identified economic growth sectors".* The Local Plan anticipates that, due to significant infrastructure requirements, most of the development within the Future Growth Areas would be delivered post-2024 (with the exception of Torquay Gateway, where employment floorspace was identified as being needed earlier in the Plan period, and Wall Park, Brixham).

3.20 **Policy SS4** of the Local Plan promotes the regeneration and improved economic performance of Torbay by supporting the creation of at least 5,000-5,500 net additional jobs by 2030, including 1,375 net new jobs in the first five years of the Plan. **Policy SS4** states that the Plan will deliver at least 65,000 sqm (including 28,000 Use Class B1/B2 floorspace and 38,000 sqm of other employment uses). The policy also emphasises that *"phased delivery of mixed use development, especially in the first five years of the Plan, must include early provision of serviced employment space".*

3.21 Growth sectors identified in paragraph 4.2.15 of the Local Plan include:

- Tourism, hotel and catering;
- Manufacturing;
- Professional services;
- Financial services;
- Advanced electronics / hi-tech;
- Medical / Healthcare;
- Education and training;
- Business Process Outsourcing; and
- Food production and processing.

3.22 **Policy SS4** of the Local Plan aims to meet the additional employment land needs by supporting the provision of new and improvement of existing employment space in the following areas and projects:

- Town centres;
- Torquay Gateway;
- West Paignton;
- Refurbished / revitalised existing employment estates; and
- As part of urban renewal projects.

3.23 **Policy SS4** also requires major employment or mixed use development to provide around 25% of space to be provided as Use Class B floorspace, to reflect the needs of the area and to increase GVA. The Policy also states that much of Torbay's employment space needs will be met within town centres and existing employment estates, in addition to the identified Strategic Delivery Areas. The delivery of high quality employment floorspace is encouraged through the use of Local Enterprise Areas and Local Development Orders. **Policy SS5** also seeks to prevent the loss of existing employment floorspace to other uses, as far as possible.

3.24 Table 2 in the adopted Local Plan sets out potential employment sites in Torbay. An assessment of the delivery of net additional employment land through the adopted Local Plan, including the performance of existing allocations (such as those identified in Table 2) and Strategic Delivery Areas, is set out in section 5 of this EDNA report.

d) Emerging Torbay Local Plan Evidence

3.25 The evidence base to support the new Torbay Local Plan is currently being developed. This evidence includes a review of housing needs, which will be used to inform the labour supply assessment set out in this EDNA.

3.26 The Torbay Housing and Economic Needs Assessment (HENA) (2022) focuses primarily on the identification of housing needs for the purpose of developing policies and the allocation of housing sites through the emerging Local Plan. The HENA identifies affordable housing needs, housing mix requirements, and need for specialised forms of accommodation to meet the needs of different groups.

3.27 Using the Standard Method calculation, which is derived from the ONS 2014-based household projections, the HENA calculates a minimum local housing need figure of 605 dwellings per year. However, it is understood that Members have asked officers to reassess the 2020 Local Plan Review to consider in more detail the relationship between jobs and homes. Part of this is the issue of labour supply needed to support a prosperous Torbay. This is discussed further in Chapter 9 of this report.

e) Torbay Economic Growth Strategy (2022-2030) Evidence Base

3.28 The Evidence Base for the Torbay Economic Growth Strategy (2022-2030) identifies three key sectors: fishing, tourism and the high-tech sector.

3.29 In 2020, Torbay's fishing industry landed around 11.7 tonnes, had an approximate value of £31.0M and supported 499 jobs. Gross Value Added (GVA) per worker in the photonics and microelectronics sector has increased 37% from £72,973 in 2015 to £100,000 in 2019.

3.30 There were 4,485 active businesses across Torbay in 2020, with 520 new businesses staring up and around 415 closing down. The top employment sectors have remained unchanged over the past five years and include health, hospitality and catering services, retail, education, and business administration & support services. In the past five years Torbay has seen significant employment growth in the business administration & support services, information & communication, public administration & defence, and manufacturing sectors.

3.31 The highest level of vacant employment space across Torbay is in retail, followed by office, industrial, and leisure space.

3.32 From 2015 to 2019 the number of visitors in Torbay decreased by 1.3%, with 3.3.% of the decline in visitor numbers from staying guests. In 2020, over 2,240,100 tourists visited Torbay. This represented a decline of 50.7% in total visitor numbers (-51.8% in day visitors and -50.3% in staying visitors). Tourism and hospitality were one of the sectors hardest hit and for the longest period of time by the pandemic.

3.33 The overarching issue impacting the commercial property market in Torbay is the lack of capacity for growth, due to limited choice of suitable existing premises and lack of vacant employment land. This is impacting on businesses as they are unable to find premises to meet their requirements within Torbay. Despite nearly 10,000 sqm of new industrial and office space being developed since 2019, according to the evidence base there remained over 28,000 sqm of demand as reflected in active inward investment enquiries (p.21). There is strong demand in Torbay for leisure and industrial premises due to low vacancy rate.

3.34 The most common job vacancies within Torbay are nurses, care workers, chefs, sales and retail assistants, van drivers, and primary and nursery roles.

f) Torbay Economic Growth Strategy (2022-2030)

3.35 The Torbay Economic Growth Strategy (2022-2030) sets out the Council's approach to achieving economic growth in a sustainable way, including through local skills development and improving access to jobs.

3.36 The Strategy highlights the strong tech sector in Torbay, including a growing electronic and photonics sector, which it identifies as a significant growth opportunity. The visitor economy is also identified as fundamental to future economic growth. Investment in Torbay Hospital is highlighted as an opportunity for the growth of the health sector, including the medical and healthcare technology sector. Further opportunities for fishing (and fish processing) are also identified, together with opportunities for the growth of small tech-based companies and the digital creative sector.

g) Greater Exeter Economic Development Needs Assessment (March 2017)

3.37 The Greater Exeter EDNA (2017) was prepared by Hardisty Jones Associates to inform the Greater Exeter Strategic Economic Plan (GESEP) along with the individual plans for the Greater Exeter authorities, which comprise:

- East Devon District Council;
- Exeter City Council;
- Mid Devon District Council;
- Teignbridge District Council;
- Devon County Council; and
- Dartmoor National Park Authority

3.38 Whilst Torbay does not form part of the Greater Exeter area, the 2017 EDNA considers in detail the Greater Exeter Functional Economic Market Area and the relationship between the area and Torbay. The report concludes that there is strong evidence that the FEMA for Greater Exeter is made up of the above listed authorities but notes that the boundary is less clear between Newton Abbot and Torbay.

3.39 There are strong commuting flows between Newton Abbot and Torbay and shared characteristics and local services, including a local newspaper service. However, the report concludes that there is evidence of self-containment within much of Torbay, which supports the case that Torbay is functionally distinct from Greater Exeter.

3.40 It is however reported that further to the opening of the South Devon Link Road, accessibility between Exeter, Teignbridge and Torbay has improved and as a result local market experts expected that residents from Torbay would be more likely to be drawn into employment opportunities in Exeter and Teignbridge, with limited commuters expected to reverse this and travel from the Greater Exeter Area to work in Torbay.

3.41 With reference to the flow of goods, services, information and services markets, the 2017 EDNA concludes, based on qualitative research, that some Teignbridge residents make use of Torquay's edge-of town retain parks, but there was little travel into Torbay's town centres.

h) Greater Exeter Economic Development Needs (EDN) (November 2022)

3.42 Further to the 2017 EDNA, JLL were commissioned by the Greater Exeter Area authorities to produce analysis of EDN to review the employment land need requirements in the plan area and to support a comprehensive review of the 2017 EDNA by Hardisty Jones

Associates.

3.43 The report again considers that Torbay sits outside of the Greater Exeter Area but notes that residents of Torbay provide labour associated with employment provision and opportunities in Teignbridge.

i) Great Exeter Economic Development Needs Assessment (January 2023)

3.44 Further to market input from JLL, Hardisty Jones Associates produced an updated EDNA for Greater Exeter in January 2023. The conclusions of the 2017 EDNA in respect of the relationship between Torbay and the Greater Exeter area were carried forward, noting the clear relationship between the edges of Torbay and Teignbridge, but still concluding that Torbay sits outside the Greater Exeter Functional Economic Market Area.

j) Heart of the South West LEP Strategic Economic Plan (2014)

3.45 Torbay forms part of the Heart of the South West LEP and is identified as one of the main urban areas, together with Plymouth, Exeter and Taunton. These urban areas are identified as playing *"a crucial role in driving economic development, forming a growth corridor along strategic transport routes, and bringing together plans for employment, housing and infrastructure"* (p.4).

3.46 According to the Strategic Economic Plan (SEP), the average GVA per head across the LEP area in 2012 was £16,318. The figure for Torbay was the lowest of the whole LEP area at £13,080 per head. The highest GVA per head was in Plymouth at £17,579.

3.47 The SEP sets out the strategy for the future economic growth of the LEP, including identifying key growth sectors. The strategy sets out the LEP's ambitions for developing technical and higher level skills, creating and attracting higher value jobs and enhancing innovation; an area where the LEP is currently underperforming.

3.48 In particular reference to Torbay, the SEP highlights a high-tech, electronic and photonic cluster, and expertise in clinical trials and healthcare which provides the potential base for a medical devices and healthcare cluster. The port of Brixham is identified as the largest port in England in terms of value of catch, worth £27m in 2012.

k) Heart of the South West LEP Productivity Strategy (2018)

3.49 The LEP Productivity Strategy sets out the LEP's long-term ambition and approach to raising productivity, with a focus on leadership and ideas; housing, connectivity and infrastructure; and learning and skills.

3.50 The Strategy identifies potential growth sectors across the LEP area, including nuclear, aerospace and advanced engineering, marine, data analytics, and healthcare. Of particular reference to Torbay, the Strategy highlights the high-tech, electronic and photonics cluster and healthcare in Torbay as a 'golden opportunity'. The fishing industry in Brixham is also identified as a 'traditional sector strength'.

l) Heart of the South West LEP Inclusive Growth Report (2019)

3.51 The Inclusive Growth Report (2019) highlights particular issues of deprivation and poverty in Torbay which are significant challenges that need to be overcome in order to narrow the prosperity gap and help raise productivity.

3.52 In 2015, Torbay was identified as being the most deprived authority in the South West, and of the 55,000 children across Devon identified as being in poverty, nearly 6,000 of these were in Torbay (24% of all children in Torbay). Unemployment is low, however many job opportunities come from the low paid and seasonal tourism sector, meaning productivity and average wages are low. People living in the most deprived areas of Torbay have a life expectancy 14.1 years less than in the least deprived parts of Torbay.

3.53 Across Torbay, 45% of people in employment work part-time, compared to 32% across England as a whole. Torbay also ranks poorly in terms of professional occupations, which account for only 13.7% of the workforce (compared with a regional average of 19.3% and national average of 20.0%). Torbay also has a high number of self-employed skilled workers, mainly living in the more deprived areas.

m) Heart of the South West LEP Local Industrial Strategy (2020)

3.54 The Heart of the South West Local Industrial Strategy (LIS) identifies an economic output of £34.7 billion per year across the LEP, with circa 72,000 businesses operating in the area.

3.55 The LIS identifies particular opportunities for developing a green economy through engineering, digital and energy sectors. In order to support these sectors, the government and regional partners have recently made sizable investments in place-based resources and infrastructure, including three enterprise zone locations (Oceansgate in Plymouth, Gravity near Bridgwater, and in Exeter and East Devon), as well as innovation centres in Bridgwater (Energy), Yeovil (Aerospace), and Torbay (Electronics and Photonics).

3.56 Due to the ageing population in the Heart of the South West and the UK as a whole, the LIS identifies market potential for medical innovations both domestically and internationally. The Heart of the South West, together with Cornwall and the Islands of Scilly, might be used to develop and test innovative technologies in 'healthy ageing' by utilising the region's strengths in digital health applications. The Peninsula gives a unique chance to explore innovation in this area where population density is lower, and accessibility is more difficult due to its wide rural and coastal regions. Torbay is home to the Torbay & South Devon NHS Foundation Trust Digital Futures Lab which is one of the first Immersive Technologies research spaces.

3.57 The LIS also sets out an ambition to develop a Torbay Innovation Campus, bringing together Higher Education, Further Education and Local Authority partners to support electronics, photonics and marine sciences businesses.

4.0 DEFINING THE FUNCTIONAL ECONOMIC MARKET AREA

Key Points Summary

- The Torbay FEMA has been assessed in accordance with Planning Practice Guidance.
- The evidence presented in this section suggests that Torbay is broadly a self-contained FEMA, acknowledging some strong commuter links between Torbay and parts of neighbouring authorities, in particular Teignbridge.
- It is recommended that for plan-making purposes and to ensure a 'best fit' aligned to local authority boundaries, Torbay's economic market area is best represented as a single self-contained FEMA covering the local authority area of Torbay.

4.1 This section analyses the Functional Economic Market Area (FEMA) definition for Torbay with reference to its relationship with neighbouring administrative areas. This EDNA represents the most up-to-date analysis to establish the geography of the FEMA within the Torbay area. The assessment utilises the latest available data on migration and commuting from the 2021 Census (although noting the potential implications of the Covid-19 pandemic on the reliability of this data). While these datasets have been published for several years their contents are applied in the context of this study alongside other more recent information, where available.

a) Planning Practice Guidance

4.2 The PPG sets out that authorities should identify the FEMA within which their authority sits and provides the following guidance on how this should be undertaken:

> *"Since patterns of economic activity vary from place to place, there is no standard approach to defining a functional economic market area, however, it is possible to define them taking account of factors including:*
>
> *i. extent of any Local Enterprise Partnership within the area;*
> *ii. travel to work areas;*
> *iii. housing market area;*
> *iv. flow of goods, services and information within the local economy;*
> *v. service market for consumers;*
> *vi. administrative area;*
> *vii. catchment areas of facilities providing cultural and social well-being; and*
> *viii. transport network."*[8]

4.3 It should be noted that a FEMA is defined relative to each respective authority, and as such the Torbay FEMA that is defined below should not prejudice the FEMAs that have previously or may subsequently be defined by Torbay's neighbouring authorities, nor any other authority with which Torbay has an economic relationship, as part of their respective plan-making processes.

[8] Paragraph: 019 Reference ID: 61-019-20190315

b) Existing Evidence and Previous Studies

4.4 As the starting point for defining the FEMA, we have undertaken a review of the existing economic evidence base for Torbay and the surrounding authorities to identify the existing functional economic links to Torbay, a summary of which is set out in Table 1.

4.5 These identify a number of economic linkages between Torbay and surrounding authorities; however, none identify Torbay as sitting within any other FEMA covering adjoining authorities.

Table 1 Summary of Previous FEMA Definitions

Area	Document	FEMA Definition
Greater Exeter (East Devon District Council, Exeter City Council, Mid Devon District Council, Teignbridge District Council, Devon County Council and Dartmoor National Park Authority)	Greater Exeter Economic Development Needs Assessment (2017)	The EDNA (2017) report states the working definition of the FEMA for Greater Exeter is that area covered by East Devon, Exeter City, Mid Devon and Teignbridge. The report notes that the boundary is less clear between Newton Abbot and Torbay, with strong commuting flows between the two. However, it is concluded that there is evidence of self-containment within much of Torbay which supports the case that it is functionally distinct from Greater Exeter.
	Greater Exeter Economic Development Needs (JLL, 2022)	The EDN considers that Torbay sits outside the Greater Exeter area but notes that there are some commuter links between Torbay and Teignbridge.
	Greater Exeter Economic Development Needs Assessment (2023)	The EDNA (2023) carries forward the conclusions of the 2017 EDNA, highlighting a clear relationship between the edges of Torbay and Teignbridge, but still concluding that Torbay sits outside the Greater Exeter FEMA.
West Devon Borough Council, South Hams District Council and Plymouth City Council	Joint Local Plan (2019)	The Joint Local Plan (2019) states that three authorities, Plymouth, West Devon and South Hams, together form a single self-contained FEMA.
Torridge District Council	North Devon and Torridge Local Plan 2011-2031 Topic Paper: Economic Strategy and Delivery (2016)	The Economic Strategy and Delivery (2016) report stated that Northern Devon is entirely contained within the North Peninsula Functional Economic Zone identified in the former Regional Economic Strategy.

Area	Document	FEMA Definition
Cornwall Council	Cornwall Employment Land Review (2010)	The Employment Land Review (2010) report states that Cornwall is a self-contained FEMA.
Heart of the South West LEP	Heart of the South West LEP Strategic Economic Plan (2014)	The SEP (2014) baseline evidence identifies seven overlapping 'Functional Activity Zones' (FAZs) in the LEP area. The 'South Central' area is identified as the area including Exeter, Plymouth and Torbay. Unlike some areas, Torbay is only identified as being within a single FAZ.

c) Wider Economic Geography – Local Enterprise Partnership

4.6 Torbay forms part of the Heart of the South West LEP, which also covers the administrative areas of Plymouth, Somerset and Devon. It is home to 1.7 million people and whilst 91% of the area is considered to be rural, over 40% of the population lives in cities and urban areas. Torbay forms one of these key urban areas, along with Plymouth, Exeter and Taunton.

d) Transport and Infrastructure Connections

4.7 Torbay is on the mainline rail network, with regular direct train services between Torbay (Paignton, Torquay and Torre stations) and Exeter / Exmouth to the north. There are also daily direct services to and from London Paddington and Birmingham and the north. Services to the south west and more frequent services to the north and London can be accessed from nearby Newton Abbot or Totnes stations. However, line capacity is limited and there is not a corresponding regular local service to call at all the intermediate stations along the route (Heart of the South West LEP SEP, 2014).

4.8 The A380 runs north-south through Torbay to the west of Torquay and Paignton, linking Torbay with Exeter and the M5 to the north. The section of the A380 that bypasses Kingskerswell, known as the South Devon Expressway, was completed in 2015. The A385 links Paignton with Totnes and the A38 to the west. The A38 then provides connections to Plymouth and the wider south west.

4.9 Torbay is served by a commercial bus network with regular services operating throughout Torquay, Paignton and Brixham. Services are currently operated by Stagecoach and Country Bus Devon.

e) Travel to Work Areas and Commuting Patterns

4.10 The Office of National Statistics (ONS) publishes Travel to Work Areas (TTWAs), the latest TTWAs were published in 2015 and are based on commuting data from the 2011 Census. The TTWAs aim to identify self-contained labour market areas in which the majority of commuting occurs within the boundary of the area. Origin-destination data from the 2021 Census has now been published, although updated TTWAs based on these updated commuting flows have not yet been published (and it is unclear whether they will be, due to caveats around the reliability of the data due to the impact of Covid-19).

4.11 The 2015 TTWAs were developed as approximations to self-contained labour markets, i.e.

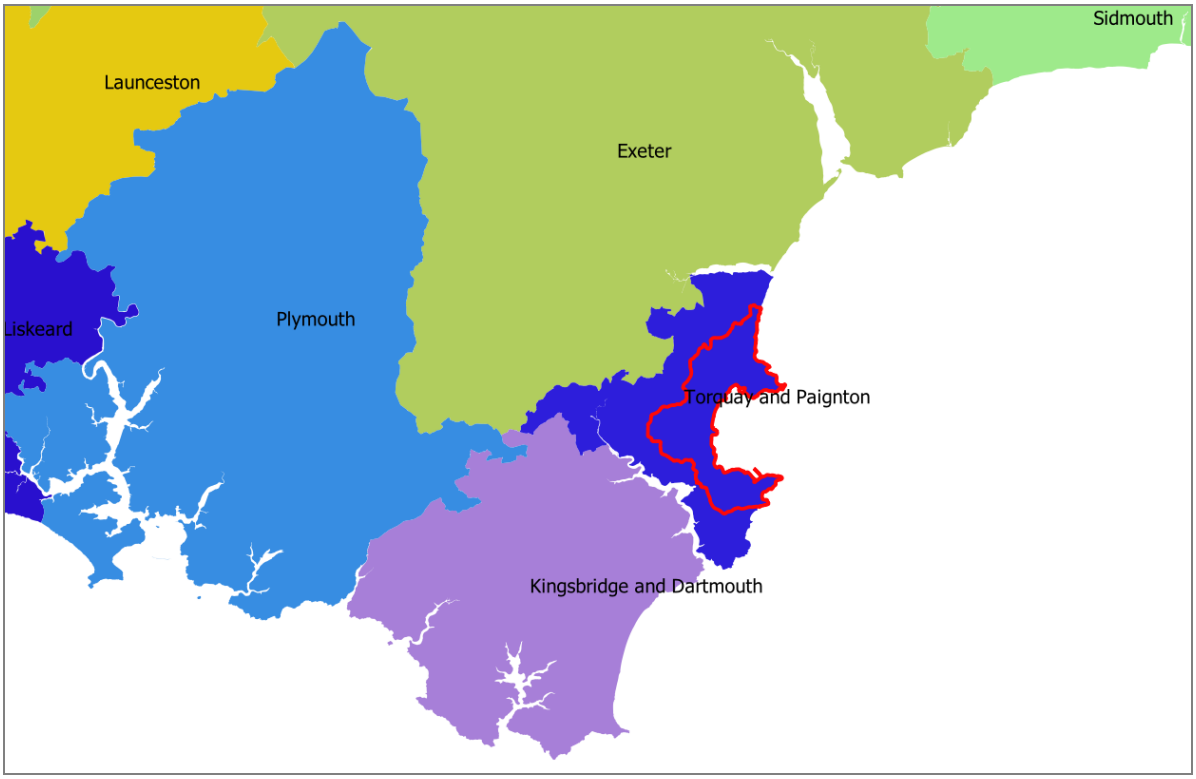
areas where most people both live and work. As such they are based on a statistical analysis rather than administrative boundaries.

4.12 In terms of self-containment rates ONS's notional target for a Travel to Work Area is for at least 75% of an area's resident workforce to work in the area and at least 75% of the people who work in the area to also live in the area. However, for areas where the working population is in excess of 25,000, self-containment rates as low as 66.7% were accepted.

4.13 Using this approach ONS have identified a network of 228 TTWAs covering the country. However, it should be recognised that in practice it is not possible to divide the UK into entirely separate labour market areas as commuting patterns between areas are too diffuse.

4.14 The TTWAs (derived from 2011 Census data) covering Torbay and the surrounding areas are shown in Figure 1. This identifies a single 'Torquay and Paignton' TTWA that covers the entire Torbay local authority area (bordered in red) and also extends beyond Torbay into surrounding areas. This indicates that the TTWA for Torbay is not fully self-contained.

Figure 1 Travel to Work Areas



Source: ONS Census 2011

4.15 The commuting flow data and commuter patterns from both the 2011 and 2021 Censuses have been analysed in further detail below. This analysis shows the extent to which TTWAs overlap, as well as the strength of flows within a TTWA.

4.16 The tables below indicate that in 2011, the greatest in-commuting flows into Torbay were from neighbouring Teignbridge, representing 55% of all in-commuters, followed by South Hams (22%) and Plymouth (8%). The greatest out-commuting flows were from Torbay to Teignbridge (41%) followed by South Hams (21%) and Exeter (17%).

Table 2 Torbay In-Commuting Flows 2011 (Top Ten Authorities)

Place of Residence	Working in Torbay	Total Movements: 8,591
Teignbridge	4,736	55%
South Hams	1,896	22%
Plymouth	675	8%
Exeter	385	4%
East Devon	161	2%
Cornwall, Isles of Scilly	86	1%
Mid Devon	84	1%
West Devon	40	0.5%
North Somerset	23	0.3%
North Devon	18	0.2%
Taunton Deane	18	0.2%

Source: ONS Census (2011)

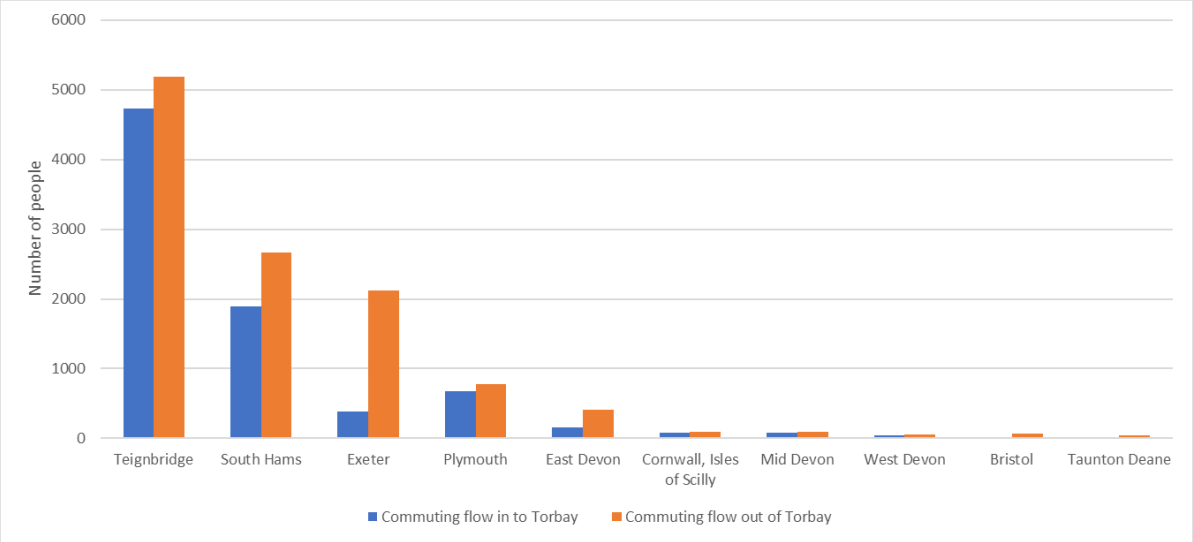
Table 3 Torbay Out-Commuting Flows 2011 (Top Ten Authorities)

Place of Work	Living in Torbay	Total Movements: 12,795
Teignbridge	5,192	41%
South Hams	2,668	21%
Exeter	2,127	17%
Plymouth	784	6%
East Devon	415	3%
Cornwall, Isles of Scilly	99	1%
Mid Devon	91	1%
Bristol	65	1%
West Devon	60	0.5%
Westminster, City of London	59	0.5%
Taunton Deane	42	0.3%

Source: ONS Census (2011)

4.17 Using the data from Table 2 and Table 3, a comparison of in-commuting and out-commuting flows based on 2011 Census data is shown in Figure 2 below. This shows that there is a net out-commuting ratio, in which the total flow of commuters out of Torbay to neighbouring authorities is greater than the flow of commuters into Torbay from neighbouring authorities. Of the individual authorities, the greatest net out-commuting flow is with Exeter in which there are 1,742 more people who commute from Torbay to Exeter than commute from Exeter to Torbay.

Figure 2 In-commuting and out-commuting flows to and from Torbay



Source: ONS Census (2011)

4.18 The completion of the South Devon Expressway in 2015 has improved connectivity between Exeter and Teignbridge and Torbay to the south. Evidence gathered from consultees to inform the Greater Exeter Economic Development Needs Assessment (HJA, 2017) indicates that *"this is more likely to draw commuters from Torbay into Exeter than it is to attract commuters from Greater Exeter into Torbay"* (paragraph 2.3.7). The potential impact of this new infrastructure on commuting flows is considered in Table 4 containing data from Census 2021 compared with Census 2011 data. It is however important to caveat that this data may be skewed by the impact of the Covid-19 lockdowns which led to increased working from home.

Table 4 Commuting Flows – 2011 versus 2021

	2011		2021	
	People	**% of Total Working in LA**	**People**	**% of Total Working in LA**
Live and work in Torbay	32,308	61%	25,108	45%
Home Workers	7,035	13%	23,058	41%
No-Fixed Place	5,076	10%		
In-Commute to Torbay	8,569	16%	8,011	14%
Out-Commute from Torbay	12,795		10,556	
Total Working in Torbay	52,988		56,177	
Total living in Torbay (and working)	57,214		58,722	
Net Commuting Outflow	4,226		2,545	
Commuting Ratio	1.080		1.045	

Source: ONS Census (2021)

4.19 The above table shows that whilst there was a slight increase in the total number of people living in Torbay (and working) between 2011 and 2021, the overall commuting ratio decreased slightly indicating a slightly lower net outflow of workers from Torbay to other authorities in 2021 than in 2011. This is however likely to be significantly influenced by Covid-19 and the fact that the number of people 'home working' or with 'no fixed place of

work' increased from 12,114 in 2011 to 23,058 in 2021. For the purposes of analysing commuter flows it is likely that, although somewhat dated, the 2011 Census data provide a more reliable representation of commuter flows than the 2021 Census data which is potentially skewed by the impacts of Covid-19. The 2011 commuter flows have therefore been analysed in further detail below for the purposes of calculating commuter self-containment rates.

f) Self-Containment Rates

4.20 The commuting self-containment rates are shown in the table below. Self-containment can be calculated in two ways:

- Resident self-containment – the proportion of working residents in an area who also work within that area;
- Workplace self-containment – the proportion of workers in an area who also live within that area.

4.21 According to the 2011 Census data, there were 32,308 people who both lived and worked in Torbay. This is out of a total 45,103 residents in the authority who work, representing a total resident self-containment rate of 72%. According to the 2011 Census there were also 40,899 people working in the authority, representing a total workplace self-containment rate of 79%. The self-containment rates for Torbay therefore exceed the ONS notional target of 66.7% for areas with a working population greater than 25,000.

4.22 Table 5 below sets out the commuting self-containment rates for Torbay and its surrounding authorities.

Table 5 Commuting Self-Containment Rates

Local Authority	Resident Self-Containment	Workplace Self-Containment
Torbay	72%	79%
Teignbridge	54%	67%
South Hams	53%	47%
Plymouth	79%	75%
Exeter	78%	50%
East Devon	59%	68%
Cornwall, Isles of Scilly	90%	94%
Mid Devon	52%	72%
West Devon	54%	67%

Source: SPRU analysis of 2011 Census data

4.23 The authorities immediately adjoining Torbay (Teignbridge and South Hams) when considered individually both have relatively low self-containment rates, indicating that the FEMAs of Torbay and its neighbouring authorities are likely to overlap to some degree.

4.24 When considering the combined self-containment rates of Torbay and each of its individual neighbouring authorities, the following Table 6 shows that the resident and workplace self-containment rates increased the most when Torbay is combined with South Hams and Teignbridge respectively.

Table 6 Commuting Self-Containment Rates between Test Valley and Neighbouring Authorities

Local Authorities		Excluding Torbay		Including Torbay		Change	
		Resident Self-Containment	Workplace Self-Containment	Resident Self-Containment	Workplace Self-Containment	Resident Self-Containment	Workplace Self-Containment
1	Torbay			72%	79%		
2	Teignbridge	54%	67%	74%	86%	20%	19%
3	South Hams	53%	47%	71%	71%	18%	24%
4	Plymouth	79%	75%	78%	77%	-1%	2%
5	Exeter	78%	50%	77%	63%	-1%	13%
6	East Devon	59%	68%	66%	74%	7%	6%
7	Cornwall, Isles of Scilly	90%	94%	86%	91%	-4%	-3%
8	Mid Devon	52%	72%	64%	77%	12%	5%
9	West Devon	54%	67%	67%	76%	13%	9%

Source: SPRU analysis of 2011 Census data

4.25 The effect of individually combining Torbay with Plymouth, Exeter and Cornwall results in a decrease in the overall self-containment rates, indicating a weaker commuting relationship between Torbay and these authorities.

4.26 The effect of combining Torbay with both Teignbridge and South Hams results in a resident self-containment rate of 75% and a workplace self-containment rate of 82%.

4.27 The effect of combining Torbay with Teignbridge results in an increase in both resident and workplace self-containment rates than the rates of self-containment within Torbay alone. However, combining Torbay and South Hams results in an overall decrease in the rate of self-containment within Torbay alone. This indicates that the commuter links are stronger between Torbay and Teignbridge than between Torbay and South Hams.

4.28 Based on the assessment of commuter links, it is considered reasonable to suggest that whilst the rates of self-containment within Torbay itself are sufficiently high enough to meet the minimum threshold for being defined as a self-contained travel to work area (i.e. 66.7%), the analysis also indicates significant commuter links between Torbay and Teignbridge, and to a lesser extent South Hams.

g) Conclusions

4.29 This assessment to define the FEMA has considered a wide range of existing evidence and data. The key findings for each element considered are summarised below:

- **Commuting –** Torbay has a level of commuting self-containment above the minimum threshold for justifying a standalone TTWA. The commuting self-containment rates of Torbay and its neighbouring authorities increases by the greatest amount above the standalone self-containment rate when Torbay is combined with Teignbridge.
- **Transport Links** – There are generally good public transport links within Torbay itself, and moderately good links to nearby Newton Abbot (Teignbridge) and Totnes (South Hams) stations. The South Devon Expressway improved highway connections and reduced travel times between Torbay and Teignbridge and Exeter to the north.
- **Evidence from other areas –** Previous studies have identified Torbay as falling outside and being functionally distinct from the Greater Exeter FEMA but noting some strong commuter flows between Torbay and parts of Teignbridge in particular.

4.30 The evidence presented in this section suggests that whilst Torbay is not a wholly self-contained functional economic market area, having some strong commuter links to parts of neighbouring Teignbridge in particular, for the purposes of plan-making the guidance recommends identifying a 'best fit' FEMA which is as far as possible aligned to local authority boundaries. Therefore, whilst Torbay's commuter links with Teignbridge (and to a lesser extent South Hams and Exeter) are acknowledged, it is recommended that Torbay's FEMA is considered to be broadly self-contained and aligned to the local authority boundary.

5.0 ECONOMIC BASELINE

Key Points Summary

- The local economy in Torbay currently supports total employment of around 50,340 jobs (BRES, 2022) (48,500 Full-Time Equivalent jobs).
- Torbay has a reasonably diverse economy with particular sectoral strengths in services, health and hospitality.
- The labour productivity in Torbay (GVA per hour worked) is below that of the South West region as a whole.
- The overall CAGR of Torbay (1998-2021) shows a similar performance to that of Devon and the South West, although the rate of post-2008 financial crash recovery in Torbay was comparatively slower.

5.1 This section provides a baseline assessment of the local and regional economic dynamics and characteristics of Torbay's economy and labour market.

a) Productivity (GVA)

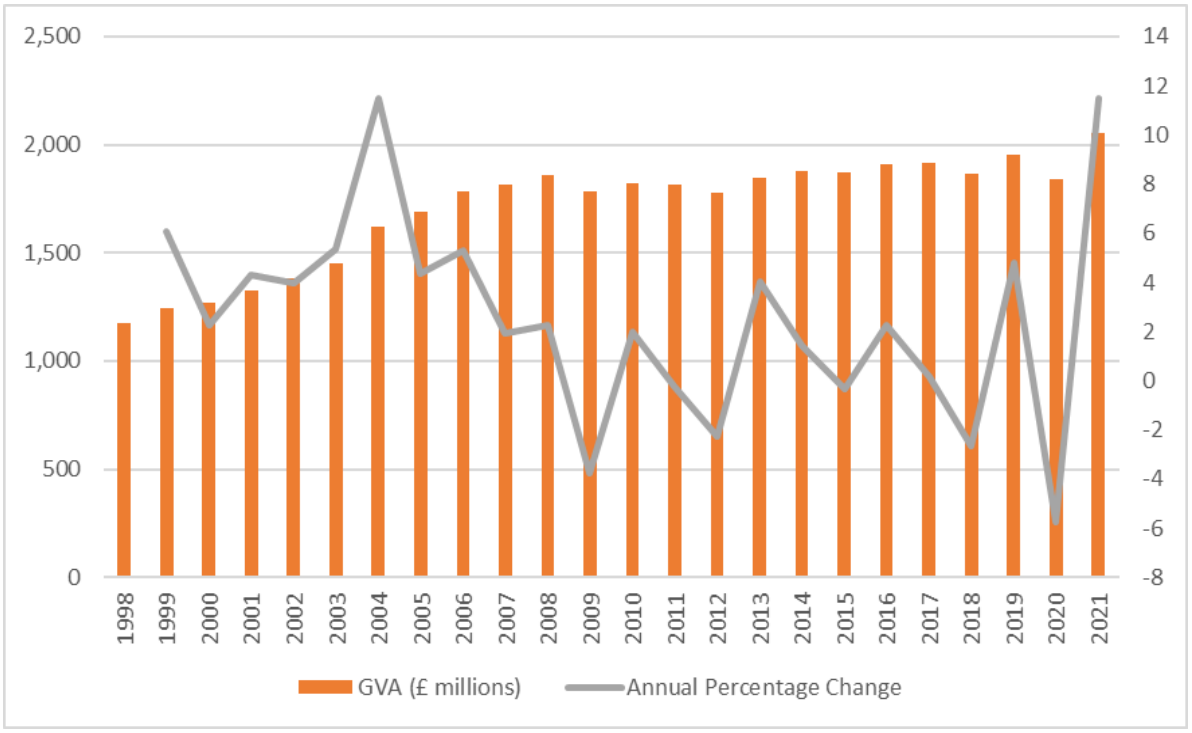
5.2 The Gross Value Added (GVA) is a measure of the increase in the value of the economy due to the production of goods and services. In 2021, the GVA of Torbay was £1,844 million and the wider Heart of the South West LEP was valued to be £28,660 million. Output measured by GVA for Torbay accounts for around 1.50% of total generated within the wider South West region.

5.3 Analysis in this section principally takes account of official published ONS measurements of GVA to 2021. The most recent release captures the impacts of the Covid-19 pandemic upon the economy at a national, regional and local level and reflects the disproportionate short-term impacts within certain sectors such as hospitality. The wider study addresses the extent to which the impacts arising from the Covid-19 pandemic are likely to have affected prospects for economic development, including analysis to demonstrate the extent to which short-term impacts are captured in the assumptions of the relevant econometric forecasting houses. Presentation of the 2019 data has been retained to provide a reflective and accurate overview of longer-term trends in output that is not unreliably skewed by effects related to the pandemic.

5.4 The Heart of the South West LEP's GVA rose steadily between 1998 and 2007 and fluctuated (with a slowing in the overall rate of growth) between 2008 and 2010. The most recent pre-Covid-19 five-year period (2014 to 2019) has seen a return to higher rates of annual growth in the measure of GVA.

5.5 GVA for the local economy within Torbay has shown similar trends over the period 1998 to 2017 with the regional average and has seen year on year growth from 1998 to 2008. Growth since 2015 has remained broadly static. Significantly, the most recent five-year period has recorded an overall growth in GVA in Torbay, with a noted drop in 2020 recorded and aligned with the Covid-19 pandemic and the contribution that the service and hospitality sector make to Torbay's economy.

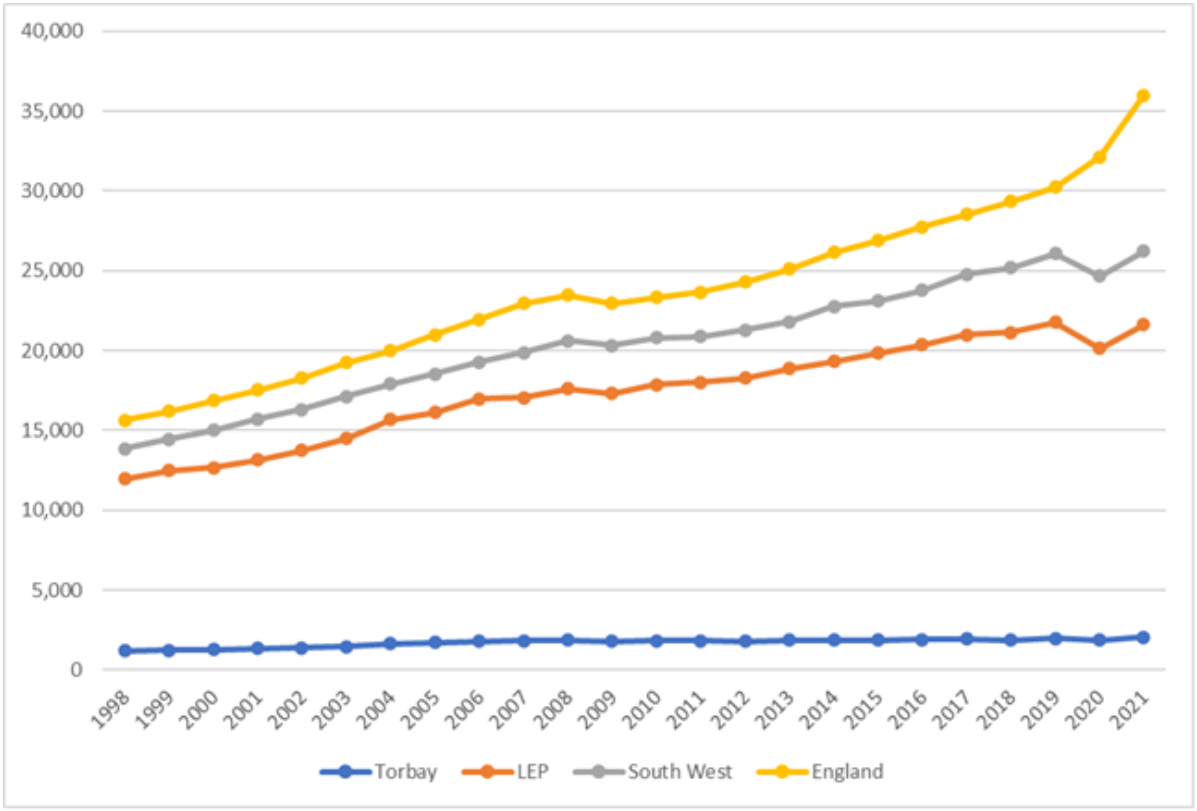
Figure 3 Historic Trends in Total GVA in Torbay



Source: ONS

5.6 Considering the GVA per head of population, Figure 4 reflects the most recent data that report local authorities by International Territorial Level (ITL) and Torbay within the South West. Torbay demonstrates a GVA per head that is lower than the national rate and also lower than the South West average.

Figure 4 GVA per head of population (balanced approach) (£ per head)



Source: ONS

5.7 As this measure is calculated against total resident population estimates the output is sensitive to the impact of the total non-working population (i.e., retired, unemployed, students and school-age persons) relative to the size of the population contributing to economic output. This large older persons/retired population in Torbay significantly affects this indicator.

5.8 Considering labour productivity (GVA per hour worked) as an alternative measure overcomes some of the apparent anomalies in the 'GVA per head' figures shown above when comparing Torbay's economic performance to that of the wider region. The 'GVA per hour worked'[9] for Torbay in 2021 was £22.5. The 'GVA per hour worked' index figure for Torbay was 66.5, which means that Torbay's labour productivity was 33.5% lower than the UK average in 2021. This is a 8.8% reduction from an index of 75.3 in 2004. The 'GVA per hour worked' index figure for the South West in 2021 was 89.8, indicating a lower labour productivity in Torbay than the region as a whole.

5.9 Recent increases in comparative GVA per head have been most significant in Exeter. This indicates that overall, the Devon area is likely to have trended closer to the regional average in terms of £GVA per head although changes have not been evenly spread across the constituent authorities. All authority groupings have seen stronger performance in £GVA per head than Torbay since 2015.

5.10 With regard to historical growth rates of GVA, Torbay demonstrated a positive growth rate prior to the ten-year period preceding the 2008-2010 financial crisis, with a notable dip in 2009, this growth did not however exceed the regional average. During the period of the

[9] Subregional productivity: labour productivity indices by local authority district (ONS, 2023)

financial crisis and initial recovery to 2013 rates of economic growth in Torbay were more sharply affected in comparison to the LEP area and South West area as a whole, which both demonstrated strong growth rates after the financial crash. Notwithstanding some improvement relative to comparators between 2018 and 2019 the compound annual growth rate (CAGR) of the GVA measure has remained below LEP and South West averages.

5.11 The overall CAGR of Torbay (1998-2021) shows a similar performance to that of Devon and the South West, with a notable difference between the pre and post financial crash GVA growth rates in Torbay. Torbay has clearly recovered at a slower pace than Devon, the South West and England as a whole.

Table 7 GVA past growth rates

	CAGR 1998-2008	CAGR 2008-2013	CAGR 2013-2021	CAGR 1998-2021
Torbay	4.3%	-0.1%	1.2%	2.4%
Devon	3.6%	1.1%	1.5%	2.5%
South West	3.7%	0.9%	2.6%	2.7%
England	4.77%	2.15%	3.33%	3.71%

Source: ONS

b) Business Demography

5.12 Torbay demonstrates a relatively small proportion of large businesses. Just 0.35% of businesses in the district have 250+ employees but the percentage of large employers is above the Heart of the South West LEP average which is 0.26% (0.38% in England). The proportion of medium sized businesses with between 50 and 249 employees is also marginally higher than business demography in the LEP (1.67% vs. 1.43%). In contrast to this the number of micro businesses with fewer than 10 employees are comparable to regional and sub-regional averages for the LEP area comprising 88.03% of all enterprises (3,680 of 4,180). The district is slightly over-represented in terms of the profile of small enterprises of between 10 and 49 employees (9.8%).

5.13 A series of neighbouring authorities have been added to Table 8 to illustrate the comparative number and relative proportion of businesses by size composition. This indicates that in absolute and relative terms the extent of medium and large businesses is substantially below that within large urban centres such as Exeter, but compared with other nearby districts businesses in Torbay are comparatively slightly larger. Although the other comparator authorities identified have higher proportions of micro-businesses the characteristics of these are not necessarily identical particularly in terms of the higher proportion of agricultural sector micro-businesses within predominantly rural areas.

5.14 Approximately 5 of the 15 large businesses recorded in official estimates for Torbay are within the Hospitality sector (33% of the total) demonstrating the relative importance of individual employers within this sector and likely associated with the role of the tourism sector together also providing for around 21% of medium-sized businesses.

5.15 In terms of small enterprises Torbay has a relatively smaller proportion of enterprises in sectors relating to Manufacturing relative to the LEP and regional average but a comparable or slightly stronger than average profile across a range of professional and services sectors. Broadly speaking, the breakdown of sectors in Torbay aligns very closely with the LEP.

5.16 For medium-sized enterprises the pattern is similar together with the finding of a higher proportion of these businesses within the Accommodation, and a lower proportion in Manufacturing and Transport against the LEP average.

Table 8 Business Composition

	Micro (0 to 9)	Small (10 to 49)	Medium-sized (50 to 249)	Large (250+)	Total
Torbay	3,680 (88.1%)	410 (9.2%)	70 (1.7%)	15 (0.36%)	4,175
Exeter	3,850 (85.8%)	495 (11.0%)	120 (2.7%)	25 (0.6%)	4,490
Heart of the South West	66,435 (89.5%)	6,550 (8.8%)	1,060 (1.4%)	195 (0.3%)	74,240
Teignbridge	5,205 (88.5%)	570 (9.7%)	95 (1.6%)	10 (0.2%)	5,880
East Devon	6,035 (89.6%)	600 (8.9%)	90 (1.3%)	10 (0.2%)	6,735
Mid Devon	4,145 (92.2%)	310 (6.9%)	35 (0.8%)	5 (0.1%)	4,495
England and Wales (%)	89.5%	8.5%	1.5%	0.4%	100%

Source: ONS

5.17 The above data highlight that relatively small differences in business counts amongst certain types and size of enterprise across the areas assessed, which can mask large differences in total employment and therefore the overall average employment by business and sector. Table 9 has been compiled to provide for a finer-grained view of how the differences in the business profile may reflect the characteristics of individual sectors and potential implications for future trends.

Table 9 Number of Businesses by Sector

Industry	Torbay	Exeter	Teignbridge	East Devon	Mid Devon
1 : Agriculture, forestry & fishing (A)	105	70	680	1,000	1,310
2 : Mining, quarrying & utilities (B,D and E)	15	25	30	40	25
3 : Manufacturing (C)	195	205	370	330	265
4 : Construction (F)	685	620	905	980	595
5 : Motor trades (Part G)	135	135	245	230	150
6 : Wholesale (Part G)	395	145	215	200	155
7 : Retail (Part G)	195	340	390	540	225
8 : Transport & storage (inc postal) (H)	545	235	215	260	165
9 : Accommodation & food services (I)	145	300	450	475	200
10 : Information & communication (J)	70	285	225	255	140
11 : Financial & insurance (K)	175	130	95	95	45
12 : Property (L)	475	245	245	245	110
13 : Professional, scientific & technical (M)	315	725	715	715	400
14 : Business administration & support services (N)	5	345	445	445	260
15 : Public administration & defence (O)	5	10	35	35	35

Industry	Torbay	Exeter	Teignbridge	East Devon	Mid Devon
16 : Education (P)	75	105	90	90	60
17 : Health (Q)	205	250	210	210	115
18 : Arts, entertainment, recreation & other services (R,S,T and U)	300	315	330	330	245
Total Business Count	**4,180**	**4,490**	**5,885**	**6,730**	**4,500**

Source:ONS; BRES; SPRU Analysis

5.18 There are notable differences between Torbay and the wider search area in terms of the number of businesses in the Wholesale, Construction, Transport and Storage and Property sectors. This indicates that the total employment and output of local economies from many businesses is predominantly a function of the concentration of activity and with some minor differences in terms of the scale of enterprise (e.g., differences between retail and financial services within urban and rural areas).

5.19 In terms of forecast changes in employment and the characteristics of jobs growth the existing profile for Torbay would suggest that in many cases this would be absorbed within sectors as a result of the growth in existing small and medium employers or as a result of new enterprise. Exceptions to this include scope for continued employment growth within existing major employers (particularly in Accommodation) but overall, this is within the context of a limited profile of large enterprise. It is, however, the case that large-scale investment or expansion of existing businesses could generate significant changes in the average employment by enterprise as a result of the activity within individual businesses or sectors.

c) Sectoral Breakdown

5.20 Analysis of Business Registration and Employment Survey (BRES[10]) data has been undertaken to identify the sectoral breakdown of businesses in Torbay.

5.21 The local economy currently supports total employment[11] of around 50,340 jobs (BRES, 2022) (48,500 Full-Time Equivalent jobs). Table 10 shows that the top two employment sectors for Torbay are Health (23.84%) and Accommodation (17.88%). Wholesale & retail Trade and Education are the next two highest proportions, being 14.9% and 9.9% respectively[12].

[10] Source: https://www.nomisweb.co.uk/ released October 2023, providing reported annual totals for 2009 to 2022. All figures within this report use the variable for 'Total Employment'.

[11] Total Employment: Figure inclusive of employees plus the number of working owners. BRES therefore includes self-employed workers as long as they are registered for VAT or Pay-As-You-Earn (PAYE) schemes. Self-employed people not registered for these, along with HM Forces and Government Supported trainees are excluded. Working owners are typically sole traders, sole proprietors or partners who receive drawings or a share of the profits.

[12] BRES data for 2022 using total employment by broad industrial groups (2007 Standard Industrial Classification.

Table 10 Composition of Employment, Torbay

Industry	Number	%
1: Agriculture, forestry & fishing (A)	175	0.3
2: Mining, quarrying & utilities (B,D and E)	500	1.0
3: Manufacturing (C)	2,000	4.0
4: Construction (F)	2,000	4.0
5: Motor trades (Part G)	500	1.0
6: Wholesale (Part G)	1,500	3.0
7: Retail (Part G)	6,000	11.9
8: Transport & storage (inc postal) (H)	1,250	2.5
9: Accommodation & food services (I)	9,000	17.9
10: Information & communication (J)	600	1.2
11: Financial & insurance (K)	500	1.0
12: Property (L)	800	1.6
13: Professional, scientific & technical (M)	3,000	6.0
14: Business administration & support services (N)	2,500	5.0
15: Public administration & defence (O)	1,500	3.0
16: Education (P)	5,000	9.9
17: Health (Q)	12,000	23.8
18: Arts, entertainment, recreation & other services (R,S,T and U)	2,400	4.8
Column Total	**50,340**	**100.0**

Source: Business Register and Employment Survey (2022)

6.0 COMMERCIAL MARKET SIGNALS

Key Points Summary

- Stakeholder engagement identified that Torbay has generally under-performed against regional and national employment markets.
- Whilst there is comparatively lower demand for office floorspace, there is particular demand for small-medium size industrial units (1,000-20,000 sqft) with demand being mostly in engineering/manufacturing sectors. There is some local demand for larger B8 units with limited availability of units in the 40,000-100,000sqft range. There is also a need for 'grow on' space to support existing businesses and to promote continued growth of specialist sectors (e.g. photonics).
- Access to the strategic road network and skilled labour force is a key prerequisite for most occupiers.
- Viability is often an issue, particularly for bringing forward employment allocations within residential schemes.
- Recent successful Levelling Up Funding bids include an award of £20m towards a proposal to extend Brixham harbour and fish market, including the delivery of an additional 7,000 sqm quayside and landing space (expected to deliver 150 new jobs), and £8m for an Electronics and Photonics Production Park providing new specialist production and manufacturing facilities at Torbay Business Park through a 2,040 sqm production centre (creating 175 new jobs) and unlocking 1.2 hectares of additional land (creating a further 100 jobs).
- Analysis shows a healthy office vacancy rate in Torbay of 11.7% and an industrial vacancy rate of 8.8%.

a) Qualitative Assessment of the Commercial Property Market

6.1 The analysis has been informed by stakeholder engagement with the neighbouring Local Authorities, Local Enterprise Partnership, business owners, commercial property agents and educational providers.

6.2 Informal interviews were undertaken via videocall with this wide range of stakeholders. These interviews were semi-structured around a number of themes, with the summary of feedback received, organised by theme, set out in the table below.

Table 11 Summary of Stakeholder Responses

Theme	Stakeholder Response Summary
Recent performance in commercial property market	Demand is strong for small-medium sized industrial units in particular. The EPIC Centre in Paignton is expected to be at full capacity by 2025 at the latest. Initial proposals are being developed for a Production Park facility to be located close to the existing EPIC Centre as an extension to this facility, however there are understood to be some issues related to viability of site

Theme	Stakeholder Response Summary
	delivery which have yet to be overcome. Within Torbay, the majority of enquiries and demand seems to originate from the Torquay side of the borough, rather than Paignton which is further from Exeter in terms of travel-to-work. However, this demand is different to the demand in 'specialist' sectors (such as photonics / med-tech) which prefer to agglomerate around EPIC in Paignton or Torbay Hospital in Torquay.
Types and size of premises most in demand by businesses by sector / location	Commercial occupiers require properties close to strategic road network. There is a strong market for small-medium sized industrial units in particular (10,000-20,000sqft) but there are few of these types of units available. Demand for these units is mostly in the engineering and manufacturing sectors. There is also demand for smaller speculative industrial units c.1,000sqft, including those with mezzanine/part mezzanine. Typical rents would be £185-190/sqft (+£20/sqft for units with mezzanines). New units of these types on development sites just outside Torbay (e.g. Newton Abbott / Kingskerswell) are in high demand. There is also some limited market demand for larger B8 units in Torbay, although there is low availability for units in 40,000-100,000sqft bracket. Again these would require good links to the strategic road network in order to be attractive to the market. There is also a question over whether B8 uses would meet local aspirations in terms of offering higher value jobs and whether these employment uses would provide the greatest uplift in land value. Demand for office floorspace in Torbay is very limited and rents are low – most demand is in Exeter. Mixed-use sites including office and residential uses can work well together, but there is often limited take-up or delivery of the office elements of these type of mixed-use schemes. The majority (90-95%) of enquiries received by the Council's Inward Investment team are from local companies based either in Torbay or in neighbouring authorities such as Teignbridge. The remainder of enquiries relate to targeted inward investment. Data provided by the Inward Investment team reveals that, as of November 2022, 13 'live' enquiries for employment floorspace in Torbay totalling around 17,000 sqm.
Gaps in provision of suitable premises	There is a need for 'grow on' space suitable for developing existing businesses, such as those currently located in EPIC. The high-tech manufacturing sector often has specialist accommodation requirements (e.g. clean rooms etc.), which may have cost implications.
Access to workforce and any skills gaps	Proximity to a skilled labour force, or the ability for existing staff to relocate, is key – particularly for high-tech manufacturing sectors. Stakeholders also noted issues with housing the

Theme	Stakeholder Response Summary
	labour force locally, particularly those who have moved into the area from overseas for work and require affordable accommodation. Torbay to Newton Abbott is a key commuter corridor with significant employment development along this route (in Teignbridge), including land at Oak Tree Park. Commuting times into and out of Torbay can be fairly long. South Devon College has well established links with local businesses for the purposes of offering apprenticeships and placement opportunities. The College is also developing new courses in high-tech manufacturing and photonics which will help to develop skills in these sectors. The college has also secured funding from Innovate UK to deliver skills training related to semi-conductors. A Local Skills Improvement Plan Report for Devon & Somerset was published in August 2023. This plan sets out a programme of support for developing local skills, although funding for such projects is limited.
Potential strengths / opportunities for business growth in Torbay	The Council's key growth aspirations include the microelectronics/photonics, digital and med-tech sectors with an emphasis on the need to be aspirational. There is an aspiration within the Council to grow Research & Development and innovation support packages to help drive new sectors and encourage greater inward investment. The Council is developing an accelerator programme through the UK Shared Prosperity Fund, which will include a business support programme to target innovation and the acceleration of growth in Torbay-based businesses[13]. It is also understood that opportunities are being investigated for bringing forward employment land in the Brixham harbour area, including proposals to enhance the value added of the catch through increased processing. However there are questions over the extent to which there would be demand for employment floorspace in this location (fishing is the primary employment sector currently).
Potential barriers / threats for business growth in Torbay	There is debate amongst local property agents as to whether employment sites are best delivered alongside housing, or whether this is a barrier for development as it is often not viable for delivery and marketing evidence required to demonstrate this can be onerous. Viability issues are understood to be preventing some of the existing employment land allocations and other new development opportunities from coming forward without investment, including infrastructure constraints (e.g., power supply). There is limited employment land in public ownership and future public sector funding/support is likely to be limited. There is a need for the right types of employment land to be

[13] https://www.impact-torbay.com/

Theme	Stakeholder Response Summary
	allocated in the right locations. There is also some market competition emerging from neighbouring authorities, such as Teignbridge (particularly around Newton Abbott) and Exeter, who are investing in employment land development. The Council is keen to establish the 'med-tech' sector as a cluster with links to Torbay Hospital via a similar model to EPIC (e.g. provision of incubator space from start-up businesses).

6.3 In addition to the above stakeholder responses, further evidence of demand for employment land in Torbay is reflected in the successful bids for Levelling Up Funding which have recently been awarded. This includes £20m towards a proposal to extend Brixham harbour and fish market, including the delivery of an additional 7,000 sqm quayside and landing space, which will allow an extra five fishing vessels to off-load simultaneously and includes the construction of two new auction halls, doubling the current capacity. It is anticipated that this scheme could increase the landed fish value by up to £20m per year within five years and create an additional 150 year-round jobs[14].

6.4 £8m Levelling Up Funding has also been awarded for an Electronics and Photonics Production Park providing new specialist production and manufacturing facilities at Torbay Business Park through a 2,040 sqm production centre which will accommodate the expansion of a local company, creating 175 new jobs and £18m GVA. It is also anticipated that the associated investment in infrastructure will unlock 1.2 hectares of land, enabling the development of a further 3,700 sqm of manufacturing and production space and creating an additional 100 jobs in the medium term[15].

6.5 Levelling Up Funding bids require a 'green book' appraisal which is based on evidenced demand. These successful bids therefore indicates that, as a minimum, there is locally-evidenced demand for additional floorspace in the fishing and photonics manufacturing sectors. Evidence of localised demand for employment floorspace is also reflected in data provided by the Council's Inward Investment team which shows that, as of November 2022, 13 'live' enquiries for employment floorspace in Torbay totalling around 17,000 sqm. These enquiries were primarily for industrial floorspace with ancillary offices or trade counters (11 enquiries totalling around 16,500 sqm). There was also one enquiry for a production lab with ancillary office (186 sqm) and one enquiry for retail floorspace with warehouse (500 sqm).

b) Quantitative Indicators of the Commercial Property Market

6.6 Table 12 below denotes the overall quantum of office and industrial floorspace in Torbay as shown by data from the Valuation Office Agency (VOA). The VOA data is divided into Office and Industrial uses which includes both B2 and B8 Use Classes as well as some units which fall under the more recently defined Use Class E under The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020.

[14] https://www.torbay.gov.uk/news/pr9023/
[15] https://www.torbay.gov.uk/news/pr9023/

Table 12 Torbay Total Commercial Floorspace (sqm)

	Floorspace 2023 (sqm)	% Increase 2000/01-2022/23	Net Increase (sqm) 2000/01-2022/23	Average Annual Increase (sqm) 2000/01-2022/23
Industrial	293,000	-7.85%	-23,000	-1,045
Office	96,000	25%	24,000	1,090

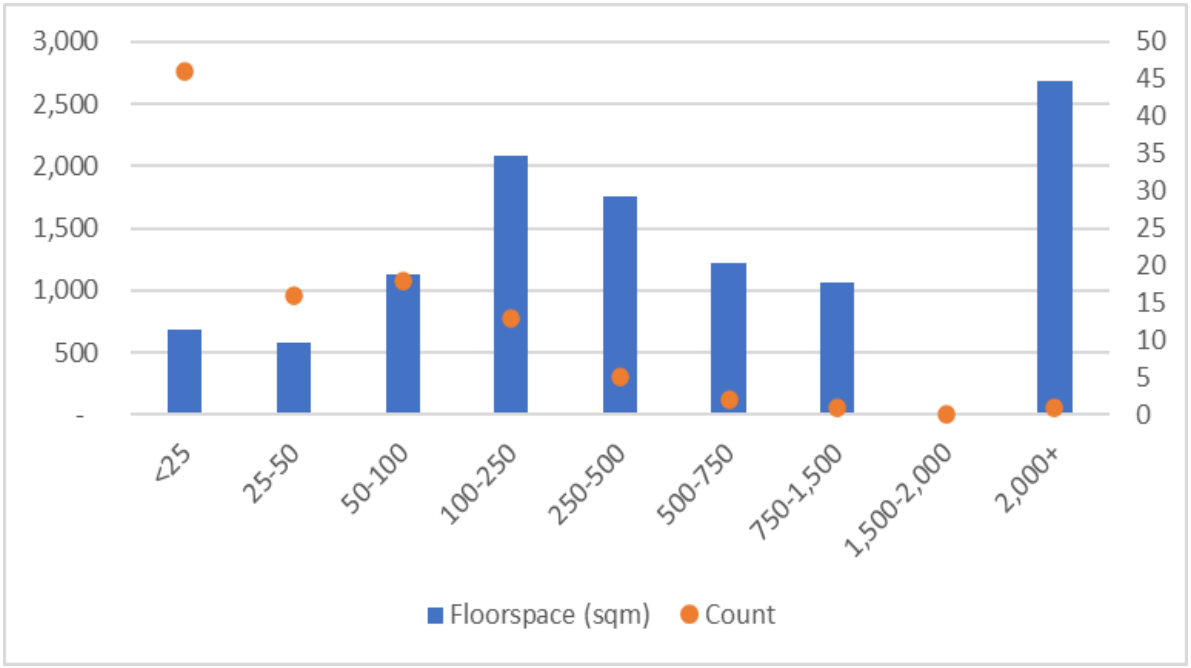
Source: VOA

i) *Office Vacancy Rate*

6.7 Figure 5 below presents analysis of the current vacant office stock in Torbay derived from a desk-based search. As shown in this figure, the majority of instances of vacant office units fall within smaller size ranges.

6.8 The data reveals that a substantial proportion of vacant office units, accounting for approximately 82% of the count, falls within size categories less than 250 sqm. However, when evaluating the contribution to the overall floorspace, a more balanced distribution emerges across various size brackets. Notably, size categories encompassing 100-250 sqm and those exceeding 2,000 sqm collectively constitute a significant portion of the total vacant office floorspace.

Figure 5 Vacant Office Units in Torbay



Source: Prime Location, sqwyre.com (as of November 2023)

6.9 According to the latest VOA data, there is currently around 96,000 sqm office floorspace in Torbay. Table 13 calculates the approximate vacancy rate of office floorspace, which equates to around 11.7% of the existing total stock. This provides a 'snapshot' of availability at a single point in time which, along with other data sources, provides an indication of the current state of the office market in Torbay.

6.10 A guideline for a 'healthy' vacancy rate is generally considered to be around 7.5%[16],

[16] Planning Advisory Service, Housing & Economic Development Needs Assessment Technical Advice Note Volume 3 Economic Development, April 2016

therefore, the higher rate of vacancy in Torbay demonstrates a relatively good supply of office premises. Although there is a need to consider quantitative levels of available floorspace with qualitative factors, including whether the existing supply is suitable for meeting the needs of businesses (e.g. in terms of quality, location and flexibility of use). In particular there is evidence that small office units are being lost to residential use through Prior Approvals. The Council's monitoring data indicates that between 2012 and 2023 around 3,040 sqm of office floorspace in Torbay was converted to residential use.

Table 13 Office Vacancy Rate

Total Office Vacancies (sqm)	11,197
Total Stock (sqm)	96,000
Vacancy Rate	**11.66%**

Source: SPRU analysis

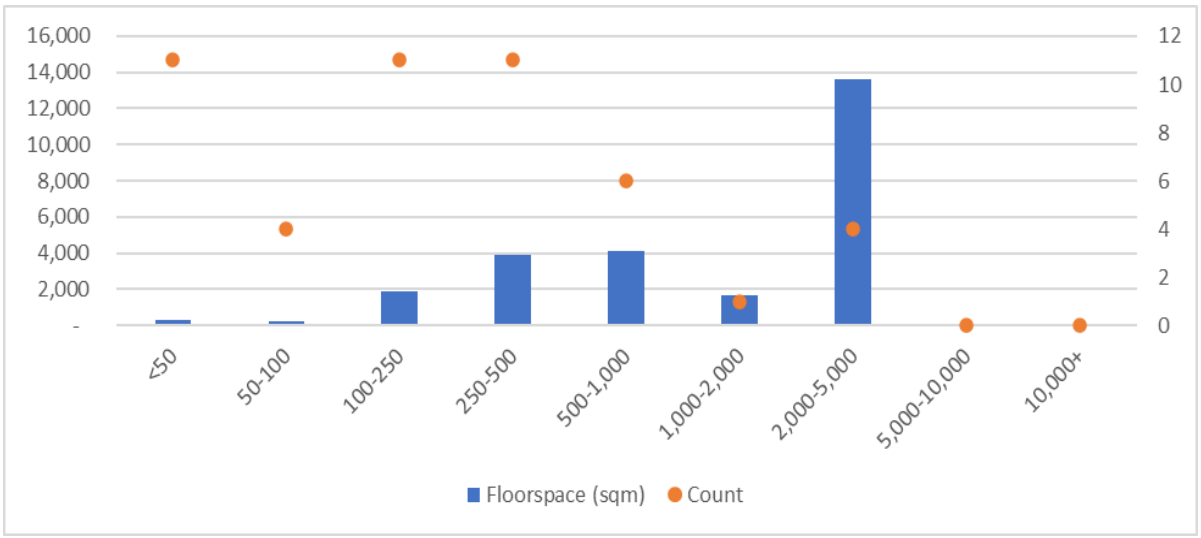
c) Industrial Floorspace

6.11 Figure 6 below presents analysis of the current vacant industrial stock in Torbay derived from desk-based research. As shown in this figure, the distribution of vacant industrial floorspace is distributed across different unit size categories. While smaller vacant units, particularly those under 500 sqm, are more numerous, the majority of vacant industrial floorspace is within units sized between 2,000 and 5,000 sqm.

6.12 In particular, the current vacancy data highlights a notable absence of available larger industrial units within Torbay, particularly those over 5,000 sqm. This observation underlines a potential gap in accommodating larger-scale industrial operations within the surveyed area, posing a challenge in catering to industries requiring extensive floor space, such as storage/distribution and large scale manufacturing businesses.

6.13 Vacancies in the 2,000-5,000 sqm category represent a substantial 53% of the total vacant industrial floorspace in Torbay. However, the absence of larger industrial spaces might potentially limit the district's ability to attract new or support existing industries requiring larger operational or 'grow-on' space.

Figure 6 Vacant Industrial Units in Torbay



Source: Prime Location, sqwyre.com (as of November 2023)

6.14 According to the latest VOA data, there is currently around 293,000 sqm industrial floorspace in Torbay, of which approximately 25,722 sqm is currently being advertised as

for sale or available to let. Based on these figures, Table 13 calculates the approximate vacancy rate of industrial floorspace in Torbay, which equates to around 8.8% of the existing total stock.

6.15 This is considered to be a relatively 'healthy' vacancy rate, representing choice and flexibility in the market. However, this may again be contingent on the quality and suitability of existing available stock for meeting the needs of businesses.

Table 14 Industrial Vacancy Rate

Total Industrial Vacancies (sqm)	25,722
Total Stock (sqm)	293,000
Vacancy Rate	**8.78%**

Source: SPRU analysis

7.0 FUTURE ECONOMIC GROWTH

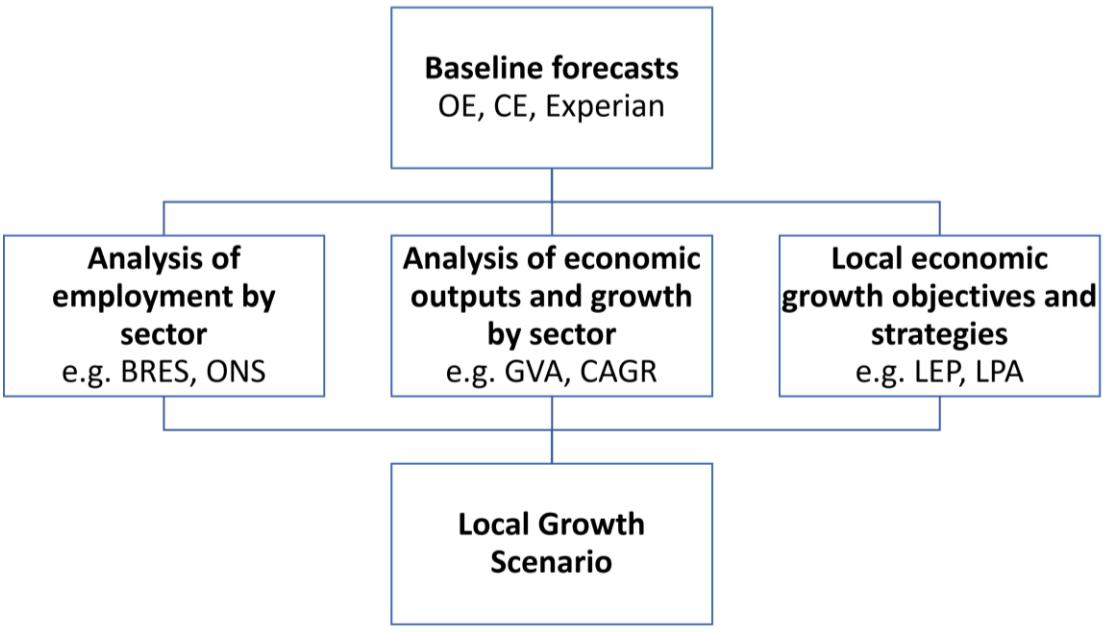
Key Points Summary

- Analysis of the three baseline forecasts of the main forecasting houses (CE, OE and Experian) indicates an expected compound annual growth range of 0.65% for CE, 0.48% for Experian and 0.25% for OE.
- This equates to a total jobs growth over the plan period of 7,530 under the CE forecast, 5,300 under the Experian forecast and 2,730 under the OE forecast.
- Using the Experian forecast as a baseline (which presents a moderate level of growth which broadly aligns with past trends), adjustments have been made to various sectors to develop a Local Growth Scenario which takes account of known supply for relevant industries and local advantages likely to support future growth prospects.
- The Local Growth Scenario therefore incorporates adjustments to the agriculture, forestry & fishing, manufacturing, construction and wholesale & retail sectors. After incorporating these adjustments, this scenario forecasts an increase of 6,730 jobs in Torbay over the 2022 to 2040 plan period.

7.1 This section provides an assessment of the future economic growth forecasts for Torbay to 2040. The forecasts are assessed on an overall and sectoral basis to consider their suitability and robustness for planning purposes.

7.2 The baseline forecasts have then been adjusted where necessary, using the findings from sections 5 and 6, to identify a locally specific growth scenario for Torbay, taking account of past trends, market conditions and the performance of individual sectors. The inputs that have been used to define the local growth scenario are summarised in Figure 7 below.

Figure 7 Inputs to Develop Local Growth Scenario



Source: SPRU

a) Baseline Economic Growth Forecasts

7.3 This section analyses the total future employment growth identified by the three econometric forecasts. The three forecasts used in this study are shown in Table 15 below.

Table 15 Economic Growth Forecasts

Forecast Source	Date Produced	Last Historic Data Point	Forecast End Date
Cambridge Economics (CE)	April 2023	2021	2050
Oxford Economics (OE)	May 2023	2021	2040
Experian	March 2023	2021	2042

Source: OE, CE, Experian

7.4 The base year for estimates of employment in all three forecasts is 2021 and therefore reflect the impacts of the Covid-19 pandemic as recorded within official statistics. All forecasts take account of the impacts of Brexit and Covid-19 in their modelling and future forecasting assumptions.

7.5 Due to the differing methodologies and input assumptions (see **Appendix A**), there are some resulting differences between the three forecast outputs. A comparison of the total forecast levels of employment growth for the period 2022 to 2040 is shown in Table 16 below.

Table 16 Forecast Total Employment Growth (2022-2040)

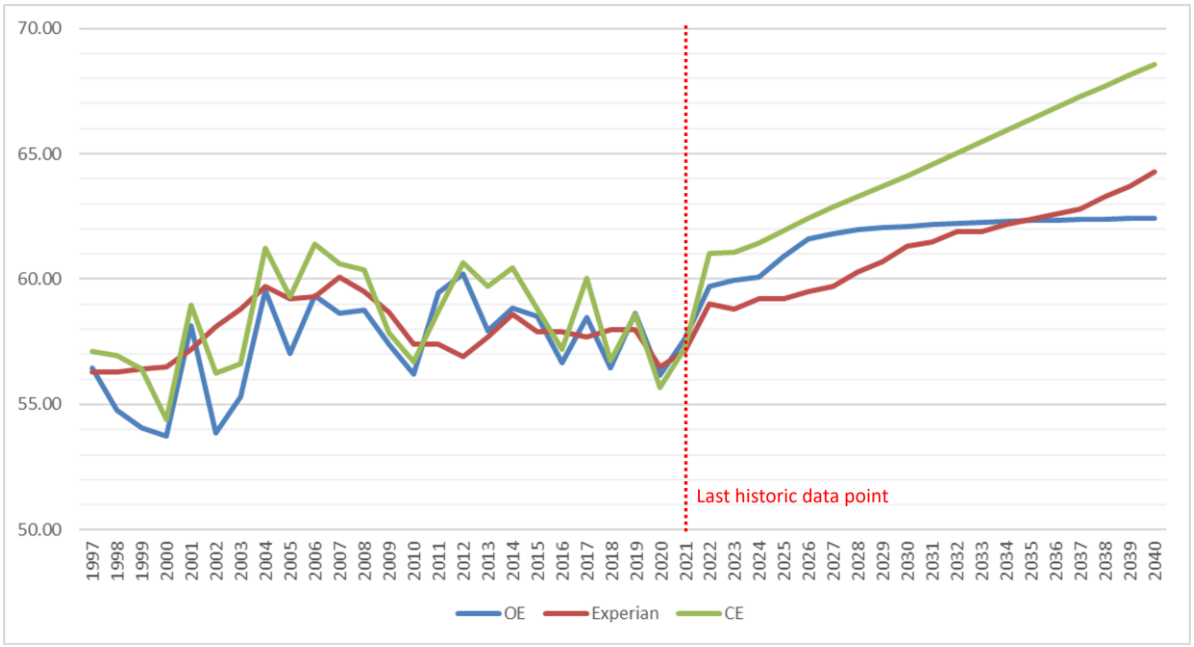
Forecast	Additional Jobs	% Change (2022-2040)
Cambridge Econometrics (CE)	7,528	12.3%
Oxford Economics (OE)	2,728	4.6%
Experian	5,300	9.0%
Average	**5,185**	**8.6%**

Source:OE, CE, Experian

7.6 There are some quite large discrepancies between the three forecasts, with a difference of 4,800 between the highest jobs growth forecast (CE) and the lowest (OE). The average forecast jobs growth for Torbay is 5,185 across all three forecasts and not significantly different to the value of 5,300 from the Experian forecast.

7.7 Figure 8 shows the historic jobs growth in Torbay as identified by the three forecasting houses through to 2021. The figures from 2022 onwards represent forecast jobs growth. All three forecasts show a decrease in total employment between 2019 and 2021, reflective of the Covid-19 pandemic, followed by a strong positive 'bounce back' between 2021 and 2022. All three forecasts anticipate levels of employment in Torbay to have returned to (and exceeded) 2019 pre-Covid levels by 2022.

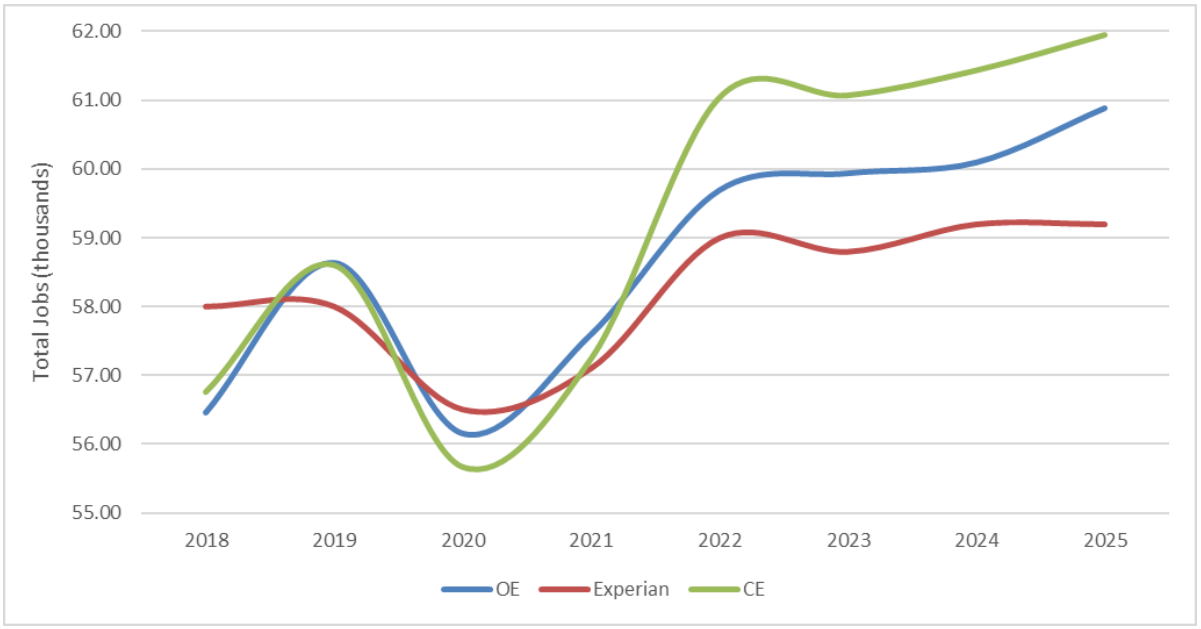
Figure 8 Torbay Employment Forecasts (1997-2040) – Total Jobs, Thousands



Source: OE. Experian, CE, SPRU Analysis

7.8 Further considering the impact of Covid-19, CE identified the greatest negative impact with a 5.0% decrease in employment between 2019 and 2020, this can be compared with a decrease of 4.2% identified by OE and 2.6% identified by Experian. As shown in Figure 9, all three forecasts begin to see an increase in overall levels of employment between 2020 and 2021, with the greatest increase (2.8%) forecast by CE and the smallest increase (1.0%) forecast by Experian.

Figure 9 Impact and Recovery from Covid-19 in Torbay



Source:OE. Experian, CE, SPRU Analysis

7.9 Strong growth in employment is anticipated by all three forecasting houses between 2021 and 2022, with the greatest increase in total jobs projected by CE (6.6%) followed by OE

(3.6%) and Experian (3.3%). The reasons for this significant increase between 2021 and 2022 is likely to be due to the easing of pandemic restrictions and growth in consumer-facing sectors, and is reflective of a UK-wide and South West regional uplift in employment derived from 2022 ONS figures.

7.10 In all three forecasts this initial strong rebound rapidly levels off by 2023 and is followed by a more gradual rate of growth through to 2040. CE is the most optimistic forecast in terms of overall jobs growth, with a compound annual growth rate (CAGR) of 0.65% over the plan period 2022-2040. As shown in Figure 8 above and Table 17, below the rate of growth projected by the CE forecast is relatively consistent over the whole plan period.

7.11 The Experian forecast shows a lower CAGR of 0.48% over the plan period, with slightly lower average growth at the start of the plan period and a higher rate of growth towards the end, as shown in Table 17. The approach and underlying assumptions informing modelling within the Experian forecast reflect constraining output to regional totals. In the most recent iterations of the series this tends to take greater account of inflationary pressure and limitations upon consumer spending hence a weaker near-term outlook.

7.12 The OE forecast shows the lowest overall average annual growth of all three forecasts with a CAGR of just 0.25% over the period 2022 and 2040. The OE forecast rate of growth is highest at the start of the plan period, but then reduces significantly from 2026 onwards. By the end of the plan period there is almost no growth identified by the OE forecast.

Table 17 Torbay Forecast Compound Annual Growth Rates (CAGR %) and Overall Growth ('000s of jobs) by Six-Year Periods

	2022-2028		2028-2034		2034-2040	
	CAGR	Growth	CAGR	Growth	CAGR	Growth
OE	0.62%	2.27	0.09%	0.33	0.03%	0.13
Experian	0.36%	1.30	0.52%	1.90	0.55%	2.10
CE	0.60%	2.25	0.68%	2.64	0.66%	2.64

Source: OE, Experian; CE; SPRU Analysis

b) Comparison of Forecasts by Sector

7.13 The tables and figures below set out the jobs growth forecasts (total employment) for each employment sector. The CE forecast is generally the most positive of all the forecasts across the majority of sectors, with the exception of manufacturing where the projected decline in employment is the second highest of all three forecasts. CE also forecasts quite significant growth in the construction sector, which is almost four times higher than the jobs growth forecast by OE and significantly higher than the Experian forecast which projects no growth in this sector during the plan period.

7.14 The OE forecast is generally the most pessimistic forecast, projecting net reductions in employment across a number of sectors over the plan period including agriculture, forestry & fishing, utilities, transport & storage and, most notably, manufacturing, where the forecast reduction in employment (930 jobs) is the highest of all three forecasts. As noted above, the OE forecast is more optimistic about jobs growth in the construction employment sector compared with the Experian forecast, and also identifies high levels of growth in the financial, professional & business services and recreation, arts & other services sector, relative to the other two forecasts.

7.15 The Experian forecast provides a 'middle ground', projecting moderate levels of growth across a number of sectors and zero growth in the agriculture, forestry & fishing, extraction & mining, utilities and construction sectors. Compared with the other two forecasts, Experian projects higher levels of growth in the public services sector, as well as in

wholesale & retail, transport & storage, information & communication and financial, professional & business services sectors.

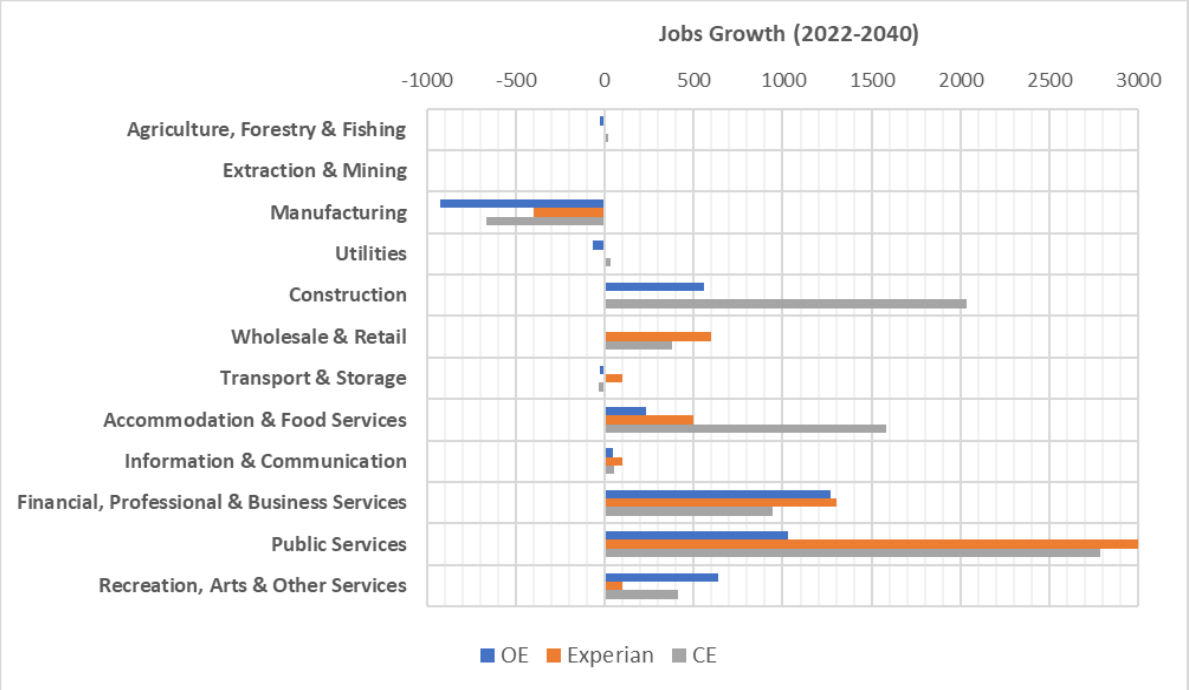
Table 18 Jobs Growth Forecasts by Broad Sector, 2022-2040 (Rounded)

	OE	Experian	CE	Average
Agriculture, Forestry & Fishing	-30	0	20	-3
Extraction & Mining	0	0	0	0
Manufacturing	-930	-400	-660	-663
Utilities	-70	0	30	-13
Construction	560	0	2030	863
Wholesale & Retail	0	600	380	327
Transport & storage	-30	100	-40	10
Accommodation & Food Services	230	500	1580	770
Information & communication	50	100	50	67
Financial, Professional & Business Services	1270	1300	940	1170
Public Services	1030	3000	2780	2270
Recreation, Arts & Other Services	640	100	410	383
Total	**2730**	**5300**	**7530**	**5187**

Source: SPRU analysis of various forecasts

7.16 Figure 10 below shows the distribution of jobs growth across all sectors for each of the three baseline forecasts. This figure illustrates the high net jobs growth projected by the three forecasts in the financial, professional & business services and public services sectors. It also highlights the net reduction in employment in the manufacturing sector projected by all three forecasts.

Figure 10 Jobs Growth Forecasts by Sector (2022-2040)

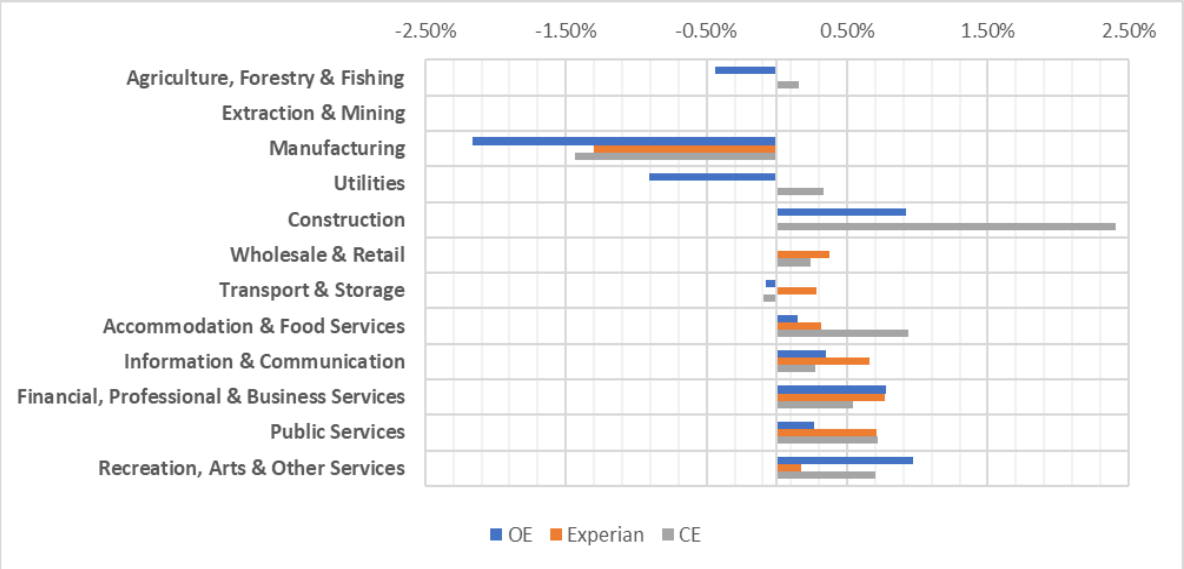


Source: SPRU analysis of various forecasts

7.17 Figure 11 shows the CAGR for each broad employment sector forecast averaged over the plan period. This shows that the rate of growth is lowest in the manufacturing sector under

all three forecasts. The average rate of growth is highest in the construction sector (CE), the financial, professional & business services sector (Experian) and the recreation, arts & other services sector (OE).

Figure 11 Compound Annual Growth Rate (CAGR, %) by Sector (2022-2040)



7.18 On the basis of the above analysis, it is considered that for the majority of sectors, the Experian forecast provides an appropriate baseline for the assessment of future employment needs in Torbay. This is because it presents a moderate level of growth which aligns with past trends. Further reasons why the Experian forecast is considered to provide an appropriate baseline from which to develop a Local Growth Scenario include:

- Experian provides the most explicit link between labour supply and labour demand assumptions, by linking directly to official subnational population projections, meaning that the outputs are more directly related to assumptions for economic activity and commuting than the other forecasting houses. The connections between labour supply and labour demand are discussed further in Chapter 9 of this report; and
- We have confirmed with Experian that the relationship between the official projections and the two-way adjustments applied to the forecasting methodology in relation to commuting and economic activity rates result in only a very small number of 'unfilled' jobs towards the end of the forecast period – in other words it is likely to fully express labour demand in the locality taking account of projected local labour supply.

7.19 These strengths of the Experian methodology provide some further support for use of the Experian forecast as a baseline for developing a Local Growth Scenario.

c) Local Growth Scenario

7.20 In accordance with PPG, this section provides a more detailed analysis of the relevant baseline forecasts alongside the evidence base for the key sectors relevant to Torbay. The outputs of the section seek to demonstrate whether the baseline forecasts represent a reasonable prospect for future employment growth, taking account of the known support for relevant industries in these key sectors and potential existing local advantages in terms of the concentration of employment, skills and supply chains likely to support future growth.

7.21 Based on the findings of literature review and other economic baseline analysis presented in sections 2 and 4, the sectors identified as requiring a more detailed assessment in the context of this EDNA are:

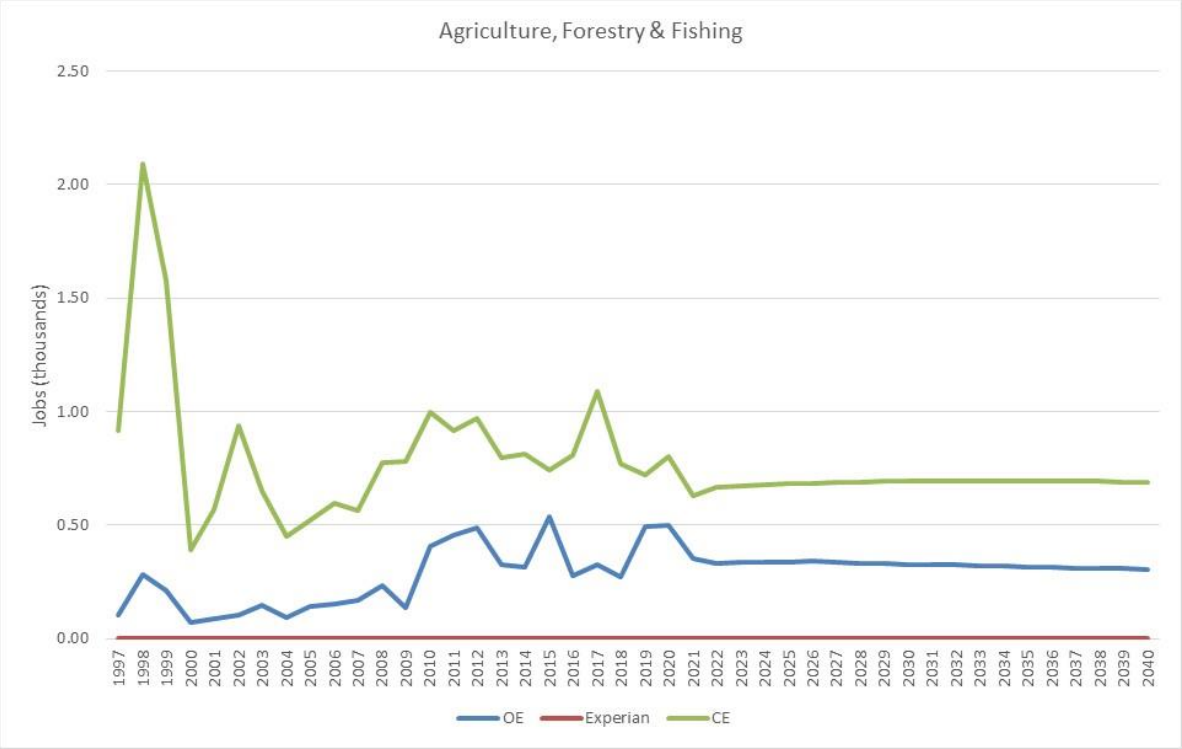
- Agriculture, forestry & fishing
- Manufacturing (particularly the photonics, electronics and med-tech sectors)
- Construction
- Wholesale & retail
- Accommodation & food services (including the fish processing sector)
- Information & communication (including the digital creative sector)
- Financial, professional & business services
- Public services (including health care, social work and education)

7.22 As part of this detailed sectoral assessment, this section identifies any necessary adjustments to the Experian baseline forecast in order to produce a locally-specific employment growth scenario for Torbay.

i) *Agriculture, forestry & fishing*

7.23 As shown in the figure below, the OE and CE forecasts identify fluctuating levels of employment in the agriculture, forestry & fishing sector in Torbay, which declined in 2020-2021 during the pandemic and is projected to remain at relatively low levels throughout the plan period. The OE forecast identifies an average annual decline of 0.44% over the period 2022-2040, whilst the CE forecast identifies a minimal average annual increase of 0.16% over the plan period. The Experian forecast is however a clear outlier, identifying zero jobs in this sector across the whole monitoring and forecast period (1997-2040).

Figure 12 Comparison of Baseline Forecast Jobs in Agriculture, Forestry & Fishing Sector



Source: OE, CE, Experian

7.24 LQ analysis identifies strong performance in the fishing & aquaculture sub-sector compared with the LEP, South West and national geographies.

7.25 Analysis of BRES employment trend data identifies overall growth in the agriculture, forestry & fishing sector over the period 2009 to 2022, including a particularly high average annual increase (CAGR) in employment in the fishing & aquaculture sub-sector of 6.8% over the same period. Analysis of BRES trend data over the more recent period of 2015 to 2021 reveals an average annual decline, with a CAGR of -7.1% in the fishing & aquaculture sub-sector over this period. Despite these historic growth trends, overall levels of employment in the agriculture, forestry & fishing sector remain comparatively low compared with other sectors, representing just 0.25% of total employment in Torbay in 2022.

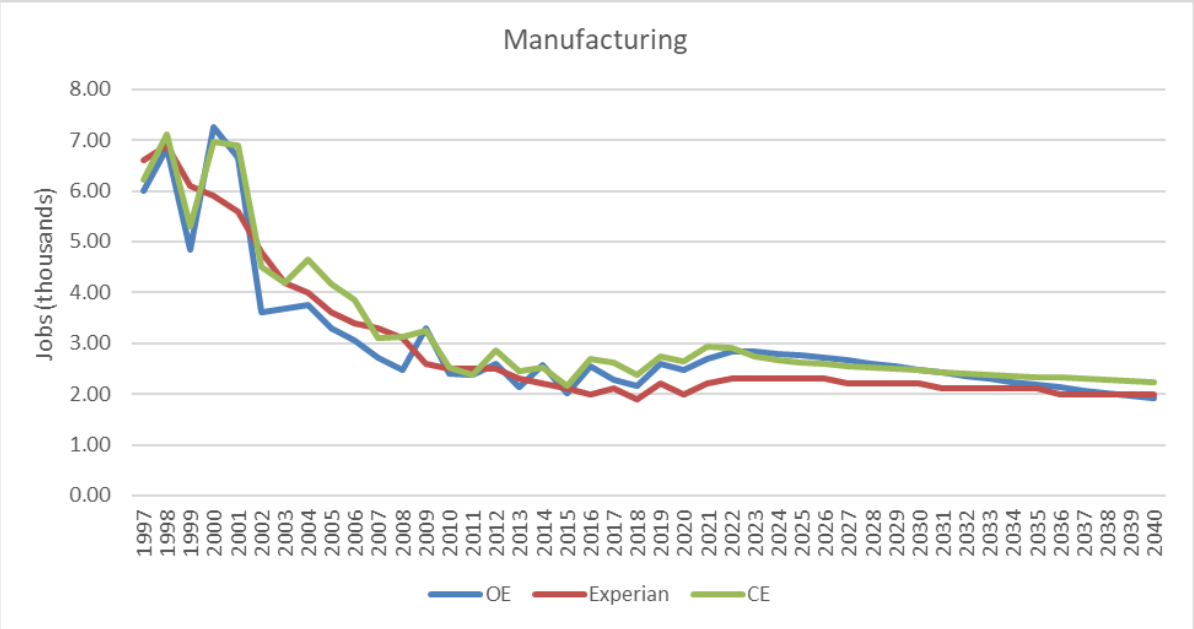
7.26 In order to better reflect the local growth profile and the fact that the Experian baseline forecast does not accurately reflect that there is existing employment in the agriculture, forestry & fishing sector in Torbay (albeit relatively low levels), we have based the local growth scenario for this sector on the OE baseline forecast. This projects a slight overall decline in jobs in this sector over the plan period compared with the Experian forecast.

7.27 It is noted that Levelling-Up Funding has recently been awarded for the extension of Brixham harbour and fish market, which is expected to produce an additional 150 jobs, primarily in fish processing (rather than fishing itself) and as such would fall within the manufacturing employment sector rather than agriculture, forestry and fishing. Appropriate adjustments to reflect this jobs growth have been made to the manufacturing sector below.

ii) *Manufacturing*

7.28 As shown in Figure 13 all three forecasts show a decline in employment in the manufacturing sector, including a sharp decline between 1997 and around 2015, followed by a slight increase to 2021, and a continued gradual decline over the plan period (2022 to 2040). The Experian forecast shows the lowest overall decline in employment in this sector over the plan period and a CAGR of -1.3%. In comparison, the OE forecast has a CAGR of -2.16% and the CE forecast has a CAGR of -1.43% over the period 2022 to 2040.

Figure 13 Comparison of Baseline Forecast Jobs in Manufacturing Sector



Source: OE, CE, Experian

7.29 The LQ analysis reveals strong performance in certain manufacturing sub-sectors compared with the LEP, South West and national geographies, including the manufacture of paper and paper products, rubber and plastic products, electrical equipment, and 'other

manufacturing'.

7.30 BRES trend data shows an average annual growth in the manufacturing sector during the period 2015 to 2022 (CAGR 1.7%), compared with a minor average annual decline in overall manufacturing sector employment over the longer period 2009 to 2022 (CAGR -2.9%). The recent growth trend in manufacturing employment and sub-sector strengths do not appear to be reflected in any of the forecasts.

7.31 In order to prepare the local growth scenario which reflects a more positive rate of jobs growth in this sector (in particular reflecting the local growth ambitions in the photonics sector) we have used the Experian forecast for this sector as a baseline but applied the BRES trend-derived average annual jobs increase in the 'manufacture of electrical equipment' sub-sector from 2022 onwards (15 jobs per year).

7.32 Further adjustments to the baseline forecast for the manufacturing sector have been made to reflect the additional jobs expected to be delivered through the recently awarded Levelling-Up Funding, as discussed in section 6(a). This includes an additional 150 jobs in fish processing anticipated to be delivered at Brixham harbour and an additional 275 specialist manufacturing and production jobs which are anticipated to be delivered at a new Electronics and Photonics Production Park at Torbay Business Park in Paignton.

7.33 In order to reflect this anticipated jobs growth, we have added 150 jobs to the 'food, drink and tobacco' manufacturing sub-sector above the baseline forecast (representing the expected delivery of the Brixham harbour expansion), and a further 275 jobs to the 'manufacture of electrical equipment' sub-sector above the adjusted baseline forecast during the plan period to reflect the development of the Electronic and Photonics Production Park.

iii) *Construction*

7.34 As illustrated in Figure 14, the past-trend forecasts show uneven growth in construction sector employment between 1997 and 2019, with a peak in levels of employment around 2005-2006, followed by a decline in 2009-2010 (most likely associated with the aftermath of the financial crisis), a slight increase to 2017 followed by a decline to 2020 (likely linked with the impacts of the Covid-19 pandemic). From 2022 onwards, CE forecasts the highest rate of growth (CAGR 2.41%, 2022-2040) followed by OE (CAGR 0.92%, 2022-2040). The Experian forecast projects zero growth in construction sector employment over the plan period.

Figure 14 Comparison of Baseline Forecast Jobs in Construction Sector

Source: OE, CE, Experian

7.35 The LQ analysis does not identify any particular locational strengths in the construction sector when compared with other geographies.

7.36 Analysis of BRES employment trend data shows an average annual decline in construction sector employment over the period 2009 to 2022 (CAGR -1.6%). Although rates of employment in this sector have fluctuated around the 1,750-2,000 jobs level over the more recent period 2015 to 2022, the BRES data shows average annual growth of CAGR 1.7% over this period.

7.37 The zero employment growth projected by Experian in the construction sector does not appear to be realistic in the context of recent past growth trends. With a CAGR of 0.92% over the plan period (2022-2040) the OE forecast therefore appears more realistic as a future projection of construction sector employment in Torbay. The OE forecast has therefore been applied instead of the Experian forecast to produce the local growth scenario for the construction sector. This equates to 31 additional jobs per annum over the plan period (560 total jobs growth over the plan period).

iv) *Wholesale & retail*

7.38 As illustrated in Figure 15, the past-trend forecasts show an overall declining trend in overall jobs in the wholesale & retail sector between 1997 and 2021. From 2022 onwards both the Experian and CE forecasts show gradual levels of growth in this sector with CAGRs of 0.37% and 0.24% respectively. The OE forecast shows jobs growth in the wholesale & retail sector between 2022 and 2026 but this is followed by a gradual decline between 2027 and 2040, resulting in a CAGR of 0.0% over the whole plan period (2022 to 2040).

7.39 It should be noted that the Experian baseline forecast divides this sector into wholesale jobs and retail jobs, forecasting a growth in the retail sector of 700 jobs over the plan period which is partially offset by a projected decline of 100 jobs in the wholesale sector over the same period. This results in an overall forecast increase of 600 jobs in the wholesale & retail sector over the period 2022 to 2040.

Figure 15 Comparison of Baseline Forecast Jobs in Wholesale & Retail Sector

Source: OE, CE, Experian

7.40 The LQ analysis reveals strong performance in the retail sector in Torbay when compared with the wider LEP, south west and national geographies.

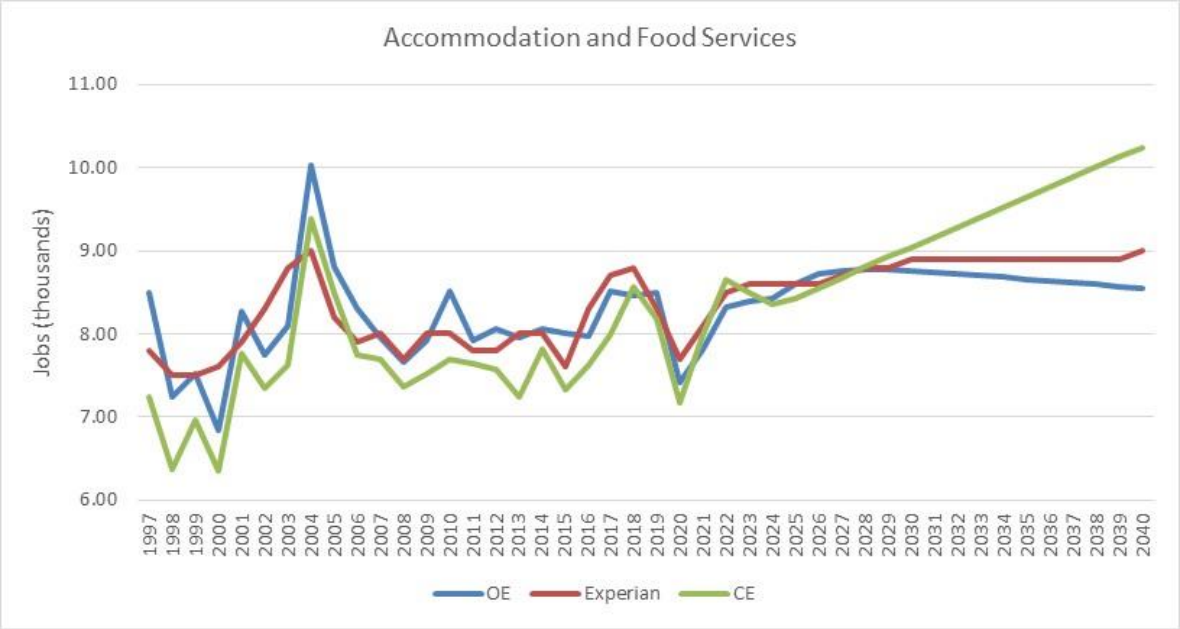
7.41 Analysis of BRES employment trend data shows an average annual increase in wholesale sector employment over the period 2015 to 2022 (CAGR 2.3%) and a slight average annual decline in retail sector employment over the same period (CAGR -1.9%).

7.42 The recent BRES trend data illustrating growth in the wholesale sub-sector does not appear to be reflected in the Experian baseline forecast which projects a decline of 100 jobs in the wholesale employment sector over the plan period. In order to ensure the growth trend in this sub-sector is accurately reflected in the Local Growth Scenario it is considered appropriate to retain the level of jobs in the wholesale sub-sector at 2022 Experian baseline forecast levels throughout the plan period so there is no overall decline. This adjustment has been made to the Local Plan Growth Scenario, which results in an overall level of projected growth in the wholesale & retail sector of 700 jobs over the plan period (compared with 600 jobs in the Experian baseline forecast).

v) *Accommodation & food services*

7.43 In all three forecasts the past-trends show an overall increase in jobs in the Accommodation & Food Services sector from 1997 to a peak in 2004, as shown in Figure 16, following which employment was shown to decline but then level out slightly through to 2019. In 2019-2020 this sector suffered a decline associated with the Covid-19 pandemic lockdowns. All three forecasts project a rebound to pre-Covid levels by 2022. From 2022 onwards, CE forecasts the highest rate of growth (CAGR 0.94%, 2022-2040) followed by Experian (CAGR 0.32%, 2022-2040). OE projects the lowest average rate of growth over the plan period (CAGR 0.15%, 2022-2040), with a downward trend projected from 2029 onwards.

Figure 16 Comparison of Baseline Forecast Jobs in Accommodation & Food Services Sector



Source: OE, CE, Experian

7.44 The LQ analysis indicates strong performance in the Accommodation & Food Services sector compared with the LEP, South West and national geographies due to the strength of the local tourism economy.

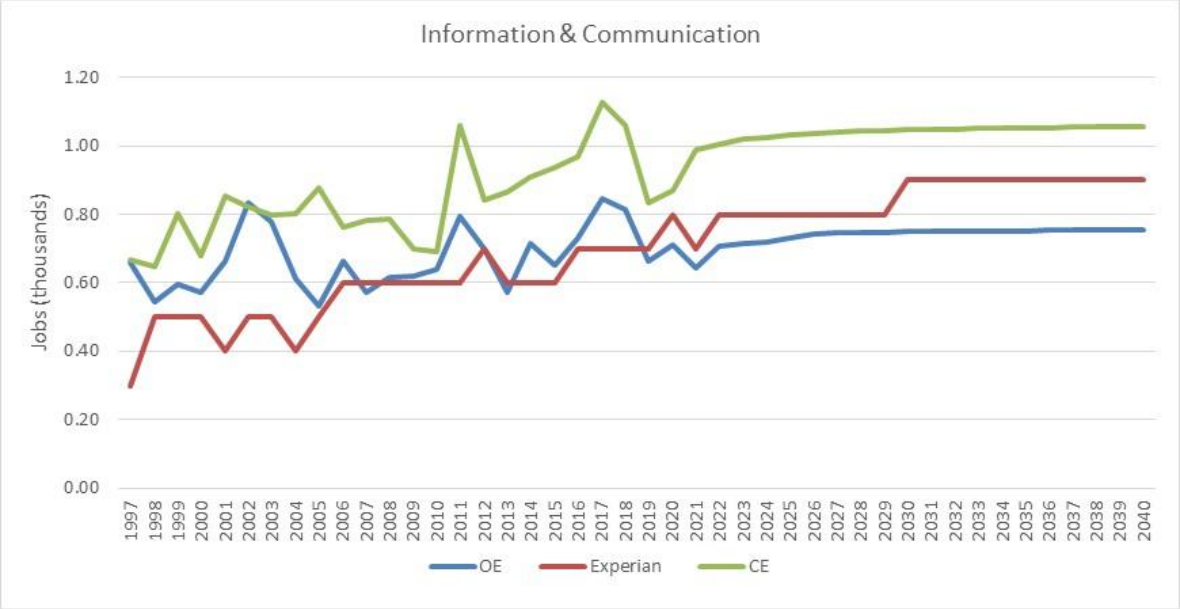
7.45 BRES trend data indicates low average annual growth in the Accommodation & Food Services sector over the period 2009 to 2022 (CAGR 0.8%) and a slightly higher annual average level of growth over the more recent period 2015 to 2022 (CAGR 3.2%), with overall employment now exceeding pre-pandemic levels. When considering the individual sub-sectors, the Accommodation sub-sector shows zero average annual growth over the period 2009 to 2022 (CAGR 0.0%), whereas the Food & Beverage Service Activities sub-sector shows average overall growth over the same period (CAGR 1.6%).

7.46 The positive growth projected by the Experian baseline forecast over the Plan period is considered to reflect recent trends which show low but positive rates of growth in the Accommodation & Food Services sector as a whole since 2015. Whilst rates of employment in this sector are comparatively high (as a proportion of total employment in Torbay) there is no clear indication that rates will grow significantly above those projected by Experian once the post-Covid 'bounce-back' has been accounted for. No adjustments to the Experian baseline forecast have therefore been made to produce the local growth scenario.

vi) *Information & communication*

7.47 As illustrated in Figure 17 below, the past-trend forecasts all show uneven growth in employment in the Information & Communication sector with a gradual overall upward trend over the period 1997 to 2021. From 2022 onwards the OE and CE forecasts project relatively low rates of growth through to 2040, with CAGRs of 0.35% and 0.28% respectively. The Experian forecast projects the highest average annual growth of all three forecasts (CAGR 0.66%). Rather than a gradual growth trend, the Experian forecast anticipates zero growth in this sector through to 2030, when employment is expected to increase (by around 100 jobs) and then plateau again with no further growth projected for the remainder of the Plan period.

Figure 17 Comparison of Baseline Forecast Jobs in Information & Communication Sector



Source: OE, CE, Experian

7.48 The LQ analysis does not identify any locational strengths in the Information & Communication sector as a whole but does show strong performance in the Information Service Activities sub-sector when compared with the wider south west and LEP areas, and also in the programming, production and broadcasting sub-sectors when compared with the wider LEP area.

7.49 BRES trend data indicates a low average annual rate of growth in the Information & Communication sector over the period 2009 to 2022 (CAGR 1.3%) and a slightly higher average annual growth over the more recent period 2015 to 2022 (CAGR 2.3%). The telecommunications, production and computer programming sub-sectors all showed a positive annual average rate of growth between 2015 and 2022, whilst there was zero average annual growth in the publishing, programming and broadcasting sub-sectors over the same period. The total number of jobs in the Information and Communication sector is comparatively small, representing just 1% of total employment in Torbay in 2022 (600 jobs in total).

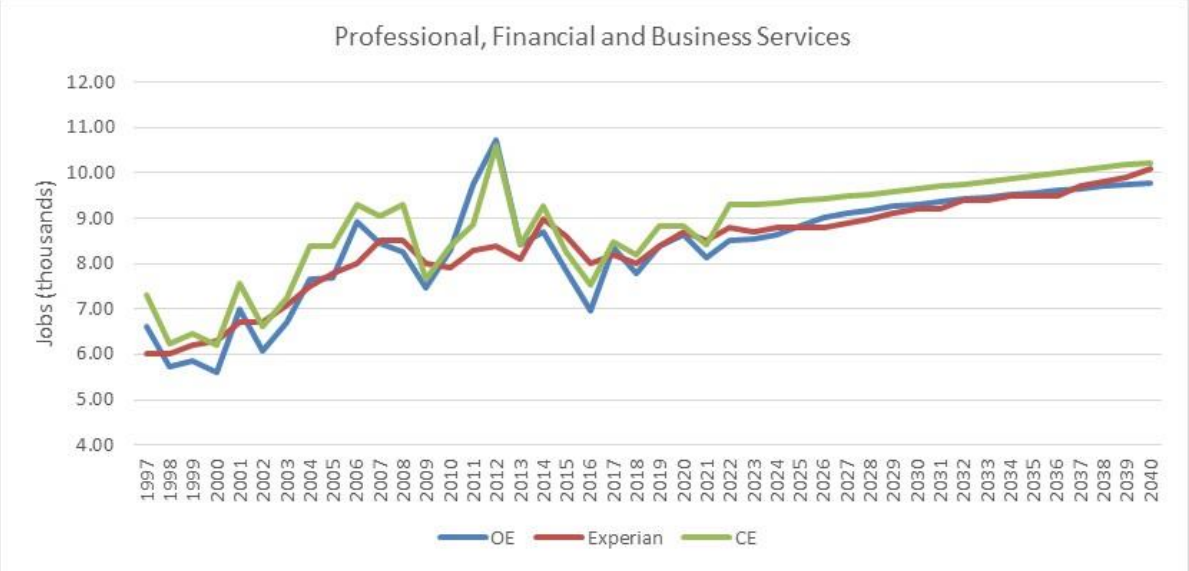
7.50 There is no indication from past trends that the level of future jobs growth in the Information & Communication sector will significantly exceed these trends, particularly given a lack of evidence of locally-specific growth ambitions in this sector. The level of growth anticipated in the Experian forecast is considered to form a realistic projection in the context of past trends and likely future growth. No adjustments to the Experian baseline forecast have therefore been made to produce the local growth scenario.

vii) *Financial, professional & business services*

7.51 As illustrated in Figure 18 below, all three forecasts show a past trend of increasing jobs growth in the Financial, Professional & Business Services sector between 1997 and 2012 following which there was a decline in jobs through to around 2016 shown in both the OE and CE forecasts, followed by a gradual increase from 2017 to 2021. The Experian forecast shows a 'smoother' profile of gradual jobs growth over the period 1997 to 2021. In terms of future projections, all three forecasts show a similar gradual growth trend from 2022 to 2040, with CE projecting the lowest annual average rate of growth (CAGR 0.54%). The Experian and OE forecasts show slightly higher (and very similar) rates of growth over

the plan period, with CAGRs of 0.77% and 0.78% respectively.

Figure 18 Comparison of Baseline Forecast Jobs in Financial, Professional & Business Services Sector



Source: OE, CE, Experian

7.52 The LQ analysis does not identify any particular locational strengths across the Financial, Professional & Business Services sector as a whole, however when analysed at a sub-sector level there is comparatively strong performance in a number of the sub-sectors in Torbay when compared with the wider LEP area. In particular, the Scientific, Research & Development sub-sector shows a comparatively high proportion of employment in this sub-sector in Torbay compared with the proportion of employment in that sub-sector across the LEP as a whole. However, overall levels of employment in this sub-sector still remain low in Torbay (125 jobs in 2022 according to BRES data).

7.53 Analysis of past trend employment data from BRES shows a decline in jobs in the Financial & Insurance Services sub-sector over the period 2009 to 2022 (CAGR -2.4%) and zero average annual growth in the Business Administration & Support Services sub-sector (CAGR 0.0%) over the same period. The employment trends data shows slightly higher levels of annual average growth in both the Property sub-sector (CAGR 1.0%) and Professional, Scientific & Technical sub-sector (CAGR 2.9%). In particular, there are comparatively high average annual rates of growth shown in the Advertising & Market Research and the Security & Investigation Activities sub-sectors (CAGRs of 13.7% and 12.2% respectively over the period 2009 to 2022).

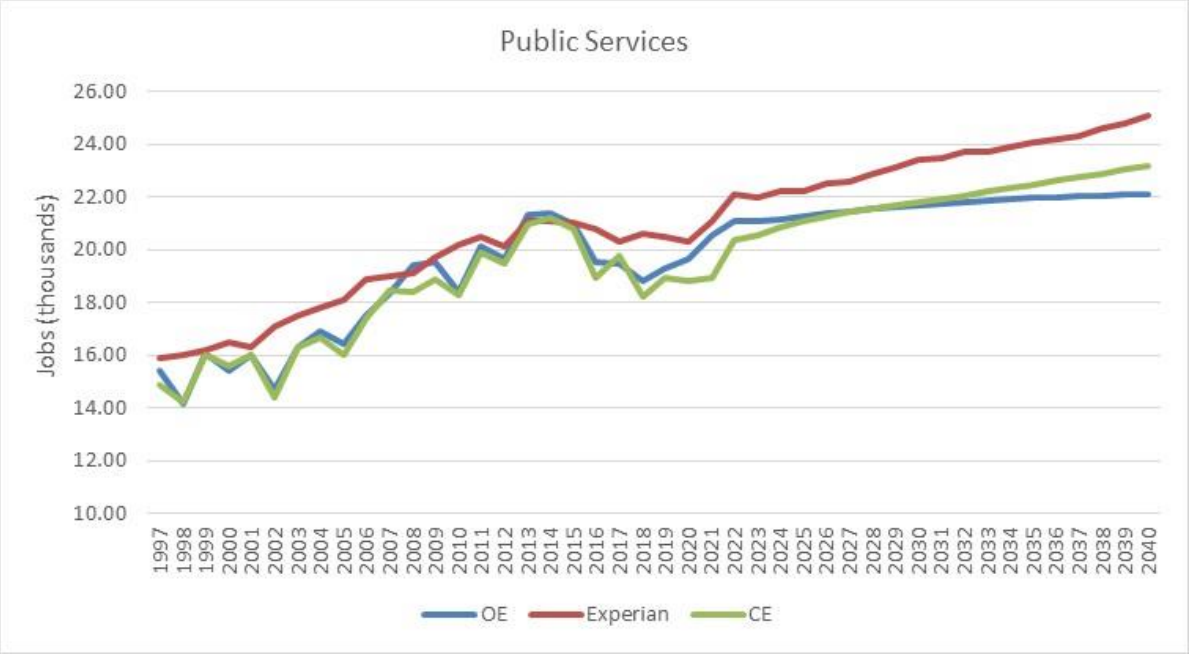
7.54 In the context of past growth trends and noting the broad alignment across all three forecasts in terms of future growth from 2022 onwards, the Experian forecast is considered to present an appropriate projection of growth in the Financial, Professional & Business Services sector in Torbay and therefore no adjustments have been made to this in producing the local growth scenario.

viii) *Public services*

7.55 As shown in Figure 19, the Public Services sector represents the largest employment sector in Torbay, with significant employers including South Devon College and Torbay Hospital. All three forecasts show a positive growth trend over the period 1997 to 2014, following which there was a slight decline through to 2021. All forecasts project positive rates of future growth over the period 2022 to 2040, with Experian and CE being the most

optimistic and both forecasting annual average growth of CAGR 0.71% over the plan period. The OE forecast is slightly less optimistic, with a CAGR of 0.27% over the period 2022 to 2040.

Figure 19 Comparison of Baseline Forecast Jobs in Public Services Sector



Source: OE, CE, Experian

7.56 The LQ analysis reveals strong performance in the Health, Residential Care, Social Work and Education sub-sectors in Torbay when compared with wider national, LEP and South West geographies.

7.57 Analysis of BRES employment trend data shows relatively low average annual rates of growth in the Human Health and Residential Care sub-sectors over the period 2009 to 2022 (CAGR 1.0% and 0.8% respectively) and no overall growth in the Education sub-sector over the same period. The Public Administration & Defence and Social Work sub-sectors experienced an average annual decline in employment over the period 2009 to 2022 (CAGR -2.9% and -1.3% respectively).

7.58 The positive growth projected by the Experian baseline forecast over the Plan period is considered to reflect recent trends which show a positive rate of growth in the Public Services sector as a whole since 2009. Whilst rates of employment in this sector are comparatively high (as a proportion of total employment in Torbay) there is no clear indication that rates will grow significantly above those projected by Experian over the Plan period. No adjustments to the Experian baseline forecast have therefore been made to produce the local growth scenario.

d) Local Growth Scenario Summary

7.59 The local employment growth scenario for Torbay is summarised in below. This is based on the Experian baseline forecast but incorporates the adjustments to the **Agriculture, Forestry & Fishing**, **Manufacturing**, **Construction** and **Wholesale & Retail** sectors as outlined above.

Table 19 Jobs Growth Forecasts by Broad Sector, 2022-2040 (Rounded)

	OE	Experian	CE	Growth Scenario
Agriculture, Forestry & Fishing	-30	0	20	-30
Extraction & Mining	0	0	0	0
Manufacturing	-930	-400	-660	400
Utilities	-70	0	30	0
Construction	560	0	2030	560
Wholesale & Retail	0	600	380	700
Transport & storage	-30	100	-40	100
Accommodation & Food Services	230	500	1580	500
Information & communication	50	100	50	100
Financial, Professional & Business Services	1270	1300	940	1300
Public Services	1030	3000	2780	3000
Recreation, Arts & Other Services	640	100	410	100
Total	**2730**	**5300**	**7530**	**6730**

Source: SPRU analysis of various forecasts

8.0 RISKS DUE TO BREXIT AND COVID-19

Key Points Summary

- The scale of risk in the sectoral jobs growth forecasts for Torbay over the period 2022-2040 has been identified for both risks derived from Brexit and risks derived from Covid-19.
- This analysis suggests that just over one third of existing jobs (36%) and just under a fifth of forecast total growth within the Torbay derived from the growth scenario forecast (19%) are at high risk of negative consequences of Brexit. The majority of existing jobs and forecast jobs growth under the growth scenario are in sectors at moderate or low risk of negative consequences of Brexit.
- A lower proportion of new jobs expected to be delivered under the Growth Scenario will be in high risk sectors (9%) compared with the proportion of high risk jobs expected to be delivered under the OE, Experian and CE baseline forecasts.
- One continued impact of Covid-19 is the trend towards 'hybrid' or 'flexible' working arrangements. This change in working practices is therefore likely to impact on the quantum of employment space required to be planned for to support existing and future jobs growth, particularly in the sectors requiring desk- or office-based working.
- Projected working from home rates have been factored into the land requirement modelling for the sectors requiring office floorspace. In the modelling it is assumed that a proportion of jobs, including newly created jobs in each sector, will be filled by workers working from home in accordance with the projected rates.

a) Risks due to Brexit

8.1 The UK voted to leave the EU in a referendum vote in June 2016 with the UK eventually leaving in January 2020. A year-long 'transition period' followed which lasted until the end of 2020. Replacement arrangements for travel, trade, immigration, and security co-operation came into force on 31 December 2020 as set out in the UK/EU and EAEC: Trade and Cooperation Agreement (TCA) and reflected in UK Legislation under the European Union (Future Relationship) Act 2020.

8.2 Implementation of the full details and arrangements within the TCA extended beyond 31 December 2020. The potential effects of disruption in relation to the flow of goods and labour associated with levels of additional bureaucracy are unlikely to have been fully realised in terms of longer-term macroeconomic consequences. At the time of the preparation of this EDNA, the Northern Ireland Protocol Bill, which will have implications for the UK's future trading relationship, was still being considered in the House of Lords. At the macroeconomic level, Brexit will inevitably have numerous implications for the UK's economy. Forecasting the economic implications of Brexit is therefore an indefinite process as the full effects will greatly exceed the lifetime of the plan period.

8.3 This notwithstanding, all three forecasting houses have incorporated the implications of Brexit into their forecasting approaches. This includes assumptions in relation to potential reductions in EU migration and the end of passporting for financial services.

8.4 The overall predictions of forecasters that GDP has been around 1-3% lower than it otherwise would have been under pre-Brexit expectations have been demonstrated to be relatively accurate. Impacts on productivity have, however, been generally more modest than predicted. The loss of output observed to-date has been mostly demand driven, through continuing weak business investment, leading to reductions in employment and further impacts on aggregate demand. At least up to mid-2022 this was partly offset by higher rates of government spending, which have since increased further.

8.5 For the purposes of forecasting, the macroeconomic impacts of Brexit are considered in terms of three main factors: exports, workforce, and investment. Table 20 presents CE's overview of the specific long-term economic assumptions of the impacts of Brexit by broad sector. A gradual lowering of the trajectory for GDP caused primarily by reductions in business investment, and lower consumer spending in line with reduced immigration and population levels representing the primary effect of CE's Brexit forecasts would appear to provide a reasonable set of longer-term assumptions. Over time there are some productivity effects, but these are relatively modest in comparison.

8.6 The impacts of changes in trade volumes are also modest in comparison. A reduction in long-run productivity of around 4%, together with reduced net immigration and imports and exports both being around 15% lower are also reflected in the Office for Budget Responsibility's own fiscal forecasts.

Table 20 Sectoral Brexit Risk Rating

Sector	Export Impact	Workforce Impact	Investment Impact
Agriculture	Mild slowdown in EU demand	Strong employment constraints	Mild slowdown in investment
Mining and Quarrying	No specific impact	Moderate employment constraints	Moderate to pronounced slowdown in investment
Low and medium-low tech manufacturing	Mild slowdown in EU demand	Moderate employment constraints	Moderate to pronounced slowdown in investment
High and medium-high tech manufacturing	Mild to moderate slowdown in EU demand	Moderate employment constraints	Moderate to pronounced slowdown in investment
Construction	Mild slowdown in EU demand	Moderate employment constraints	Moderate to pronounced slowdown in investment
Utilities and energy	Mild slowdown in EU demand	Moderate employment constraints	No specific impact
Transport, distribution, retail and wholesale trade	Moderate to pronounced slowdown in EU demand	Strong employment constraints	Moderate to pronounced slowdown in investment
Accommodation and food service	Moderate to pronounced slowdown in EU demand	Strong employment constraints	Moderate to pronounced slowdown in investment
Administrative and support services	Moderate to pronounced slowdown in EU demand	Strong employment constraints	Moderate to pronounced slowdown in investment
Information and communication	Pronounced slowdown in EU demand	No specific impact	Moderate to pronounced slowdown in investment
Financial and insurance	Pronounced slowdown in EU demand	No specific impact	Moderate to pronounced slowdown

Sector	Export Impact	Workforce Impact	Investment Impact
			in investment
Real estate	Pronounced slowdown in EU demand	No specific impact	Moderate to pronounced slowdown in investment
Professional, scientific and technical	Pronounced slowdown in EU demand	No specific impact	Moderate to pronounced slowdown in investment
Government services	Mild slowdown in EU demand	Moderate employment constraints	Mild slowdown in investment
Arts, recreation, and other services	Mild slowdown in EU demand	Moderate employment constraints	Mild slowdown in investment

Source: CE

8.7 Aggregating the results for each of the three impacts shows the following sectors are the most at risk sectors due to Brexit:

- Transport, distribution, retail and wholesale trade;
- Accommodation and food service;
- Administrative and support services.

8.8 The following sectors are at moderate risk due to Brexit:

- Agriculture;
- Mining and quarrying;
- Low and medium-low tech manufacturing;
- High and medium-high tech manufacturing;
- Construction;
- Information and communication;
- Financial and insurance;
- Real estate;
- Professional, scientific and technical.

8.9 The following sectors are at low risk due to Brexit:

- Utilities and energy
- Government services
- Arts, recreation, and other services

8.10 This analysis has been used to identify the scale of risk in the sectoral jobs growth forecasts for Torbay over the period 2022-2040. The scale of jobs growth in each sector is set out in Table 21 along with the risk ratings identified above.

Table 21 Torbay Sectoral Brexit Risk Rating

Sector	Total Jobs 2022	Forecast Jobs Growth 2022-40				Brexit Risk
		OE	Experian	CE	Growth Scenario	
Agriculture and mining	180	-30	0	20	-30	Med
Manufacturing	2000	-930	-400	-660	400	Med
Electricity, gas & water	500	-70	0	30	0	Low
Construction	2000	560	0	2030	560	Med
Wholesale and retail trade	8000	0	600	380	700	High
Transport & storage	1250	-30	100	-40	100	High
Accommodation & food services	9000	230	500	1580	500	High
Information & communications	600	50	100	50	100	Med
Financial & business services	6800	1270	1300	940	1300	Med
Government services	18500	1030	3000	2780	3000	Low
Other services	2400	640	100	410	100	Low
Total	**51,230**	**2730**	**5300**	**7530**	**6730**	

Source: BRES data, SPRU analysis

8.11 Table 22 and Table 23 show the total number and proportion of jobs growth forecast in Torbay categorised by the identified risk rating due to Brexit. This analysis suggests that just over one third of existing jobs (36%) and just under a fifth of forecast total growth within the Torbay derived from the growth scenario forecast (19%) are at high risk of negative consequences of Brexit. The majority of existing jobs and forecast jobs growth under the growth scenario are in sectors at moderate or low risk of negative consequences of Brexit.

Table 22 Torbay Jobs by Brexit Risk Rating

Risk Rating	Total Jobs 2022	Forecast Jobs Growth 2022-40			
		OE	Experian	CE	Growth Scenario
High	18,250	200	1,200	1,920	1,300
Moderate	11,580	920	1,000	2,380	2,330
Low	21,400	1,600	3,100	3,220	3,100
Total	**51,230**	**2,720**	**5,300**	**7,520**	**6,730**

Source: BRES data, SPRU analysis

Table 23 Torbay Proportion of Jobs by Brexit Risk Rating

Risk Rating	Total Jobs 2022	Forecast Jobs Growth 2022-40			
		OE	Experian	CE	Growth Scenario
High	36%	7%	23%	26%	19%
Moderate	23%	34%	19%	32%	35%
Low	42%	59%	58%	43%	46%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source:BRES data, SPRU analysis

8.12 The effects of Brexit itself are increasingly well-established within forecasting assumptions with a comparatively lower likelihood of pronounced effects on demand and productivity related to departure from the EU. While a more detailed understanding of the impacts of

Brexit risks factors on the local economy will remain helpful it is less appropriate over time to suggest that these would in isolation justify a further reduction in the assumed growth prospects.

8.13 The passage of time and indefinite nature of the Brexit process also mean it will be impossible to discern whether wider macroeconomic risks can be fundamentally related to the departure from the European Union. This includes, for example, the macroeconomic effects of the Ukrainian-Russian conflict including food and energy costs, inflationary pressure, Government policy direction, epidemic disease, and any resultant effects on Government investment that may have thus far ameliorated the impacts of Brexit. A higher correlation of Brexit-related risk factors does not necessarily provide a reason to specifically adjust the growth prospects for certain sectors based on wider macroeconomic factors before these are reflected in the specific assumptions of the individual forecasting houses.

8.14 Specific assumptions that support the adjustments to various sectors within the Growth Scenario (as set out in Section 7) reflect a number of factors including increases in the employment quotient locally and strong recent performance. The Growth Scenario would therefore not appear to reflect an exposure to substantially higher-risk sectors that would justify a reduction in the outlook for future changes in employment.

b) Risks due to Covid-19

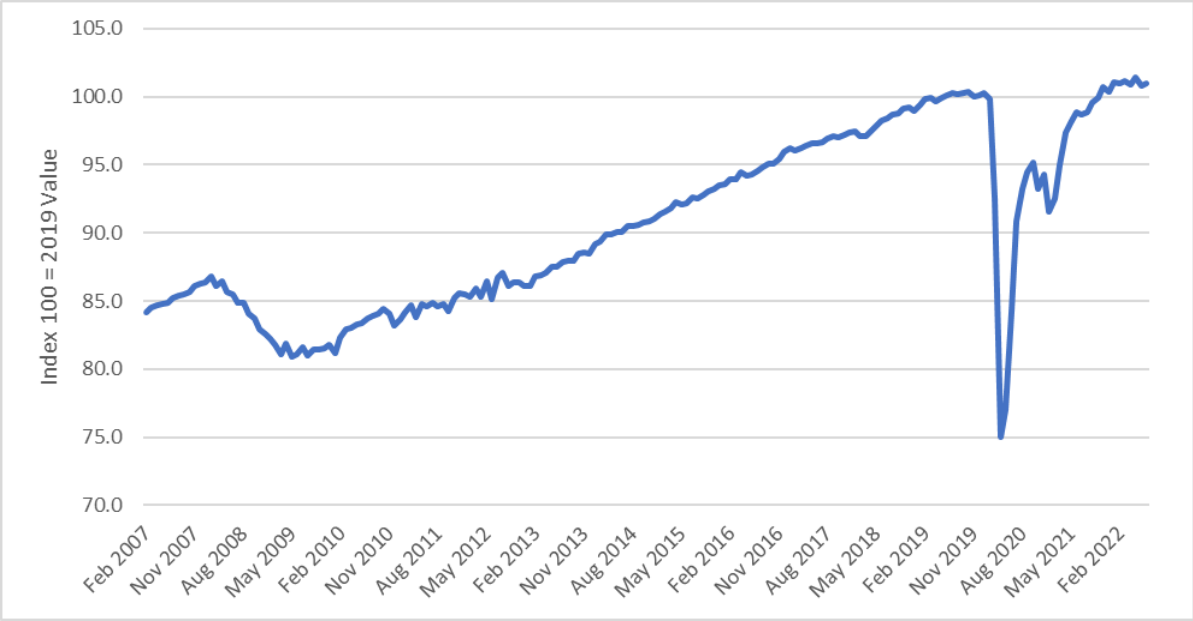
8.15 In the first half of 2020 the UK was impacted by the novel coronavirus SARS-COV-2 (Covid-19) pandemic which has had a significant effect on the global, national, and local economy. The forecasts used in this assessment take account of the impact of Covid-19. However, the full scale of the impact is likely to continue to develop over future years. This section considers the impact that Covid-19 might have on the economy within Torbay, including:

- The risk to existing jobs and job creation in different sectors of the economy; and
- The impact on employment land requirements, to support growth sectors, due to changes in working patterns and increased home working.

8.16 Monthly national GDP figures published by ONS show the impact that Covid-19 and the ensuing lockdown had on the national economy. This shows a drop in GDP of around 25% between January and April 2020. However, this was followed by 6 months of continuous growth, with GDP recovering to around 94.8% of January 2020 levels by October 2020 and the re-imposition of more significant restrictions. The 'second wave' of Covid-19 during the winter of 2020/21 had a less pronounced impact on GDP, falling back to around 91.3% of January 2020 levels by January 2021, still significantly ahead of performance at the end of the first lockdown.

8.17 The data as of July 2022 indicated that GDP had shown further increases to sit around 1.1% above pre-pandemic levels, with the profile of growth slowing since June 2021 and averaging only around +0.16% per month.

Figure 20 Monthly GDP, Jan 2007- July 2022, UK



Source: ONS

8.18 Notwithstanding wider macroeconomic factors, the monthly GDP series for the 12 months prior to July 2022 reflects the first cycle since the onset of the pandemic where total economic output is unlikely to have been significantly affected by Covid-19.

8.19 As noted in section 7 of this report, the impacts of Covid-19 are taken account of in the forecasting assumptions but with different rates of recovery, as shown in Figure 9 above. Most of the immediate effects of the pandemic are now recorded in official estimates and employment estimates, with the characteristics of individual sectors affecting the assessment of future prospects for continued recovery and long-term effects.

8.20 However, in terms of projecting potential future economic impacts should there be a future resurgence of Covid-19, as well as other potential pandemic viruses (such as bird flu) that may disrupt the supply chain, it is helpful to isolate features of an economy which will be more or less susceptible to the impacts of Covid-19. A useful range of indicators was identified by Oxford Economics in their Regional Scorecards for UK Regions (ICAEW UK Economic Report, May 2020). This identifies the following characteristics of a local economy which determine how severely an area's economy is impacted by Covid-19:

- **Exposure to hospitality and tourism:** reflecting the susceptibility of these services to cancellation and closure as people suspend their travel plans and social activities, subsequently reflected in declining GVA trends for these sectors during the immediate impact of the pandemic. Although these sectors experienced a bounce back due to the effects of 'staycationing' when overseas travel was still restricted. High numbers of second homes in countryside or coastal areas may also increase spread of viruses and impacts on healthcare system as people temporarily move out of cities.
- **Exposure to retail:** reflecting the closure of non-essential shops across Europe during the initial impact of the pandemic, with OE also applying the rationale that consumers may defer or delay long-term purchases, such as of cars.
- **Exposure to manufacturing:** reflecting the rationale of the most significant impact by supply-chain disruptions affecting this sector.

- **Trade intensity:** regions with high exposure to supply chains will take larger hit from their disruptions due to the outbreak, with vulnerability measured by the sum of freight (un)loaded by road, air and sea relative to GDP.
- **Share of self-employed:** self-employed workers do not earn wages when they self-isolate or contract the virus, leading to an immediate consumption hit.
- **Share of small firms (with 0-9 employees):** small firms are at a higher risk of bankruptcy due to lower cash buffers and more restricted access to credit.
- **Working from home capabilities:** the speed at which firms can adapt to remote working will depend on previous experience and whether tasks can realistically be performed remotely.
- **Internet access:** as containment measures such as lockdowns are imposed, many people (especially in services) will have to work from home.
- **Share of population 65+:** reflecting mortality rates of Covid-19 being significantly higher for older people.
- **Hospital beds per 100,000 population:** proxy for the capacity of the healthcare system to deal with a large-scale outbreak.
- **Population density (number of people per square kilometre):** regions with higher density may have increased transmission rates, increasing the likelihood of longer/more extensive lockdowns.

8.21 The above indicators, together with evidence of previous impacts and rates of recovery, have been used to identify a level of risk for each sector, as set out in Table 24.

Table 24 Sectoral Risk of COVID-19

	Trading Status	Turnover	Import/ Export	Employee Status	Overall Risk
Manufacturing	Low	Med	High	Low	Med
Water Supply, Sewerage, Waste	Low	Low	Low	Low	Low
Construction	Low	High	Med	Med	Med
Wholesale and Retail	Low	Med	High	Low	Med
Transportation and Storage	Low	Med	High	Med	Med
Accommodation and Food Service	High	High	Low	High	High
Information and Communication	Low	Low	Med	Low	Low
Real Estate	Low	Low	Low	Med	Low
Professional, Scientific and Technical	Low	Med	Med	Low	Med
Administrative and Support	Med	High	Med	Med	High
Education	Low	High	Med	Low	Med
Human Health and Social Work	Low	Low	Low	Low	Low
Arts, Entertainment and Recreation	High	High	Low	High	High

Source: SPRU Analysis

8.22 The above categorisations have been applied to the sectoral jobs growth forecasts for Torbay to identify the scale of forecast jobs growth within each risk level, as shown in Table 25.

Table 25 Torbay Sectoral Covid-19 Risk Rating

Sector	Total Jobs 2022	Forecast Jobs Growth 2022-40				Covid Risk
		OE	Experian	CE	Growth Scenario	
Agriculture and mining	180	-30	0	20	-30	Low
Manufacturing	2000	-930	-400	-660	400	Med
Electricity, gas & water	500	-70	0	30	0	Low
Construction	2000	560	0	2030	560	Med
Wholesale and retail trade	8000	0	600	380	700	Med
Transport & storage	1250	-30	100	-40	100	Med
Accommodation & food services	9000	230	500	1580	500	High
Information & communications	600	50	100	50	100	Low
Financial & business services	6800	1270	1300	940	1300	Med
Government services	18500	1030	3000	2780	3000	Med
Other services	2400	640	100	410	100	High
Total	**51,230**	**2730**	**5300**	**7530**	**6730**	

Source: BRES data, SPRU analysis

8.23 Table 26 and Table 27 show the total number and proportion of jobs growth forecast in Torbay categorised by the identified risk rating due to Covid-19. One initial observation is that the baseline CE and OE forecasts are more highly exposed to high-risk sectors. A lower proportion of new jobs expected to be delivered under the Growth Scenario will be in high risk sectors (9%) compared with the proportion of high risk jobs expected to be delivered under the OE, Experian and CE baseline forecasts.

Table 26 Torbay Jobs by Covid-19 Risk Rating

	Total Jobs 2022	Forecast Jobs Growth 2022-40			
		OE	Experian	CE	Growth Scenario
High	11,400	870	600	1,990	600
Moderate	38,550	1,900	4,600	5,430	6,060
Low	1,280	-50	100	100	70
Total	**51,230**	**2,720**	**5,300**	**7,520**	**6,730**

Source: BRES data, SPRU analysis

Table 27 Torbay Proportion of Jobs by Covid-19 Risk Rating

	Total Jobs 2022	Forecast Jobs Growth 2022-40			
		OE	Experian	CE	Growth Scenario
High	22%	32%	11%	26%	9%
Moderate	75%	70%	87%	72%	90%
Low	2%	-2%	2%	1%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source: BRES data, SPRU analysis

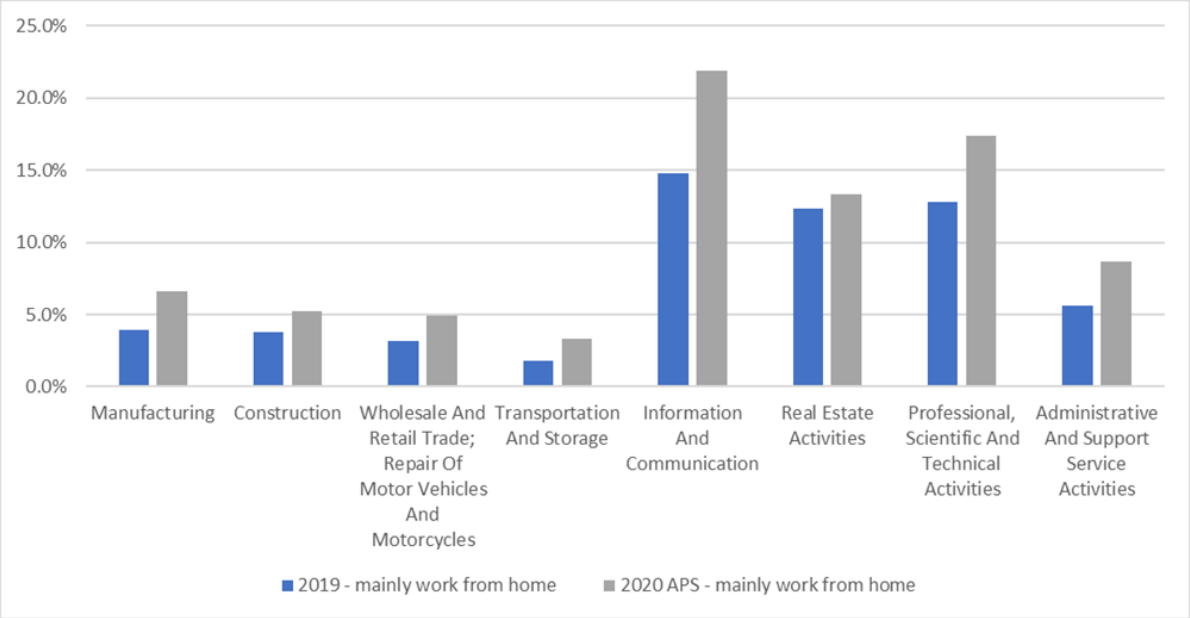
c) Changes to Working Practices

8.24 The lockdowns that were imposed during the Covid-19 pandemic necessitated a large shift in the amount of home working across a number of sectors and many companies adjusted

their operating practices and cultures in order to facilitate longer-term home working.

8.25 During the height of the pandemic, sectors with high levels of office-based activities saw particularly high levels of remote working, and large increases from the rates of home working seen pre-lockdown. Data from the Annual Population Survey, illustrated in Figure 21, shows an increase in the proportion of UK workers who worked 'mainly from home' across all sectors compared with the pre-pandemic 2019 figures. However, these figures are lower than the proportion working from home during the height of the lockdowns when working from home was enforced.

Figure 21 Percentage of UK workforce mainly working from their own home in each industrial sector, 2019 vs 2020 Annual Population Survey



Source: SPRU analysis of ONS data

8.26 This recent evidence therefore suggests that whilst levels of home-working have declined from the high levels seen in particular sectors during the pandemic, levels of home-working continue to remain above those seen pre-pandemic as many of the cultural and technological barriers have been overcome and many advertised roles, particularly in office-based sectors, now offer 'hybrid' or 'flexible' working arrangements. This change in working practices is therefore likely to impact on the quantum of employment space required to be planned for to support existing and future jobs growth, particularly in the sectors requiring desk- or office-based working.

8.27 Continued survey-based assessments of homeworking trends undertaken by the ONS further demonstrate the uncertainty of future working practices[17]. This particularly relates to expectations for 'hybrid' work patterns where employees will continue to utilise conventional floorspace for at least part of their activities, and thus potentially limiting the likelihood of a rapid reconfiguration of premises requirements. As of May 2021, the Business Insights and Conditions Survey found of those currently homeworking, 85% expected to share their time between their usual place of work and remote working in the future.

17 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/businessandindividualattitudestowardsthefutureofhomeworkinguk/apriltomay2021

8.28 Both businesses and individuals preferred a "hybrid" working approach (a mixture of both office and homeworking) in the future. However, while nearly two-fifths (38%) of businesses expected 75% or more of their workforce to be at their normal place of work, a large proportion (36%) of those currently homeworking thought they would spend the majority or all their time homeworking in the future. 37% of businesses surveyed as of May 2021 anticipated that their workforce would return to the main location of work within three months, potentially indicating a further narrowing of pre-Coronavirus and post-Coronavirus trends although more recent Annual Population Survey data is not yet available to substantiate this.

8.29 This provides justification for the application of trend-based adjustments to rates of homeworking across appropriate sectors with the greatest potential to accommodate home or hybrid working practices rather than forecasting a substantial reduction in the absolute net demand for floorspace based on the main impacts of the pandemic.

8.30 Remote working is traditionally factored into the modelling implicitly via the employment densities from the HCA Employment Densities Guide (2015) which considers the amount of floorspace per worker for different uses and factors in things such as hot-desking and agile working. In order to avoid 'double counting' these factors, 2015 has been used as a baseline and changes in home working trends have been measured from 2015 onwards to assess how home working rates are likely to increase since the HCA figures were calculated.

8.31 The changes in working from home rates between 2015 and 2040 shown in **Table 28** have been calculated by extrapolating the growth trend in home working from 2012-19 to 2040. The trend from 2012-19 has been used as a basis for the extrapolation as there is not yet any data available of post-pandemic levels of home working by sector. The extrapolation has been undertaken for each sector and results in a total proportion of home working of 9.2% by 2040 – an increase of 3.6% on 2015 rates. For some sectors this is notably higher – the highest is IT and Communications which grows to 23.3% by 2040. This suggests that the predominantly office-based sectors will be most impacted.

Table 28 Projected Change in Working from Home per Sector, 2015-40

	2015	2040	Change
Manufacturing	3.7%	6.9%	3.2%
Electricity, gas & water	2.2%	8.7%	6.6%
Construction	4.1%	7.3%	3.2%
Wholesale and retail trade	3.4%	6.1%	2.7%
Transport & storage	1.5%	2.9%	1.4%
Accommodation & food services	3.6%	2.4%	-1.2%
Information & communications	14.4%	23.3%	8.9%
Financial & business services	8.5%	15.6%	7.1%
Government services	2.7%	5.9%	3.2%
Other services	9.7%	13.2%	3.5%
All Jobs	**5.3%**	**9.2%**	**3.6%**

Source: SPRU Analysis of ONS data

8.32 These projected working from home rates are factored into the land requirement modelling set out in Section 10 for the sectors requiring office floorspace. In the modelling it is assumed that a proportion of jobs, including newly created jobs in each sector, will be filled by workers working from home in accordance with the projected rates. This has two main

effects on estimating future requirements for economic development. Firstly, a proportion of the net forecast change in employment by sector will equate to jobs that do not therefore require additional floorspace and are removed from the final floorspace requirement figures. Secondly, the projected trends in home-working are applied to the total employment within a sector, meaning that even where there is no forecast change in employment there will be a small net reduction in the proportion of existing jobs occupying employment floorspace.

8.33 It is important to note firstly that forecasting trend-based changes in home-working does not negatively impact upon the total forecast growth in FTE jobs. Secondly, the projected trend has only been applied to the forecast demand for land and floorspace in Use Class E(g)(i)/E(g)(ii) (i.e. offices). As explained in Section 10, a 'working from home' adjustment has not been applied to jobs requiring industrial, storage and distribution floorspace, as it is assumed there will be minimal change in the proportion of these jobs that can be carried out remotely (above the 2015-based proportions already factored into the employment density modelling assumptions).

8.34 The 2015 working from home rates shown in Table 28 are extrapolated for each year to 2040 using the homeworking trend between 2012-19. The working from home rate is then applied to the total full-time equivalent (FTE) jobs projection for each office-based sector to identify the number of FTE jobs for which employment floorspace will be required to be planned for (i.e. the total jobs in which workers are not expected to be working from home).

8.35 For the avoidance of doubt there is no obligation upon the Council to prepare policies for economic development that adopt a reduced total for net additional needs based on the trends, nor should the implications of any wider trend in home-working be considered in itself to provide the justification for the loss of employment land from any given specific site.

8.36 Paragraph 85 of the NPPF states that significant weight should be placed on the need to support economic growth in plan making. The approach taken by local authorities should therefore include attempting to counter any weaknesses. Paragraph 86a further sets out that plans should encourage sustainable economic growth and, as stated in paragraph 86c, seek to address barriers to investment. Therefore, in addition to considering the employment needs created by growth scenarios, the employment needs of existing residents of Torbay must also be considered, as well as the need to increase the skill level of the labour force and the job density to provide “spousal/familial jobs” to remove key barriers to inward investment activity. This should be highlighted over and above the model-based job and floorspace requirements.

9.0 LABOUR SUPPLY VERSUS LABOUR DEMAND

Key Points Summary

- A boost to housing supply would generate a positive need for economic development based on growth in labour supply broadly consistent with the Growth Scenario.
- No uplift to the minimum Local Housing Need (LHN) is considered necessary or necessarily desirable to support an explicit balance between jobs and homes.
- The Labour Supply scenarios considered by this study indicate no likely significant adverse effect on commuting trends and the relationship between jobs and homes.
- Net-to-Gross Margins for loss replacement and flexibility may support additional job creation.

a) Introduction

9.1 This section of the report considers the Council's emerging evidence based for the housing needs of Torbay and the implications for demographic and household change over the plan period related to future provision for economic development.

9.2 The most recent findings to inform this analysis are provided by the Torbay Housing (and Economic) Needs Assessment ('H(E)NA') prepared by the Council and published in May 2022. The outputs of the 'H(E)NA' provide an assessment of the baseline conditions for economic activity and employment within Torbay but do not produce any projection or forecast for future changes in these characteristics over the plan period. The 'H(E)NA' also does not provide any assessment of future needs for economic development under any methodology.

9.3 The existing evidence base at the time of preparing this EDNA report is therefore somewhat limited in terms of its ability to assess the link between housing and the potential to support economic growth based on future demographic trends. This chapter therefore outlines the background to this topic before presenting the outputs of labour supply scenarios for economic development.

b) Background and Policy Context

9.4 It is helpful to set the reasons for looking at labour supply scenarios in context. At its core this enables an estimate of future needs for land and floorspace based on assumptions for the level of workplace-jobs (consistent with labour demand scenarios) supported by a given change in the population of the district.

9.5 The relationship between future provision for homes and jobs arises from a wider context for considering the specific relationship between labour demand and labour supply. This reflects previous iterations of the Planning Practice Guidance.

9.6 Before the Standard Method, and under the previous PPG[18], it was conventional for assessments such as this to consider the link between housing and economic growth. This generally took the form of establishing likely future job growth and then testing what level of population growth (and hence household growth/housing need) would be required for the

[18] ID: 2a-018-20140306

two to be aligned. Whilst this step is not necessary for the purposes of Standard Method, it is of interest to estimate what level of job growth the projections might support.

9.7 The removal of an express link between labour demand and labour supply does not mean that preparation of Local Plans should ignore labour market alignment altogether, which may have soundness implications for the effectiveness of proposed strategic policies related to housing and economic development. This includes considerations relating to sustainable travel patterns and ensuring that inadequate housing supply does not constitute one potential barrier to investment (NPPF 2023, Paragraph 86(c)).

9.8 Planning Practice Guidance continues to provide a non-exhaustive list of conditions that may indicate that actual housing need is higher than the Standard Method indicates and can include changing economic circumstances[19]. Demographically derived assessments of current and future local labour supply (labour supply techniques) therefore remain relevant to assessing the implications of alternative economic scenarios that should be considered as part of market signals that may affect the forecast of future needs[20].

c) The Evidence Base for Labour Supply Scenarios

9.9 The brief for this EDNA does not cover the preparation of labour force projections. Reflecting the starting point at the time of preparing this report, this section provides a framework should comprehensive projections be produced in the future as an output from the Council's evidence base for housing needs. Most commonly this would correspond to demographic change associated with provision for housing in accordance with local housing need calculated using the Government's Standard Method (or any appropriately justified alternative). Labour supply projections can also be prepared based on the housing requirement proposed in emerging policy.

9.10 To that end, the outputs produced in this EDNA should be regarded as indicative rather than a definitive illustration of future labour supply characteristics.

9.11 It is important that the inputs used to generate estimates of labour supply are capable of being applied consistently across the evidence base for housing needs.

9.12 In an employment-led labour supply scenario, workplace-based employment forecasts are used to estimate likely population growth, using economic activity rates, a fixed commuting ratio, plus an unemployment rate that may be varied over the forecast period and can potentially be derived in line with the employment forecasts. Outputs derived on the basis of predicted workplace-based employment scenarios must be capable of being compared with the labour supply implications of other projected demographic changes (such as local housing need scenarios) where a 'jobs' figure is not applied as a constraint.

9.13 The context for this is that demographic projections producing outputs for labour supply are by definition residence-based estimates that essentially identify the number of jobs supported as a result of population and household change. This does not assume that all employment change associated with this total would be generated by workers originating within any given area; for example, Torbay. This is a result of the application of an overall commuting ratio consistent with inputs provided by either the 2011 Census or recently released 2021 Census origin-destination data.

9.14 The inputs that must be applied consistently to compare outputs for labour supply and any employment-led derived forecasts can therefore be summarised as follows:

[19] ID: 2a-010-20201216

[20] ID: 2a-027-20190220

i) *Economic Activity Rates*

9.15 Economic Activity Rates (EARs) determine the estimated annual change in Torbay's resident labour force, whilst the unemployment rate and commuting ratios link the labour force to workplace-based employment in the area.

9.16 Economic activity rates measure the proportion of the population that are actively involved in the labour force, either employed or unemployed and looking for work.

9.17 They are typically provided by five-year age group (ages 16–89) and sex have been derived from (historically 2011) Census statistics. Given proposed changes to the retirement age (now largely enacted) since the 2011 Census it was common to apply adjustments made in line with the Office for Budget Responsibility's (OBR) analysis of labour market trends in its 2018 Fiscal Sustainability Report. Data also now exist to generate Economic Activity Rates from 2021 Census data, noting that these have the potential to be impacted by the Coronavirus pandemic but notwithstanding for Torbay do indicate higher rates of economic activity in those aged 65+.

9.18 Due to the combination of variable factors it is therefore not typical for future forecasts of change in the labour force to be generated by outputs from annual or quarterly estimates, such as the Annual Population Survey (APS). The EAR from these outputs is usually provided as a single percentage figure for the population aged 16-64 only. Figure 22 below provides outputs from the APS for Torbay, which show a limited growth in economically active persons since 2011.

Figure 22 Torbay Economically Active Persons (2004-2023)

Source: Annual Population Survey

9.19 The fluctuation within this trend is only partly a function total population change over the period. Other variables may have a greater effect on a quarterly or annual basis; such as the effects of the pandemic and strength of the labour market. Total economic activity also reflects sensitivity of EARs for persons aged 65+. Ordinarily EARs will be much lower for persons aged 65+ and depending on the starting point for assumptions of the EAR any forecast in increased rates of economic activity for persons aged 65+ might be challenged.

9.20 Generally, the total EAR can be expected to decline over the projection period as the population ages. However, the economically active older population will still contribute to the number of jobs supported and may in some instances offset losses in other age groups depending on the relative levels of population change.

ii) *Unemployment*

9.21 The unemployment rate is the proportion of unemployed people within the total economically active population. Application of the unemployment rate is applied to the total for economically active persons ('labour force') to generate a slightly lower figure for persons living in Torbay and working i.e., employed people.

9.22 Historical unemployment rates are sourced from ONS model-based estimates. The July 2022-June 2023 model-based unemployment rate provided by the Annual Population Survey comprises 3.2% for Torbay and 2.9% for the wider South West. The relevant rate should be applied should be applied to each of the labour supply scenarios and fixed throughout the forecast period.

iii) *Commuting Ratio*

9.23 The application of a commuting ratio is the relevant expression necessary to consider the relationship between labour supply (and employed persons) and the number of jobs supported (i.e., employment) within the locality. The commuting ratio is essentially a residence-based figure.

9.24 The commuting ratio indicates the balance between the level of employment and the number of resident workers. A commuting ratio greater than 1.00 indicates that the size of the resident workforce exceeds the level of employment available in the area, resulting in a net out-commute. A commuting ratio less than 1.00 indicates that employment in the area exceeds the size of the labour force, resulting in a net in-commute.

9.25 It is generally the case that this is applied in all scenarios and fixed throughout the forecast period. This is such that while there is a relationship between gross inflow and outflow commuting flows that generates the total ratio the outputs cannot be criticised for relying on a greater proportion of in-commuting to take up a given figure for the number of jobs supported locally.

9.26 Where the commuting ratio exceeds 1.00 it may, however, be relevant to consider where the increase in jobs supported locally might be greater where future growth in the labour force does not result in any absolute increase in levels of net out commuting compared to existing levels (i.e., effectively increasing the jobs density).

9.27 It should be noted that relationships between workplace-based and residence-based containment of jobs and workers and the overall commuting ratio are relevant to interpreting calculations of jobs density locally (jobs as a proportion of working age people) but the variables are not directly comparable. This is because variables such as home-working affect jobs density relative to the total working age population whereas commuting self-containment excludes the measure of home-workers.

9.28 The use of an overall commuting ratio based on total persons living in Torbay (and working) and total employment in Torbay (both including home workers and those of no fixed workplace) is generally more robust than workplace-based and residence-based measures of containment that include only commuting flows (including flows within the district). This is more comparable with forecast jobs growth based on labour demand, where future changes in employment take account of the proportion of jobs that are unlikely to require additional land and floorspace.

iv) *Double-Jobbing and Relationship Between Total and FTE Jobs*

9.29 It is reasonable for the evidence base for housing needs to provide for an assumption that a small proportion of the resident labour force will hold more than one job (double-jobbing). A figure of around 5% is typically applied for double-jobbing.

9.30 For labour supply scenarios this corresponds to an uplift to the economically active

population who are living in Torbay and working (i.e., employed) to reflect the proportion of employed persons with more than one role. For derived employment-led scenarios this assumption applies slightly differently as it means that the 'jobs supported' figure corresponding to the total employed population can effectively be reduced by the expected proportion of persons likely to work more than one role. For example, support for 4,000 jobs would require 3,810 employed persons including double-jobbing.

9.31 In terms of the outputs from labour supply or derived employment-led totals for the number of jobs supported these will not otherwise differentiate these between full-time or part-time roles. To consider implications for needs for land and floorspace consistent with the EDNA outputs the 'jobs supported' employment figures produced by relevant scenarios is converted to a Full-Time Equivalent total in order to accurately compare the calculation of land and floorspace for labour demand based on FTE employment.

v) *Relationship with Labour Demand Jobs Forecasts*

9.32 In terms of the relationship between labour demand and labour supply scenarios it is important to note that the application of the assumptions summarised above are not applied as constants in the same way to the outputs of econometric forecasts.

9.33 In terms of the Experian model this adopts the most complex forecasting methodology and does have regard to the most recent official 2018-based subnational population projections. The outputs of the forecast can result in a small number of 'unfilled' jobs where criteria for the labour market to support a given number of workforce jobs locally are not met. Any unfilled jobs are not specified but what this means in practice is that the Experian forecast does not indicate that the baseline forecast of 5,300 jobs 2022-2040 would be impacted by constraints to labour supply.

9.34 As part of this report we have not sought to confirm with Experian whether the forecast does reflect assumptions or unfilled jobs or alternatively whether available labour supply would in-fact support more jobs than indicated by the baseline position.

9.35 This is because the assumptions applied to the forecast are dynamic rather than fixed. To achieve the baseline forecast this may be as a result of flexing certain assumptions within reasonable bounds e.g., economic activity, unemployment and the effective commuting ratio. For these reasons labour supply scenarios and labour demand scenarios should not be considered directly comparable.

d) Calculation of Commuting Ratios and Implications of Self-Containment

9.36 Based on the observations and definitions outlined above it is relevant to consider the calculation of commuting ratios for Torbay in more detail. As a starting point evidence derived from the analysis of commuting ratios may be relevant to assessing the desirability of any explicit relationship between jobs and homes in an area. This would be consistent with the Planning Practice Guidance no longer being prescriptive on this link.

9.37 According to the 2011 Census Travel to Work Survey, the number of resident workers was approximately 57,214, with the number of employed workers at 52,988. This results in a commuting ratio of 1.080, indicating a modest net out-commute. In practice applying this ratio constantly would mean that for any one net additional resident living in Torbay and working 0.93 additional jobs would be supported as additional to the total working in Torbay. The calculation of the 2011 Commuting Ratio is shown below in Table 29.

Table 29 Torbay Commuting Ratio (2011)

	2011	
	People	**% of Total Working in LA**
Live and work in Torbay	32,308	61%
Home Workers	7,035	13%
No-Fixed Place	5,076	10%
In-Commute to Torbay	8,569	16%
Out-Commute from Torbay	12,795	
Total Working in Torbay	52,988	
Total living in Torbay (and working)	57,214	
Net Commuting Outflow	4,226	
Commuting Ratio	1.080	

9.38 Presentation of these data in this way is consistent with the definition of Torbay as a self-contained Functional Economic Market Area (FEMA) as defined elsewhere within the existing and emerging evidence for plan-making. Notwithstanding an overall net out-commute Torbay indicates relatively low proportions of home-working and a high proportion of commuting flows retained locally within the authority (32.308 / 45,103 = 72%). Taking these characteristics together this means that Torbay exhibits residence-based and workplace-based measures of containment (excluding home-workers and no-fixed place employed persons) that exceeds the thresholds typically applied for FEMA definition as shown in Table 30 below. The workplace-based figure is higher because of the net out-commute of residents and the higher proportion of those living and working in Torbay relative to home-working.

Table 30 Torbay Workplace and Residence-Based Containment

	Total	**Live and work in Torbay**	**Self-containment**
Residence-based Living in LA and working commuting flows	45,103	32,308	72%
Workplace-based Living in LA and commuting flows	40,877	32,308	79%

9.39 Applying the commuting ratio consistently means that these levels of containment would be retained in perpetuity. In practice under fixed assumptions this means that the actual workers expected to provide for workplace-based employment will be drawn partly from neighbouring areas although this is moderated given the high levels of self-containment.

9.40 Irrespective of the growth in the resident labour force supported within Torbay the actual availability of workers in relevant sectors will be partly dependent on the characteristics of population change (and relationship with levels of housing growth) achieved by surrounding authorities. However, based on the existing characteristics of containment actual population change in Torbay could impact on the ability of the labour market to meet demand in the event of lower population growth and without increased in-commuting.

9.41 Total *workplace-based* change in employment as a result of labour demand scenarios considered within the EDNA are therefore consistent with comparison against the increase in the total number of persons working in Torbay as generated by a combination of commuting flows. Neither set of scenarios implies that the net change in employment or jobs supported relates to activities undertaken by Torbay residents only.

9.42 The commuting ratio calculated using 2011 data can be compared with the most recent outputs from the Census 2021 noting caveats associated with the pandemic.

9.43 According to the 2021 Census Travel to Work Survey, the number of resident workers was approximately 58,722, with the number of employed workers at 56.177. This results in a commuting ratio of 1.045, indicating a smaller absolute net out-commute than in 2011 (2,545 persons). In practice applying this ratio constantly would mean that for any one net additional resident living in Torbay and working 0.96 additional jobs would be supported as additional to the total working in the area.

Table 31 Torbay Commuting Ratio (2021)

	2021	
	People	**% of Total Working in LA**
Live and work in Torbay	25,108	45%
Mainly working at or from home, No fixed place	23,058	41%
In-Commute to Torbay	8,011	14%
Out-Commute from Torbay	10,556	
Total Working in Torbay	56,177	
Total living in Torbay (and working)	58,722	
Net Commuting Outflow	2,545	
Commuting Ratio	1.045	

9.44 It is apparent from this calculation that the local impact upon the commuting ratio derived from the latest Census data has been somewhat volatile. This reflects the observations of the ONS published alongside the 2021 origin-destination data, noting specifically that levels of economic activity and workplace locations are likely to have been affected by the Coronavirus pandemic. Due to the restrictions imposed and the effect of furlough the ONS has specifically stated that the distribution of workplace flows does not provide a reliable indicator of actual levels of home-working.

9.45 Specific observations for Torbay include that the total number of persons living in the district (and working) has increased since 2011 (58,722 versus 57,214). This finding may in part reflect that the population aged 16-64 has increased over the same period by around 1,500 persons, which is a recent finding as a result of official Census 2021 outputs indicating population growth higher than previous estimated.

9.46 The increase in resident workers is unlikely to be explained simply on a like-for-like basis by population change and differences in economic activity and unemployment may also be contributory factors. It is not possible to discern precisely whether the increase would have been greater or lesser allowing for pandemic-related effects. With reference to the pandemic, it is relevant that depending on the destination (i.e., workplace) of any 'missing' employment this could impact upon the commuting ratio.

9.47 Regarding the figure of 23,058 persons working from home or no fixed place (versus 12,111 in 2011), it is unlikely that all of these roles assigned to home-working or no fixed place in the 2021 Census and thus generating a lower commuting ratio are in-fact based in Torbay. At least some of the reduction in gross out-commuting flows since 2011 (10,556 versus 12,795) is likely to be captured within the home-working total. Again, there is no way of discerning whether the total gross out-commuting flow would have exceeded 2011 levels without pandemic-related effects.

9.48 The 2021 ratio overall also indicates some potential consistency with future expected

trends in labour demand for workplace-based jobs in Torbay. These indicate the prospects for employment growth being generally stronger than past trends. In support of this view, it is principally out-commuting from Torbay that has reduced between the two Census (12,566 versus around 10,795). This indicates a likelihood of increased remote working by residents workers during the pandemic.

9.49 Conversely, gross in-commuting flows have been relatively consistent (8,011 versus 8,569 in 2011). On one reading this could reflect the lower suitability of the characteristics of existing employment at workplaces in Torbay to support remote working. There is, however, evidence that net employment has increased in Torbay since 2011 and to some extent it is reasonable to suggest a strengthening of cross-boundary commuting flows to generate the total workplace-based employment estimate for the district. This would be consistent with the observations of only modest growth in the resident working-age population and the more limited increase in the total number of people living in Torbay (and working). There is no way of discerning whether the total gross in-commuting flow would have further exceeded 2011 levels without pandemic-related effects. The in-combination effect if that were the case would be a lower commuting ratio and higher total for workplace-based jobs, but lower overall containment of workplace-based flows.

9.50 What this means in practice is that for the purposes of modelling and understanding the link between labour supply and labour demand there is a negligible difference from applying either the 2011 or the lower 2021 Commuting Ratio for modelling (notwithstanding potential Covid-19 effects). The latest data indicate that Torbay retains relatively high levels of self-containment and therefore understanding the link between jobs and homes is a relevant exercise under national policy and guidance. However, the link between these indicators is not necessarily explicit and from a relatively low starting point recent and future changes in gross commuting flows may be indicative of meeting changing trends in labour demand.

d) Calculation of Labour Supply Scenarios and Link Between Jobs and Homes

9.51 Notwithstanding that the scope of this EDNA does not extend to assessing or establishing plan-making outcomes for housing needs, a series of indicative scenarios have been prepared to illustrate the implications for the number of jobs that would be supported in Torbay under different assumptions for total projected population change and growth in the labour force. This can be compared with other outputs of the EDNA in terms of labour demand and take-up of land and floorspace. These scenarios address the application of EARs and take account of double-jobbing, unemployment and the commuting ratio as described above.

9.52 This has also enabled the application of a 1:1 commuting ratio to future forecast growth in the labour supply. This is with the intention that these outputs will be reconciled as part of the final housing needs evidence base.

9.53 A brief summary of the assumptions used is outlined below:

- EARs based on the 2011 Census, with the exception of EARs for 65-74 and 75+ age groups that reflect higher totals recorded in the 2021 Census. This may capture some of the recent impact of increased retirement age, though no future increase in EARs amongst older age groups has been applied for this exercise. These EARs are applied to all years in scenarios for the period 2022-2040.
- Application of an unemployment rate of 3.2% to the economically active population (labour force) in all years.
- Application of double-jobbing at 5% of the employed labour force.
- Use of the Census 2021 commuting ratio of 1.045. However, the split of the total for components of employment in Torbay (living and working in the district, home-

workers, no fixed place and in-commuters) has been derived from the proportions in 2011 to counter potential pandemic-related effects.

- Assumptions for resident labour supply and 2021 Commuting Ratio to generate the total number of persons living in Torbay (and working) and total employment have been updated to a 2022 base-date prior to assessing net change 2022-2040, corresponding to the latest official mid-year population estimates. This does not affect the assessment of need based on change in the plan period but is likely to address potential pandemic-related effects regarding recorded employment and correspond more closely with official estimates. The impact of this re-basing is shown in Table 32 below.

Table 32 Torbay 2022 Base-Date for Resident and Workplace Employment

	2021		2022	
	People	% of Total Working in LA	People	% of Total Working in LA
Live and work in Torbay	25,108	45%	35,982	61%
Home Workers	23,058	41%	7,835	13%
No-Fixed Place	0	0%	5,653	10%
In-Commute to Torbay	8,011	14%	9,544	16%
Out-Commute from Torbay	10,556		12,217	
Total Working in Torbay	56,177		59,014	
Total living in Torbay (and working)	58,722		61,688	
Net Commuting Outflow	-2,545		-2,674	
Commuting Ratio	1.045		1.045	

9.54 With these assumptions applied to generate labour supply characteristics the implications for the total number of jobs supported in Torbay can be considered under various scenarios. The basis for these scenarios is outlined below:

1. The official **2014-based population projections** which underpin the Standard Method reflect a projected net reduction in the economically active labour force over the period 2022-2040, prior to the application of other inputs such as unemployment and the commuting ratio. This is therefore not a relevant scenario to generate future needs for land and floorspace based on projected change in the labour supply.

2. The official **2018-based population projections** show modest growth in the economically active labour force of around 1,300 persons. The number of jobs supported under these assumptions can be illustrated in terms of future implications for land and floorspace specifically associated with the change in labour supply.

3. **Local Housing Need** scenarios are sensitive to the assumptions made regarding the application of the affordability uplift at step 2 and the resultant implications for either additional population growth or improved household formation. Where additional population growth is assumed this is usually generated by adjusting the balance on internal in-migration and out-migration to correspond to the additional household spaces provided but noting that this is sensitive to current rates of migration by age and sex. In the absence of local housing need projections generated by the Council at this stage in preparing the evidence base this EDNA provides indicative totals of the total change in the economically active labour force (4,089 persons) and labour force aged 16-64 (3,238 persons) generated by applying this methodology using the characteristics

of internal in and out-migration from the 2018-based SNPPs and baseline 2014-based projections. Due to the uncertainties involved the lower total based on 3,238 persons would generally be preferred.

4. Illustrating **a 'derived' total** for the increase in employed persons living in Torbay (and working) that would correspond to the increase in jobs supported in the area provided from the EDNA growth scenario (6,300). This would correspond to 6,000 additional persons employed in Torbay, prior to allowing for 5% double-jobbing.

9.55 For scenarios 2 and 3 the number of additional jobs supported for those working Torbay is shown in Table 33 below with the column headers reflecting the increase above the 2022 base-date.

Table 33 Projected Growth in Jobs Supported (2040) under Labour Force Scenarios

	2018-based SNPP		Local Housing Need – 16-64 Labour Force		Local Housing Need – 16+ Additional Labour Force	
	1,288 JS*	1,347 JS (1:1)	3,149 JS	3,292 JS (1:1)	3,976 JS	4,156 JS (1:1)
Live and work in Torbay	36,768	36,826	37,903	38,045	38,397	38,576
Home Workers	8,006	8,006	8,253	8,253	8,361	8,361
No-Fixed Place	5,777	5,777	5,955	5,955	6,033	6,033
In-Commute to Torbay	9,752	9,752	10,053	10,053	10,184	10,184
Out-Commute from Torbay	12,484	12,425	12,869	12,726	13,037	12,858
Total Working in Torbay	60,302	60,361	62,163	62,306	62,974	63,154
Total living in Torbay (and working)	63,034	63,034	64,980	64,980	65,827	65,827
Net Commuting Outflow	-2,732	-2,674	-2,816	-2,674	-2,853	-2,674
Commuting Ratio	1.045	1.044	1.045	1.043	1.045	1.042
Net Additional Out Commute	+58	0	+143	0	+179	0

** JS = Jobs Supported*

9.56 The number of jobs supported as indicated by the outputs of these scenarios is below the level of labour demand indicated by the EDNA Growth Scenario or the Experian baseline forecast. However, in terms of the expectations for an explicit link between jobs and homes this needs to be viewed with caution based on the fixed assumptions applied in the scenarios.

9.57 Taking the central LHN (16-64 additional labour force) scenario this would nevertheless indicate a specific increase of around 2,000 persons living and working at workplaces in Torbay – equivalent to around 6.4% of 2011 components of resident worker flows or 8.2% of the 2021 totals. This would not impact upon residence-based or workplace-based containment and has not been subject to any further uplift in EARs. The existing high levels of containment, low gross in-commuting flows and positive commuting ratio (i.e., a net out-commute) are also relevant, alongside the evidence of relatively modest levels of population and employment growth since 2011.

9.58 Within the context of increased labour demand several of these variables could alter, whereas under the labour force scenarios there is for example no reduction allowed in absolute levels of out-commuting compared to existing levels. Likewise there may be

flexibility in terms of whether existing and future levels of those assumed to be home-workers contribute to employment in the local labour market rather than elsewhere. In summary, there is therefore reason to suggest that the figure for the number of jobs supported could be greater.

9.59 As one example of this, each scenario is presented with two 'jobs supported' figures – for example 3,149 and 3,292 under the LHN 16-64 Labour Force scenario. The difference relates to the application of the commuting ratio to net additional growth in residents living in Torbay (and working) (outlined further below).

9.60 The 1:1 ratio sensitivity test is useful to illustrate where assumptions for an absolute increase in levels of net out-commuting would arguably mean that other authorities (outside of Torbay) would be providing jobs but not housing for people taking up those jobs. The 1:1 ratio is also considered useful in the context of Covid-19 with the likelihood being that a greater proportion of people will work from home (or mainly from home) in the future. These observations are considered consistent with the findings of the EDNA.

9.61 The use of the 1:1 commuting ratio would appear to be reasonable in light of 2021 Census outputs given the overall slight fall in the commuting ratio. It should be noted that while absolute levels of net commuting remain the same (-2,674 persons) the gross outflow of commuters nevertheless increases under each 1:1 scenario, indicating that there is still substantial scope for an increased level of employment growth provided locally to reduce journey distances. The LHN scenario would also depend on an absolute increase in gross in-commuting flows of the same magnitude, which could be affected by levels of house-building elsewhere.

9.62 The number of jobs supported being potentially greater due to trends in home-working, reflected as a proxy in the 1:1 scenario, does not necessarily compare with evidence for labour demand within this study on a like-for-like basis.

e) Indicative Needs for Land and Floorspace Under Labour Supply Scenarios

9.63 The assessment of labour supply scenarios considers the total change in employment based on growth in the labour force from 2022. This is achieved by matching the labour demand profile of the Growth Scenario to the total number of jobs supported (excluding home-workers[21]).

9.64 Sectors showing a negative change in employment are excluded from the apportionment of the additional jobs supported. This means that any net changes resulting in a reduction in employment levels from 2022 totals in other sectors, which may free up additional labour in addition to the jobs supported under the SHMA scenarios is not considered. This also means that working from home trends applied to the total for existing jobs, which may reduce the future net requirement for land and floorspace to a negative value, are also not captured when the number of jobs supported is apportioned to sectors that only show positive employment change.

[21] The matching exercise should take account of the increase in rate of home working incorporated within relevant sectors and Use Classes under the EDNA Growth Scenario forecast to ensure a like-for-like comparison. Where the number of jobs supported is increased by those working remotely (rather than an increase in the number living and working in Torbay) it will not necessarily be the case that these roles will be fulfilling forecast changes in employment within the district. To counter this the future trend towards increased rates in home-working between 2020 and 2040 is also applied to the estimated number of jobs supported as identified by the LHN labour supply in both scenarios. A total adjustment of 13% is applied to the number of jobs supported using the 2022 value for home workers from Table 32 above. This is to ensure these roles are not 'double-counted' as part of labour supply generating a demand for land and floorspace, which is especially important for the jobs supported under the 1:1 commuting ratio.

9.65 The estimates for additional jobs supported by growth in the labour supply and converted to employment land and floorspace, taking account of the working from home changes described above, will therefore exceed the outputs from labour demand scenarios where the total exceeds total net change within the labour demand scenario. This is because change within labour demand scenarios is inclusive of net change in all sectors and future trends in home-working applied to all existing employment and forecast future changes in office-based sectors.

9.66 Table 34 below demonstrates the outputs from estimates of labour supply and total number of jobs supported as originating from the indicative labour supply scenarios and for both commuting ratio assumptions.

9.67 These outputs can be compared with outputs from other techniques to assess need including labour demand and past take-up. All scenarios indicate total change in FTE employment to reflect the approach to converting jobs to land and floorspace within labour demand modelling (including under the Growth Scenario).

Table 34 Comparison of Labour Supply and Labour Demand Scenarios

Scenario	Jobs Supported		E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
SNPP 2018	Total workplace-based FTE	885	0.7	1.2	0.6	2.4
	1:1 Commuting	926	0.7	1.2	0.6	2.5
LHN 16-64 Additional Labour Force	Total workplace-based FTE	2,164	1.6	2.9	1.4	5.9
	1:1 Commuting	2,263	1.7	3.0	1.4	6.2
LHN 16+ Additional Labour Force	Total workplace-based FTE	2,733	2.0	3.7	1.7	7.4
	1:1 Commuting	2,856	2.1	3.8	1.8	7.8

Source: SPRU Analysis of various Data

9.68 While in principle the number of jobs supported as an output of all three labour supply scenarios falls below the labour demand Growth Scenario this conclusion should be treated with caution.

9.69 In terms of the outputs from the labour supply scenarios it is the case that a boost to housing consistent with local housing need would generate a positive need for land and floorspace and broadly corresponds to the net demand for floorspace generated by the Growth Scenario.

9.70 Levels of housing growth that result in reductions in the projected growth in labour supply living in Torbay (and working), for example below those indicated by the LHN or as a minimum the 2018-based official population projections, could impose increased constraints upon the labour market and potentially inhibit the ability to satisfy demand for economic development.

9.71 In the first instance the Council is in due course expected to produce its own projections for population change based on either local housing need and/or the housing requirement proposed within the emerging Plan. This may include different assumptions surrounding inputs such as migration trends or improvements in economic activity.

9.72 Secondly, the outputs of a derived labour supply scenario reflecting the potential labour demand for 6,730 jobs under the Growth Scenario are shown in Table 35 below. This would necessitate growth in the population aged 16+ of a minimum c.7,300 additional

persons above the baseline 2018-based subnational population projections labour supply scenario. This is principally a function of the ageing population in Torbay and low overall economic activity rate for persons aged 16+ used to derive the total population. While the Council would need to generate an overall population and household projection corresponding to these totals this indicates that an explicit link between jobs and homes is unlikely to be necessary or desirable without other changes in the labour market.

Table 35 Derived Labour Supply Implications of Growth Scenario (6,730 Jobs Supported)

	2040 – 6,410 jobs supported	2040 – 6,410 jobs supported (1:1 commuting)
Total living in LA (and working)	68,388	68,098
Total 16+ Economically Active	70,649	70,349
Total 16+ Population	138,776	138,187
Difference versus 2018-SNPP	8,700	8,111

9.73 Thirdly, it is relevant that comparing future needs for land and floorspace based on support for population growth (labour supply) are different to forecasting future overall changes in labour demand. The labour supply measure is about provision for future employment needs of the growth in population. It takes no account of net change in existing labour demand and resultant effects on land and floorspace that may also affect the number of jobs supported.

9.74 In this regard the forecasts for labour demand identified within this EDNA are relatively modest in terms of their implications for land and floorspace. Given the wider characteristics of the labour market and self-containment, and potential uncertainty within the forecasts themselves, it is not considered that uplift in housing supply above the outputs of the Government's Standard Method is necessary to support economic development.

9.75 Making provision for gross requirements for land and floorspace under the Growth Scenario (20.5ha – see section 10) inclusive of a margin for flexibility and replacement for future losses could in theory support additional levels of employment growth outside of the assumptions for labour supply. However, the provision for net-to-gross adjustments and flexibility partly accounts for recent delivery trends and the expectation of positive and negative gross changes in employment across certain sectors. This allows for potential variability on matters such as jobs density and plot ratios included for any supply which is re-provided or converted to different employment uses.

9.76 The rationale for providing flexibility and choice is further strengthened by the outputs of the 2011 Census in terms of reduced commuting ratio and increased workplace containment of commuting flows. However, for the reasons outlined the net-to-gross and flexibility allowances proposed in the study do not indicate any fundamentally problematic relationship between labour demand and labour supply.

10.0 FUTURE EMPLOYMENT LAND NEEDS

Key Points Summary

- Future employment land requirements for Torbay have been calculated for the period 2022 to 2040 based on both a **past completions trend scenario** and a **labour demand local growth scenario**.
- The **past completions trend scenario** is based on the average annual gross floorspace completions for the period 2016/17 to 2021/22 multiplied by the 18-year plan period and converted to a land requirement by applying a 40% plot ratio. As it is a 'gross' completions trend, it does not make any allowance for the replacement of past losses.
- The **past completions trend scenario** presents a positive picture of growth based on historic completions trends, which if these were projected forward over the plan period (2022 to 2040), would result in an employment land requirement of **20.4 ha**.
- The **labour demand local growth scenario** is based on a local jobs growth forecast derived from an Experian baseline projection. This scenario incorporates sector specific adjustments to reflect anticipated growth trends, trends in working from home, and a flexibility margin to account for losses and provide choice and flexibility in the market.
- The **labour demand local growth scenario** identifies an employment land requirement **20.5 ha** over the plan period.
- The close alignment between the past completions trend and local growth scenarios supports the recommendation that the Council should plan to deliver **20.5 ha** employment land over the period 2022 to 2040. The overall employment floorspace and land requirement by use class is summarised in the table below.

Local Growth Scenario Requirement (2022-2040)	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Hectares	5.6	10.5	4.5	**20.5**
Square metres	22,294	41,805	12,616	**76,715**

10.1 This section sets out future employment land requirements for Torbay based on past completions trends (as discussed in Section 6) and a labour demand scenario based on the total net growth in employment in each sector as set out in the Local Growth Scenario forecast (as detailed in Section 7).

a) Future Employment Land Requirement Based on Past Completion Trends

10.2 In accordance with Planning Practice Guidance, the trend of past completions can be considered as a means to forecasting future employment land needs. Extrapolating the past completions forward over an 18-year period provides for a more simplistic methodology to estimate the future employment land requirement in Torbay over the plan period.

10.3 Estimating future employment land needs based on a simple extrapolation of past completion trend data has the benefit of being straightforward and transparent. It is easy to understand the implications in terms of delivery rates being a continuation of existing patterns. However, this approach has drawbacks in that it projects forward historic or existing supply-side constraints, and it reflects the market context of the time period considered which may not be representative of the forecasting period. Additionally, Torbay has an historically sporadic completions trend, as shown in Section 6.

10.4 In accordance with national guidance, the past completion trends should be considered in conjunction with the alternative approaches to considering future needs, in relation to the latest contextual data on commercial market and economic trends.

10.5 The trend-based take-up projection is derived from the average past gross completions figures for Torbay, however this will not necessarily account for the sporadic nature of completions and the fact that some years will see higher total for completions than others.

10.6 Past take-up scenarios are typically assessed on the basis of gross completions as an indicator of past demand for new economic development. The impact of past losses does not therefore impact upon the calculation of future needs under this methodology but the scenario is presented without an assumption for the replacement of any future losses. The Council may nonetheless wish to give consideration to supporting provision for replacement of expected future losses where this is relevant to supporting future economic development. For example, details of past gross take-up may not provide a like-for-like equivalent to other desirable additions to the employment land portfolio. Examples would include where losses include a reduction in town centre office floorspace or lower quality (but potentially more affordable) industrial stock and alternative provision to compensate for these losses is weakly reflected in take-up trends.

10.7 Table 36 sets out the gross completions trend forecast for office and industrial employment floorspace for the period to 2040 based on monitoring data provided by the Council. This forecast is based on the average annual gross completions rate for each land use type (as calculated over the period 2016/17-2021/22) multiplied by the remainder of the proposed plan period. This ensures that completions forming part of the trend period are not 'double-counted'.

10.8 It should be noted however that the gross completions trend does not make any allowance for the replacement of past losses within the total trend for change within employment use categories.

Table 36 Torbay Completions Gross Trend Forecast / Past Take-up Scenario

Floorspace Type	Average annual gross completions, sqm (2016/17-2021/22)	Forecast Completions 2022-2040, sqm	Land Requirement, Ha (based on 40% plot ratio)
Office (Egi/ii)	1,088	19,587	4.90
Industrial (Egiii/B2)	3,162	56,916	14.23
Industrial (B8)	288	5,190	1.30
Total	**4,539**	**81,693**	**20.42**

Source: SPRU analysis of LPA monitoring data

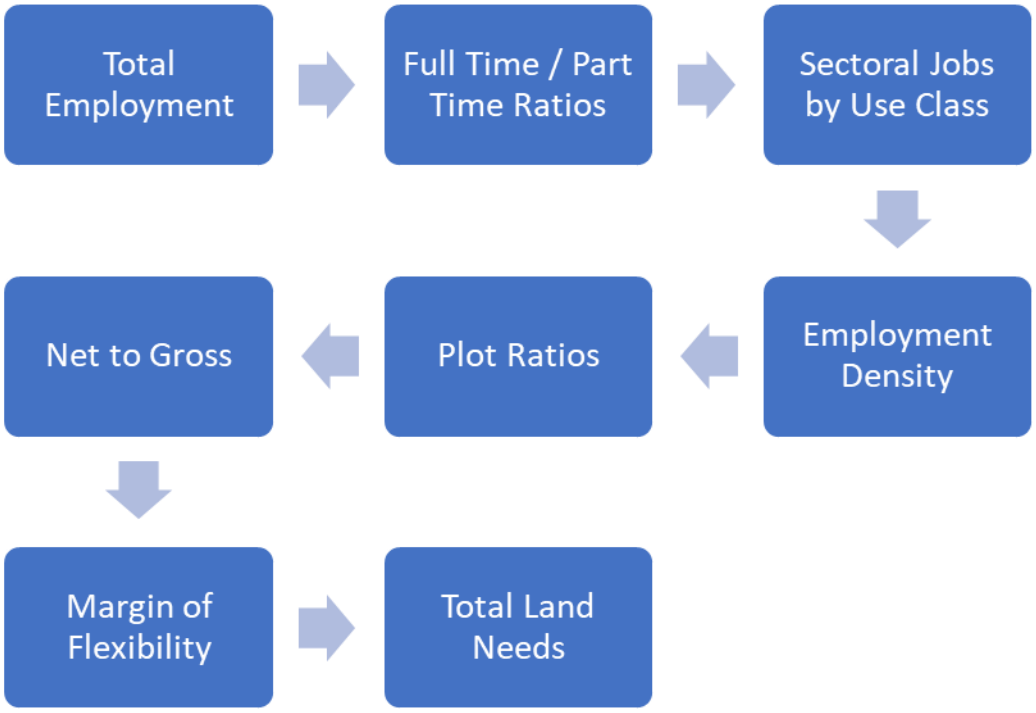
b) Future Employment Land Requirement Based on Labour Demand Approach

10.9 This section considers the amount of employment land needed to support the level of employment growth shown in each of the econometric forecasts (CE, OE and Experian) and the Growth Scenario, as set out in Section 7. This 'labour demand' approach, as set out in PPG, is one of the approaches to assessing future employment land need. The

labour demand approach should be considered alongside other approaches and the economic and contextual data set out in the other sections of this report.

10.10 The approach to modelling the labour demand scenarios is set out in Figure 23. The starting point for each scenario is the total net growth in employment in each sector shown in each forecast. Other than these differing inputs the modelling assumptions made are consistent for each scenario.

Figure 23 Approach to Employment Land Needs Modelling



Source: SPRU

10.11 The modelling assumptions for each stage of the process are set out in Table 37, with a worked example provided below.

Table 37 Labour Demand Modelling Assumptions

#	Stage	Description
i	Full Time Equivalent Jobs	A figure for 'Full-Time Equivalent' (FTE) jobs has been calculated for each sector based on the ratio of full-time and part-time employment jobs for each sector from BRES. An average for each sector was taken for the years 2018-2022.
Ii	Sectoral Jobs by Use Class	The proportion of jobs in each sector is disaggregated by the type of employment (E(g)/B Class)[22] use class and non-employment use classes. The use classes are: • E(g)(i) / B1(a) – Office • E(g)(ii) / B1(b) – Research and development office • E(g)(iii) / B1(c) – Light Industrial • B2 – General Industrial

[22] It is noted that Class B1 uses now come under the new Class E. However, the modelling takes account of the employment densities set out in the HCA Employment Densities Guide 3rd Edition which provides figures in terms of the B Class sectors.

#	Stage	Description
		• B8 – Distribution • Other (any jobs not requiring E(g)/B Class space) The use class proportions for each sector are based on detailed (SIC4 sub-sectors) BRES data for each sector in Torbay's economy. Each SIC4 sub-sector has been allocated a use class, and this is used to calculate the proportional jobs in each sector by use class, where the proportions of each sector reflect the proportions of jobs in each SIC4 sub-sector.

iii	Employment Density	This reflects the quantum of floorspace required for each job. This is informed by the Employment Density Guide 3rd Edition (HCA, 2015)[23]. The following employment densities are used:
		• B1(a) office:
		  • Corporate: 13 sqm/job
		  • Technology / Media / Telecoms: 11 sqm/job
		  • Professional services: 12 sqm/job
		  • Public services: 12sqm/job
		• B1(b) Research and Development: 50 sqm/job
		• B1(c) Light Industrial: 47 sqm/job
		• B2 general industrial: 36 sqm/job
		• B8 distribution: 77 sqm/job
		These employment densities reflect fairly average densities for each use class as there was no evidence arising from the commercial market assessment to suggest any alternative assumptions.
		The employment densities have then been adjusted in line with benchmarks in the guidance so that they all relate to gross external area (GEA). The employment densities for B1 are quoted as net internal area (NIA) and have been converted to GEA based on a conversion of 20% for B1(a) office and 10% for B1(b) and B1(c). The employment densities for B2 are quoted for gross internal area (GIA) and have been converted to GEA based on a conversion of 5%. The employment densities for B8 are quoted as GEA.

iv	Plot Ratios	The next stage is to convert floorspace requirements to land requirements. The following plot ratios have been used. These are based on industry standard averages (as referenced in Torbay Employment Land Review 2013) and applies a standard plot ratio of 0.4 across all B/E(g) use classes: • E(g)(i) / E(g)(ii) – 0.4 • E(g)(iii) / B2 – 0.4 • B8 – 0.4

[23] There is no comprehensive or regularly cited source providing updated employment densities for a full range of industrial and business uses. Care should be taken in interpreting the more limited additional evidence for some discrete components of employment floorspace. It is generally acknowledged that there was some indication of tightening in the use of office space (i.e., lower densities) prior to the onset of the Covid-19 pandemic. Any such findings however now pre-date the legacy of social distancing and growing demand for flexible workspace. This EDNA takes the view the densities from the HCA guide remain a more appropriate starting point to reflect a balance of competing factors. Moreover, care should be taken regarding the treatment of any perceived tightening of office densities to ensure potential 'double-counting' is avoided where assumptions relating to home-working have the same effect i.e., reducing floorspace need for the same equivalent number of jobs notwithstanding in reality these patterns may entail increased sharing of desk space.

#	Stage	Description
v	Net to Gross	The econometric forecasts all provide jobs growth on a net basis – i.e., they include sectors which will see growth and sectors which will see decline. This means figures up to this point are net. The next stage is to convert this to gross development needs. This is done by accounting for the quantum of losses of existing stock which will be expected to be lost over the forecasting period. A future estimate has been based on available past trend data for the annualised average employment land lost to other uses in Torbay since 2012/2013. The average annual losses are then forecast forward over the 18-year plan period.
vi	Changing Trends in Working from Home	Another key factor arising from the stakeholder engagement is that the number of people working from home is expected to remain at higher levels than were seen prior to the outbreak of Covid-19 which forced many more people to work from home. The high lockdown rate of homeworking is not expected to continue in the long-term, with evidence that levels have dropped substantially since restrictions were lifted. However, the stakeholder engagement has revealed that this process has meant many of the barriers to home working have been overcome for significant numbers of businesses, particularly office-based sectors. The impact that this could have on the amount of E(g)(i)/(ii) Class space required to support the future forecast jobs growth has been modelled in a series of sensitivities to the main modelling.
vii	Margin of Flexibility	For the final stage we have added a margin of flexibility. This reflects the following factors: • To allow greater flexibility to support changing business needs; • To provide a choice of sites to facilitate competition in the property market; • To provide flexibility to allow for any delays in individual sites coming forward; • The potential error margin associated with the forecasting process. The size of the margin of flexibility depends on the location and local drivers of demand. Generally, a margin of between 2 and 5 years' worth of completions is usually considered reasonable. One of the key findings of the stakeholder engagement is that a high level of flexibility of supply is required in order to be in a position to respond to emerging needs of both indigenous businesses and to continue to attract inward investment opportunities. Accordingly, we have calculated the margin of flexibility based on 5 years' worth of gross completions.
viii	Total Land Needs	Outputs are provided in terms of hectares required for each type of employment use. The use classes have been combined in terms of E(g)(i)/(ii) office, E(g)(iii)/B2 industrial, and B8 distribution. This is in order to provide an indication of demand for each type of use. However, it is recommended the Councils are flexible with regard to allocating land for specific types of (E(g)/B Class) employment use at the detriment to other types of employment uses.

10.12 A worked example of this process is set out below based on the Growth Scenario forecast,

which draws upon the sectoral classifications used by Experian. The scenarios based on the other forecasts take the same approach and use the same modelling assumptions as outlined above. The CE, OE, and Experian forecasts all provide slightly different sectoral breakdowns and so the model has been calibrated, where necessary, to support each forecast by dividing sectors on a proportional basis, thereby ensuring consistency in modelling between scenarios. Note, figures in the following tables may not sum exactly due to rounding.

i) *Full Time Equivalent (FTE) jobs*

10.13 The first stage is to calculate the full time equivalent (FTE) jobs. This is calculated individually for each sector in each forecast.

Table 38 Torbay Growth Scenario – FTE Jobs Growth 2022-40

	FTE %	FTE Jobs Growth 2022-40
Agriculture, Forestry & Fishing	93%	-23
Extraction & Mining	100%	0
Fuel Refining	100%	0
Computer & Electronic Products (manufacture of)	97%	529
Food, Drink & Tobacco (manufacture of)	92%	46
Machinery & Equipment (manufacture of)	100%	0
Metal Products (manufacture of)	95%	0
Non-Metallic Products (manufacture of)	97%	-97
Other Manufacturing	93%	-93
Pharmaceuticals (manufacture of)	100%	0
Printing and Recorded Media (manufacture of)	96%	0
Textiles & Clothing (manufacture of)	87%	0
Transport Equipment (manufacture of)	95%	0
Wood & Paper (manufacture of)	97%	0
Chemicals (manufacture of)	100%	0
Utilities	97%	0
Construction of Buildings	92%	171
Civil Engineering	95%	177
Specialised Construction Activities	93%	174
Retail	72%	503
Wholesale	92%	0
Land Transport, Storage & Post	88%	88
Air & Water Transport	95%	0
Accommodation & Food Services	74%	368
Telecoms	97%	0
Computing & Information Services	91%	91
Media Activities	79%	0
Insurance & Pensions	95%	0
Finance	85%	0
Real Estate	87%	261
Professional Services	88%	614
Administrative & Supportive Services	81%	244

	FTE %	FTE Jobs Growth 2022-40
Public Administration & Defence	87%	-87
Education	76%	532
Health	78%	1397
Residential Care & Social Work	79%	474
Recreation	74%	74
Other Private Services	79%	0
Total		**5445**

Source: ONS BRES; SPRU Analysis of Growth Scenario forecast

ii) *Sectoral Jobs by Use Class*

10.14 This stage estimates the number of jobs which will require each type of E(g)/B-Class premises and other (non-B Class) space. This is based on estimates of the current breakdown of jobs for each sector using detailed analysis of BRES data. The jobs growth for each type of employment use is shown in the table below.

Table 39 Torbay Growth Scenario – Jobs Growth by Use Class 2022-40

	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Non-B Class
Agriculture, Forestry & Fishing	0	0	0	-23
Extraction & Mining	0	0	0	0
Fuel Refining	0	0	0	0
Computer & Electronic Products (manufacture of)	0	529	0	0
Food, Drink & Tobacco (manufacture of)	0	46	0	0
Machinery & Equipment (manufacture of)	0	0	0	0
Metal Products (manufacture of)	0	0	0	0
Non-Metallic Products (manufacture of)	0	-97	0	0
Other Manufacturing	0	-93	0	0
Pharmaceuticals (manufacture of)	0	0	0	0
Printing and Recorded Media (manufacture of)	0	0	0	0
Textiles & Clothing (manufacture of)	0	0	0	0
Transport Equipment (manufacture of)	0	0	0	0
Wood & Paper (manufacture of)	0	0	0	0
Chemicals (manufacture of)	0	0	0	0
Utilities	0	0	0	0
Construction of Buildings	0	43	43	86
Civil Engineering	0	44	44	89
Specialised Construction Activities	0	43	43	87
Retail	0	0	0	503
Wholesale	0	0	0	0
Land Transport, Storage & Post	0	0	49	40
Air & Water Transport	0	0	0	0
Accommodation & Food Services	0	0	0	368
Telecoms	0	0	0	0

	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Non-B Class
Computing & Information Services	91	0	0	0
Media Activities	0	0	0	0
Insurance & Pensions	0	0	0	0
Finance	0	0	0	0
Real Estate	261	0	0	0
Professional Services	553	0	0	61
Administrative & Supportive Services	122	49	0	73
Public Administration & Defence	-83	0	0	-4
Education	0	0	0	532
Health	0	0	0	1397
Residential Care & Social Work	0	0	0	474
Recreation	0	0	0	74
Other Private Services	0	0	0	0
Total	**944**	**565**	**179**	**3757**

Source: ONS BRES; SPRU Analysis of Growth Scenario forecast

iii) *Employment Density*

10.15 Applying the average employment densities set out in Table 37 results in the floorspace requirement for each type of E(g)/B Class use. The floorspace (sqm) required is shown in the table below. Note, this floorspace requirement is based on the requirement for office/industrial uses and does not include other sectors which fall outside the scope of this study (e.g. retail, accommodation and food services activities, health and social work).

Table 40 Torbay Growth Scenario – Net Floorspace (sqm) by Use Class 2022-40

	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Agriculture, Forestry & Fishing	0	0	0	0
Extraction & Mining	0	0	0	0
Fuel Refining	0	0	0	0
Computer & Electronic Products (manufacture of)	0	22211	0	22211
Food, Drink & Tobacco (manufacture of)	0	1934	0	1934
Machinery & Equipment (manufacture of)	0	0	0	0
Metal Products (manufacture of)	0	0	0	0
Non-Metallic Products (manufacture of)	0	-4051	0	-4051
Other Manufacturing	0	-3907	0	-3907
Pharmaceuticals (manufacture of)	0	0	0	0
Printing and Recorded Media (manufacture of)	0	0	0	0
Textiles & Clothing (manufacture of)	0	0	0	0
Transport Equipment (manufacture of)	0	0	0	0
Wood & Paper (manufacture of)	0	0	0	0
Chemicals (manufacture of)	0	0	0	0
Utilities	0	0	0	0
Construction of Buildings	0	1621	3430	5050
Civil Engineering	0	1674	3542	5215
Specialised Construction Activities	0	1642	3476	5118
Retail	0	0	0	0

	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Wholesale	0	0	0	0
Land Transport, Storage & Post	0	0	3891	3891
Air & Water Transport	0	0	0	0
Accommodation & Food Services	0	0	0	0
Telecoms	0	0	0	0
Computing & Information Services	1203	0	0	1203
Media Activities	0	0	0	0
Insurance & Pensions	0	0	0	0
Finance	0	0	0	0
Real Estate	3755	0	0	3755
Professional Services	9206	0	0	9206
Administrative & Supportive Services	1759	1847	0	3605
Public Administration & Defence	-1197	0	0	-1197
Education	0	0	0	0
Health	0	0	0	0
Residential Care & Social Work	0	0	0	0
Recreation	0	0	0	0
Other Private Services	0	0	0	0
Total	**14725**	**22970**	**14338**	**52032**

Source: ONS BRES; SPRU Analysis of Growth Scenario forecast

iv) *Plot Ratios*

10.16 Applying the plot ratio assumptions set out in Table 37 allows an estimation of the land required to accommodate the quantum of floorspace identified in Table 40 above. This is the net employment land required to support the level of net additional jobs growth shown in the econometric forecasts.

10.17 As shown in Table 41 below, the net employment demand figures for Torbay range from -2.1 ha within the OE baseline scenario to 13.9 ha in the CE baseline scenario.

10.18 All three baseline forecasts show a net loss of E(g)(iii)/B2 industrial land driven by net losses in manufacturing jobs. In the Growth Forecast these losses are mostly offset by adjustments that have been made to take account of projected growth in the manufacturing sector and the construction sector.

Table 41 Torbay Net Employment Land Needs (ha), 2022-40

	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Growth Scenario	3.7	5.7	3.6	**13.0**
Experian	3.7	-3.5	-0.9	**-0.7**
OE	2.8	-7.1	2.2	**-2.1**
CE	3.3	-1.2	11.8	**13.9**

Source: SPRU Analysis of various forecasts

v) *Net to Gross Needs*

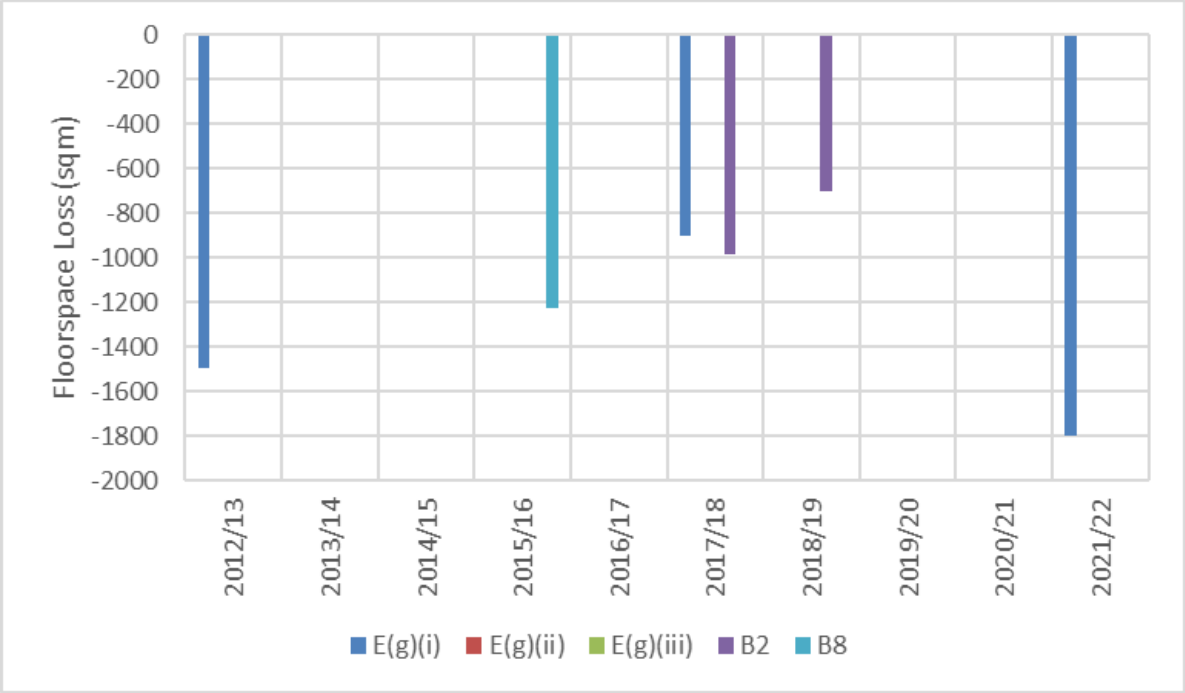
10.19 In addition to the net employment land needed to support forecast levels of jobs growth, there will also be an employment land requirement arising from the need to replace existing stock which is likely to be lost through conversion or redevelopment to other uses. This is calculated by looking at the trend of losses of E(g)/B Class employment land to alternative

(non-B Class) uses and using this to forecast expected future losses of employment land.

10.20 Figure 24 below shows the net losses of employment floorspace in Torbay between 2012/13 and 2021/22. This shows in total around 7,100 sqm of E(g)/B Class employment floorspace has been lost over this period – equivalent to around 710 sqm of E(g)/B Class employment floorspace per annum. Based on the descriptions of development for the relevant planning applications relating to this total, all of this floorspace was lost to either non-employment generating residential uses or alternative 'non-B' employment generating uses (including leisure, recreation and hospitality).

10.21 It should be noted that this total losses figure also excludes approximately 3,040 sqm of Class E(g)(i) office space which has been lost through small scale office to residential conversions under permitted development prior approval. There are a number of records which make up the total of 3,040 sqm, and these are generally under 100sqm and often single properties or floors of individual properties. Although these losses arose pre-Covid they are probably illustrative of changing demand and would unlikely ever be replaced in that format or be comparable with larger new-build space (or even reoccupation of secondary stock).

Figure 24 Torbay Employment Floorspace Losses (sqm) – 2012/13-2021/22



Source: SPRU analysis of local authority data

10.22 Assuming this level of losses (710 sqm per annum) continues over the plan period would mean that a further 12,784 sqm of E(g)/B Class employment land will be lost in Torbay. It is important that this is adequately reprovisioned or else there will not be sufficient employment land to support the net growth in jobs over the plan period.

10.23 The net losses data has therefore been annualised and then multiplied by eighteen to identify the replacement demand required for the forecasting period. This is then converted to a land requirement using the plot ratios used in the main labour demand modelling. This replacement demand is then added to the net requirement in order to estimate gross needs.

Table 42 Torbay Replacement Demand (ha) based on 100% Loss Replacement, 2022-2040

	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Replacement Demand (ha)	1.9	0.8	0.6	**3.2**

Source: SPRU Analysis

vi) *Changing Trends in Working from Home*

10.24 One of the largest impacts of Covid-19 and workplace behaviour in the course of the subsequent recovery has been the sustained numbers of people working from home. A repeated theme of the stakeholder engagement has been that this has resulted in many of the barriers to home working being overcome out of necessity.

10.25 We have considered how the working from home trends are likely to change over the plan period. Using 2015 as a base-date – as this aligns with the latest HCA employment densities data – we have calculated the increase in the proportion of homeworking for each year to 2040 by extrapolating ONS data on home working by sector for the period 2012-2019. This has only been applied to sectors requiring office floorspace (E(g)(i)/(ii)).

10.26 The increase in homeworking for each office-based sector is then factored into the employment land modelling for Torbay. This identifies the number of jobs growth in each office-based sector by 2040 which will not require additional floorspace. This only accounts for the growth since 2015 so the homeworking assumptions in the HCA employment densities (including for other non-office based sectors) remain in the modelling. The additional homeworkers are assumed not to require additional floorspace and so are discounted from the analysis at Stage (iii).

10.27 The changes in working from home rates applies to all office-based jobs in Torbay, not just the additional jobs shown in the forecasts. Where net jobs growth within each office-based sector shows limited or negative change in employment the increasing working from home rates (where applied to certain relevant sectors) further reduce net employment land needs under this scenario for the forecast period. These outcomes should be treated with caution in terms of the extent to which this will be reflected in the rationalisation and reconfiguration of the existing portfolio of employment land in Torbay, particularly where there is a focus on improving the quality of existing available employment land.

10.28 This results in a reduction to the overall floorspace requirements for each of the labour demand scenarios, as shown in Table 43. This is different for each forecast due to the different proportions of growth in each sector although in absolute terms the overall reductions are similar and range between -1.4ha (Growth Scenario and Experian) and -0.9ha (CE).

Table 43 Torbay Adjustment to Account for Homeworking (ha), 2022-2040

Adjustment	**E(g)(i)/E(g)(ii)**
Growth Scenario	-1.4
Experian	-1.4
OE	-1.2
CE	-0.9
Net Requirement Following Adjustment	**E(g)(i)/E(g)(ii)**
Growth Scenario	2.3
Experian	2.3
OE	1.6
CE	2.4

vii) *Flexibility Margin*

10.29 The margin of flexibility has been considered based on several years' worth of completions data derived from past take-up trends. It is typical to add between 2-5 years' worth of completions as a margin. Flexibility is an important component of ensuring a sufficient quantum and range of sites are available to support business growth and inward investment opportunities. Such an allowance at least in part enables flexibility in provision to accommodate needs not anticipated in the plan period, as noted at Paragraph 86(d) of the NPPF 2023 together with allowing for an element of future vacancy and factoring in development timescales and the potential for some delays in sites coming forward. Therefore, we have included a margin of flexibility equivalent to 5 years' worth of completions data, applicable to the 18-year total requirement for land and floorspace (i.e., to be monitored across the plan period).

10.30 For the purposes of this allowance the margin is based on the average annual gross completions (2016/17-2021/22) as set out in Table 36, multiplied by five. This is to reflect the uncertainty over future instances of development providing changes between existing employment floorspace uses over-and-above those examples that already form part of the existing pipeline. This ensures that the potential for the flexibility margin to be provided as part of new build floorspace is not under-estimated.

10.31 The flexibility margin has been calculated using the evaluated completions trend from Section 10(a) and is set out in Table 44 below.

Table 44 Torbay Flexibility Margin (ha), 2022-2040

	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Flexibility Margin (ha)	1.4	4.0	0.4	**5.7**

Source: SPRU Analysis of LPA Monitoring Data

10.32 The flexibility margin for Torbay produces a relatively modest recommendation for flexibility for office uses relative to labour demand, and a relatively higher margin for E(g)(iii)/B2 industrial as a proportion of the total.

viii) *Total Employment Land Needs*

10.33 Taking the sum of the net employment land needs, the net to gross demand, and the flexibility margin identifies the total employment land requirement for Torbay for the range of labour demand scenarios.

10.34 The table below shows the outputs of each of the labour demand scenarios, which provide a wide range of results. The outputs of the labour demand scenarios are assessed against the other quantitative and qualitative evidence presented in this EDNA in order to inform the overall conclusions on employment land needs for Torbay. The figures in the table below should be considered within this context.

Table 45 Torbay Total Employment Land Needs (ha) – Comparison of Labour Demand Scenarios, 2022-2040

Stage		Growth Scenario	Experian	OE	CE
i-iv	Net Employment Needs	13.0	-0.7	-2.1	13.9
v	Net to Gross Adjustment	3.2			
vi	Working from Home Adjustment	-1.4	-1.4	-1.2	-0.9
vii	Margin of Flexibility	5.7			
xiii	Total Employment Land Needs	20.5	6.8	5.6	21.9

10.35 The tables above show the method of calculation for employment land as a whole, with the outputs for each E(g)/B Class employment use set out below. Under the Growth Scenario there is a total employment land requirement of **20.5 ha** in Torbay.

Table 46 Torbay Total Employment Land Needs by Use Class (ha) – Comparison of Labour Demand Scenarios, 2022-40

	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Growth Scenario	5.6	10.5	4.5	**20.5**
Experian	5.6	1.2	0.1	**6.9**
OE	4.8	-2.4	3.1	**5.5**
CE	5.7	3.5	12.7	**21.9**

Source: SPRU Analysis

10.36 Table 47 shows the total floorspace requirement by use class under the Growth Scenario. This identifies a total employment floorspace requirement of around 76,715 sqm in Torbay.

Table 47 Total Employment Floorspace Requirement by Use Class (sqm) – Torbay Growth Scenario, 2022-40

	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Floorspace Requirement, 2022-2040 (sqm)	22,294	41,805	12,616	**76,715**

Source: SPRU Analysis

11.0 SUPPLY/DEMAND BALANCE TO ADDRESS FUTURE NEEDS

Key Points Summary

- The current supply/demand balance within Torbay is calculated as the difference between the existing pipeline supply of commitments and the requirements set out under the recommended labour demand growth scenario.
- This supply/demand balance identifies a potential total deficit of supply of **15.4 ha** split across all employment use classes, as shown in the table below.

Supply/Demand Balance	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Hectares	**-5.4**	**-6.9**	**-3.1**	**-15.4**
Square metres	**-21,591**	**-27,776**	**-12,503**	**-61,870**

11.1 This section of the EDNA draws together recommendations on the future demand for land and floorspace and considers the availability of the existing pipeline to provide for related uses in quantitative terms in order to identify any potential surplus or deficit in provision. This also provides a starting point to consider whether there is likely to be any qualitative mis-match between supply and demand and meeting the needs of specific sectors.

11.2 The starting point for this section is to provide an overview of the pipeline of land and floorspace in Torbay which is potentially able to contribute supply towards future needs.

11.3 The recommended labour demand Growth Scenario should be measured against the total pipeline for gains in B-Use floorspace. Committed losses of floorspace from employment use are not deducted from the pipeline as a separate allowance has been made for replacement of these in future years. However, the Council should continue to monitor the pipeline of committed losses against the allowance made within the EDNA.

11.4 The EDNA provides recommendations on the labour demand Growth Scenario using economic forecasts with a 2022 base and totals for a 2022-2040 period. The approach to the supply/demand balance enables this to be updated and monitored over the plan period and reflect details of the supply pipeline at a given point in time.

11.5 To calculate residual demand across remaining years, future calculations of the supply/demand balance should take account of any completions that have been delivered within the 2022-2040 forecast period to-date.

a) Overview of Pipeline Supply

11.6 The pipeline supply of employment land for Torbay is summarised in Table 48 below. This is based on latest available data, as of 14th September 2023. The current pipeline supply in Torbay comprises a total of 87,449 sqm distributed across six sites with extant planning permission (these comprise the 'pipeline supply commitments' figures in the below table) and across ten sites where there is potential to identify contributions to future needs for land and floorspace as part of supply allocated through the development plan. The characteristics of these 'potential allocations' are diverse and include the residual elements of extant allocations without planning permission in the existing development plan; extensions to the boundaries of sites currently allocated; and sites recently assessed as potentially suitable, available and achievable via the Council's Housing and Employment Land Availability Assessment.

Table 48 Torbay Pipeline Employment Land Supply

Gross Supply (sqm)	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Pipeline Supply Commitments	702	14,030	5,487	20,219
Approx Proposed Allocations	6,700	33,240	27,290	67,230
Total	**7,402**	**47,270**	**32,777**	**87,449**

Source: SPRU analysis of Torbay Council data

11.7 The distribution and status of the sites comprising the existing pipeline supply are summarised in the table below.

Table 49 Pipeline Supply Commitments and Proposed Allocations by Location

Site	Location	Floorspace (sqm)	Comments
Pipeline Supply Commitments			
Land Adjacent To Unit 36, Torbay Business Park, Woodview Road	Paignton	2,044 sqm B2	P/2019/1307 – Construction of two commercial Units (reference 'F' and 'G') to provide 2044m2 floor space. Unit F to be sub-divided into 5 smaller units. Unit G to be sub-divided into 3 smaller units. Buildings are surrounded by circulation space, car parking and hard standing to facilitate lorry deliveries and dispatches.
Land at Woodview Road	Paignton	1,114 sqm B2	P/2017/1042 - Construction of two Use Class B2 industrial manufacturing units, to provide 2255.9m2 (GIA) of floor space, external lighting, circulation space, car parking and hard standing. Unit E (1141sqm) has been delivered but not Unit C.
Former Nortel Site / Devonshire Park	Paignton	2,787 sqm E(g)(iii) 2,787 sqm B8	Existing allocation with permission. Retail park built out, housing and employment land not started. Not being actively promoted for employment. P/2014/0947 (also subject to subsequent RM and variation of condition applications) – Outline application with all matters reserved except access for demolition of the remaining buildings on the site and redevelopment for mixed use purposes comprising up to 255 Class C3 dwellings, up to 5,574sqm of B1 and /or B8 business and/or warehousing uses, up to 8,501sqm Class A1 (bulky goods) retail with up to 515sqm garden centre, and up to 139sqm of A3 cafe /restaurant uses, along with related site access, access roads and paths, parking, servicing, open space and landscaping.
Land South of Yalberton Road, Yannon's Farm	Paignton	2,700 sqm E(g)(iii) 2,700 sqm B8	P/2014/0983 (also subject to subsequent RM and variation of condition applications) – Outline mixed use proposal for phased residential development (Use Class C3) of up to 192 dwellings and employment

Site	Location	Floorspace (sqm)	Comments
			development (Use Classes B1 and B8) of between 7,400 sq m and 9,200 sq m floor area, together with the provision of ecological mitigation measures, public open space and other associated infrastructure.
Claylands Cross, Brixham Road, Paignton, TQ4 7BA	Paignton	5,035 sqm B2	P/2018/0700 (also subject to subsequent RM and variation of condition applications) – Hybrid Application: 1. Full application for service road, with phase 1 building and associated car parking and loading yard 2. Outline application for phase 2 building and associated car parking and loading yard with all matters reserved accept for access Includes two industrial units totalling 10,788 sqm. Phase 1 unit for B2 (general industrial) use; Phase 2 unit for B8 (storage/distribution), B2 (general industrial) or B1 (business) use
Coach Station, Lymington Road, Torquay, TQ1 4BD	Torquay	351 sqm E(g)(i) 351 sqm E(g)(ii) 350 sqm E(g)(iii)	P/2021/0765 – Demolition of existing coach station building, cafe and toilets and creation of 5 new commercial light industrial units (Use Classes E(g) and E(c). Erection of public toilet, 3 new coach bays and associated public realm (as amended).
Proposed Allocations			
Edginswell. Land at Orchard Way	Torquay	1,600 sqm B2	Current allocation in Torbay Local Plan 2012-30 (Policy SDT3). 0.4 ha to be developed (3no. units).
Land South of Peters Copse, Long Road	Paignton	5,330 sqm B8	Units K, L, M within White Rock Future Growth Area (but not previously shown as development land). Proposed new allocation.
Land south of Woodview Road. New land south of Two Bare Feet	Paignton	3,260 sqm B8	Two sites to the south of approved units G and C. Proposed new allocation.
Adj. Ridge Lane and Moles Lane, Edginswell	Torquay	9,600 sqm B8	HELAA site 23T003. New allocation. Land to the West of the Ring Road.
Kingsland, Torquay	Torquay	13,040 sqm E(g)(iii)	Allocated as part of SDT3 in Local Plan 2012-30 and shown on the Adopted Masterplan (2015) as employment. HELAA site 21T125. Application P/2019/0710 for 90 houses and offices refused/appeal dismissed.
Land adj. Kingsland Torquay	Torquay	1,600 sqm E(g)(iii) 1,600 sqm B8	HELAA site 21T004. Proposed new allocation.
Former Market Site, Stantor Barton	Torquay	2,800 sqm B2 2,800 sqm B8	HELAA site 21T136. Promoted for housing in the HELAA. Proposed new allocation.
Land north of	Paignton	4,800 sqm E(g)(iii)	HELAA site 21P034. Proposed new

Site	Location	Floorspace (sqm)	Comments
Wilkins Drive PMU			allocation.
Land at Long Road / Yalberton Road Camp Site	Paignton	4,700 sqm E(g)(ii) 4,700 sqm E(g)(iii) 4,700 sqm B2 4,700 sqm B8	21P012 (south of 21P067). Promoted to the HELAA as housing/mixed use development. Proposed new allocation.
Oxen Cove / Freshwater Quarry	Brixham	2,000 sqm E(g)(ii)	Allocated in BPNP and Local Plan 2,000 sqm (Policies J1 and J7). 20,000 sq of employment floorspace shown as part of new fish market scheme (P/2006/0501), which has been implemented and therefore kept extant. However, a revised application may be needed if current proposals differ from the historic consent.

Source: SPRU analysis of LPA data

11.8 In terms of the current pipeline supply commitments, the majority of the employment floorspace being delivered (95%) is located on sites in Paignton, followed by 5% in Torquay, as shown in Table 50 below. There are no pipeline supply commitments in Brixham. In terms of the proposed allocations, the amount of employment floorspace that could be delivered is split relatively evenly between Paignton and Torquay (48% vs 49%), with the remaining 3% of proposed allocations identified at the Oxen / Freshwater Cove site in Brixham.

Table 50 Pipeline Supply Commitments and Proposed Allocations by Location – Summary

	Brixham	Paignton	Torquay	Total
Pipeline Supply Commitments	0	19,167	1,052	20,219
Proposed Allocations	2,000	32,190	33,040	67,230
Total	**2,000**	**51,357**	**34,092**	**87,449**

Source: SPRU analysis of LPA data

b) Supply/Demand Balance

11.9 The total employment land requirement for Torquay as calculated using the Past Completions Trend Forecast scenario is **20.4 ha** (see section 10a) and using the Labour Demand Growth scenario is **20.5 ha** (see section 10b). Given the close alignment between these two scenarios, it is therefore considered reasonable to recommend that the Council allocates sufficient employment land to meet a requirement of **20.5 ha** over the plan period (2022-2040).

11.10 Table 51 below provides the current supply/demand balance within Torbay based on the recommended Labour Demand Growth scenario. The balance is calculated based on the pipeline supply commitments only. The proposed allocation sites are excluded from the supply-side calculation at this stage as these sites' status as part of the development plan remains unconfirmed and therefore the assumptions for land and floorspace do not yet form part of the Council's committed supply.

11.11 This supply/demand balance calculation identifies a potential total deficit of supply of 15.4 ha split across all employment use classes, but with the greatest deficit in provision of industrial floorspace (Use Classes E(g)(iii)/B2).

Table 51 Supply/Demand Balance based on Labour Demand Growth Scenario

Supply/Demand	E(g)(i)/E(g)(ii)	E(g)(iii)/B2	B8	Total
Net Labour Demand* Requirement (sqm)	9,305	22,970	14,338	46,613
Plus Loss Replacement (sqm)	7,547	3,026	2,210	12,784
Plus 5yr Flexibility Margin (sqm)	5,441	15,810	1,442	22,693
Gross Labour Demand Total Requirement (sqm)	22,293	41,806	17,990	82,089
Pipeline Supply Commitments (sqm)	702	14,030	5,487	20,219
Surplus/Deficit (sqm)	**-21,591**	**-27,776**	**-12,503**	**-61,870**
Surplus/Deficit (ha)	**-5.4**	**-6.9**	**-3.1**	**-15.4**
Surplus/Deficit by Use Class (%)	**35%**	**45%**	**20%**	**100%**

Source: SPRU analysis

**Net labour demand figures for E(g)(i)/(ii) exclude working from home adjustment. Other use classes include working from home adjustment.*

11.12 There are both qualitative and quantitative factors the Council will need to take into consideration in determining whether the potential deficit in the supply/demand balance by Use Class can be addressed through the identification of deliverable and developable supply consistent with market demand. The potential deficit of B8 floorspace identified under the Growth Scenario supply/demand balance represents a comparatively small proportion of the overall deficit and could potentially be filled by the residual supply of land available at White Rock or other identified potential allocations, particularly those in edge of settlement locations close to the strategic road network with good access to surrounding markets.

11.13 The deficit of land for office and industrial floorspace is potentially more significant, representing 35% and 45% (respectively) of the overall 15.4ha deficit. The majority of historic delivery of office floorspace has been in Torquay and there are identified market constraints to the delivery of supply as part of provision identified on mixed-use sites. The pipeline committed supply of office floorspace is currently very small (just 702 sqm) and few of the currently identified potential allocations have an identified component of office floorspace.

11.14 The office floorspace deficit comprises a relatively high loss replacement (7,547 sqm) to account for expected future losses, including potential loss through permitted development conversions within the E use class. There may be scope to reduce this figure should historic losses be considered to be anomalous and unlikely to be replicated at the same high levels in the future. Notwithstanding this, in order to secure future delivery of office floorspace to meet identified needs further intervention is likely to be required to support delivery of Grade A office sites. The Council may also wish to provide additional flexibility on sites identified for delivery of E(g)(iii)/B2/B8 uses to allow non-ancillary office floorspace to also come forward in these locations.

12.0 CONCLUSIONS

12.1 The recommended future employment land requirement for Torbay is based on the labour demand growth scenarios (including the Past Completions Trend scenario and Local Growth scenario) set out in section 10. In accordance with PPG, these take account of past employment trends and market signals.

12.2 The Past Completions Trend scenario presents a positive picture of growth based on historic completions trends, which if these were projected forward over the plan period (2022 to 2040), would result in an employment land requirement of **20.4 ha**.

12.3 The Local Growth scenario for Torbay is based on the Experian baseline forecast but incorporates appropriate adjustments to the agriculture, forestry & fishing, manufacturing, construction and wholesale & retail sectors. This identifies an anticipated jobs growth of 6,730 over the plan period (2022 to 2040). In converting this jobs growth to an employment floorspace land requirement, a number of assumption were applied, as set out in section 10. This includes an adjustment for 'working from home' (which has been applied to sectors requiring office-based floorspace), a replacement for future losses (which is based on the past trend data for annualised average employment land lost to other uses in Torbay since 2012/2013), and a flexibility margin (representing five years' worth of gross completions to provide choice and flexibility in the market).

12.4 The Local Growth scenario identifies an employment land requirement **20.5 ha** over the plan period. The close alignment between the Past Completions Trend and Local Growth scenarios supports the recommendation that the Council should plan to deliver **20.5 ha** employment land over the period 2022 to 2040. The overall employment floorspace and land requirement by use class is summarised in the table below.

Local Growth Scenario Requirement (2022-2040)	**E(g)(i)/E(g)(ii)**	**E(g)(iii)/B2**	**B8**	**Total**
Hectares	5.6	10.5	4.5	**20.5**
Square metres	22,294	41,805	12,616	**76,715**

12.5 Analysis of the committed pipeline of employment land supply (including extant permissions) identifies a pipeline supply of 20,219 sqm floorspace. In terms of the overall supply/demand balance, there is expected to be a deficit of all employment land use types over the plan period.

Supply/Demand Balance	**E(g)(i)/E(g)(ii)**	**E(g)(iii)/B2**	**B8**	**Total**
Hectares	**-5.4**	**-6.9**	**-3.1**	**-15.4**
Square metres	**-21,591**	**-27,776**	**-12,503**	**-61,870**

12.6 The current supply/demand balance identifies a potential deficit of 15.4 hectares of employment land over the plan period. Some of this may be met by existing allocations being carried forward (subject to updated assessment of their deliverability etc. being undertaken) and through the introduction of new allocations.

12.7 Whilst there is currently a comparatively large deficit shown in 'Industrial' uses, it is noted that there is flexibility within the E(g) use class and as such any sites allocated for or in use as offices may be converted to E(g)(iii) 'industrial processes' uses, and vice versa.

12.8 In policy terms, to maximise the potential for allocated sites being delivered it may therefore be beneficial to allocate sites for 'flexible' industrial use (e.g. a mixture of E(g)(iii)/B2/B8),

noting that given the nature of the Torbay economy and the scale of sites likely to be allocated, any B8 floorspace being delivered is likely to be smaller-scale, ancillary B8 rather than large scale distribution hubs.

12.9 There was feedback from stakeholders that delivering employment sites alongside housing can be a barrier for development as it is often not viable for delivery and marketing evidence required to demonstrate this can be onerous. Separating out housing and employment allocations may therefore lead to better protection of employment land as mixed use sites are increasingly losing employment allocations to housing.

12.10 It may also be beneficial to consider an element of office floorspace within mixed use employment allocations, particularly given the need for high quality office floorspace (including that needed to support research and development uses) and the recent loss of some of the older quality stock to residential use through permitted development.

APPENDIX 1 FORECAST MODELLING ASSUMPTIONS AND METHODOLOGIES

a) Cambridge Econometrics (CE)

A1.1 The approach taken by the CE forecast is perhaps the simplest of the forecasting houses, insofar as it assumes that economic growth in the local area is not constrained by supply-side factors – such as population and the supply of labour. Therefore, the CE forecast makes no estimates of population, activity rates and unemployment rates of the local population. The forecast only provides outputs for total employment, which is equivalent to workforce jobs.

A1.2 The CE forecast simply assumes that there will be enough labour (either locally, or through commuting and future in-migration) with the right skills to fill the jobs. The forecast provides no outputs on demographic or local population labour supply. If, in reality, the labour supply is not there to meet projected growth in employment, growth could be constrained.

A1.3 The CE forecast is based on historic growth trends assessed in terms of the local area's performance relative to the region or UK trend – whichever has the strongest relationship with the local area. This process is undertaken on a sector by sector basis.

A1.4 The forecast assumes that those relationships continue into the future. Thus, if an industry in the local area outperformed the industry in the region (or UK) in the past, then it will be assumed to continue to do so in the future. Similarly, if it underperformed the region (or UK) in the past then this will be projected forward in the future.

b) Oxford Economics (OE)

A1.5 The Oxford Economics forecasts sit within their global and national forecasts. This ensures macro-economic factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at a local authority level. This means the trends in OE's global, national and sectoral forecasts have an impact on the local area forecasts and means that the OE forecast is more than just an extrapolation of historical trends.

A1.6 OE's local forecasting model depends essentially upon three factors:

- National/regional outlooks – consistency with the broader global and national forecasts;
- Historical trends in an area (which implicitly factor in supply side factors impinging on demand), augmented where appropriate by local knowledge and understanding of patterns of economic development; and
- Fundamental economic relationships which interlink the various elements of the outlook.

A1.7 OE report in their data guide that the current macro-economic climate means that their local forecasts show most, if not all, local areas will face challenges in the short-term, irrespective of how they have performed over the past 15 years.

A1.8 The OE forecasts are produced within an integrated modelling framework, which takes account of labour supply-side factors such as migration, commuting and activity rates and thus the approach forecasts both employment and population growth.

A1.9 The starting point in producing employment forecasts is the determination of workplace-based employees in employment in each of broad sector consistent with the regional and UK outlooks. At local authority level sectoral growth is driven by a range of factors:

- Some sectors are driven predominantly by population estimates,
- Others by total employment in the area,

- The remainder relative to the regional performance (largely exporting sectors),
- All sectors are also influenced by past trends in the local area.

A1.10 Total employment is calculated by adding the employees in employment, the self-employed and Her Majesty's Forces. Self-employment data by region is taken from Workforce jobs data which is then broken down into detailed sectors using both employee trends and comparison with the UK. Data for the local authorities is Census based (and scaled to the regional self-employed jobs estimates) and is broken down using the employees in employment sectoral structure. The sectors are forecast using the growth in the sectoral employees in employment data and the estimates are scaled to the regional estimate of self-employment by sector.

A1.11 The OE framework models population as an output which is economically driven and thus forecasts differ from the official population projections. The OE model uses official births and deaths projections from the 2016-based population projections; however, they use different migration assumptions based on their modelled UK migration, and at the local level, migration is linked to the forecast employment rate.

c) Experian

A1.12 Like OE, the Experian forecast is an integrated model providing a wide range of outputs on employment, workforce, and population trends. The Experian local model is based on the resolution of demand and supply for labour. This process takes into account commuting between local areas within a region and across the regional boundary as well as an estimate of the growth in the economic participation rates in a local area.

A1.13 For population, the Experian model takes as an input data from the 2014-based Sub-National Population Projections. This shows considerable variation at the regional level. This, along with the economic participation rates, combine to produce substantial variation in the labour force forecasts for different regions.

A1.14 Commuting flows are used to derive the available labour force for a region. In the case of the South East, these flows lead to a substantial difference between the resident employment and the workplace based employment.

A1.15 In parallel, labour demand (in terms of workforce jobs) is estimated. This is done by industry sector by linking job growth in a local area to growth in the same industry at the regional level and then constraining demand for jobs by industry to demand for jobs for the same industry at the regional level.

A1.16 The Experian forecast constructs workforce jobs series for each local area using BRES/ABI data to disaggregate estimates for each industry sector. This is determined by the BRES share for a particular industry in a local area relative to the share in its parent region, which is then used to disaggregate the regional workforce jobs series for that industry to a local level.

A1.17 The effect of this is:

- Demand for jobs at the local level is greatest / grows faster in those industries which are performing best at the regional level.
- Total demand for jobs at the local level depends on its industrial structure. Those local areas which have a more than proportionate share of the best performing industries will perform best overall.

A1.18 The supply and demand for labour is then resolved by considering:

- The historic ratio between resident employment and workplace based employment in that local area;

- The inflow and outflow of workers across regional boundaries; and
- Historic commuting patterns.

A1.19 This is then converted back into jobs and used to produce final workforce jobs estimates for each local area.

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