Torbay Local Plan Evidence Study

Housing Requirement Report

On behalf of

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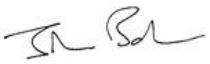
Approved by:	John Baker	Partner		24/05/2013
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1 Housing Requirement Assessment

1.1 Introduction

1.1.1 This study is one part of the evidence base which seeks to update the objectively assessed need. It complements the update of the Strategic Housing Land Availability Assessment (SHLAA) which considered the up to date position on housing supply within Torbay. In addition deliverability and market capacity have also been considered within the SHLAA update. The Strategic Housing Market Assessment (SHMA) was updated in 2011 and still provides a robust evidence base, however, some limited updating in terms of current affordable needs has been undertaken, and this requirement assessment supports the SHMA. The main overview report provides the context for the study and takes the evidence reports further into recommendations.

1.1.2 The role of this study is to use the demographic evidence that exists and to examine the broad economic potential in terms of likely job growth projections across the economic sectors in Torbay to understand what the objectively assessed need in terms of the housing requirement might be. This will then be tested against the need identified in the SHMA in order to assist the Council in setting the housing provision to be included in the Local Plan. This report will build on existing evidence prepared for and by the Council. However, this is updated to include the latest information, and is compared with more recent data from the Census that is emerging as well as the new 2011 based interim Household Projections which were released on 9th April 2013. The Council have recently reviewed its waiting list data and the most recent (March 2013) figures have been assessed as part of this report. The report will also translate a number of economic projections into households taking account of existing unemployment levels and the economically active population as well as household size change.

1.1.3 The report responds to the requirement in the National Planning Policy Framework (NPPF) published in March 2012 for authorities to have a clear understanding of housing needs in their area. The requirements to establish objectively assessed housing need are set out generally in paragraph 47 and specifically emphasise using a SHMA and SHLAA in paragraph 159. The report establishes a baseline position for 2011 using the Census and this is used in all the scenarios. The plan period is 2012 – 2032. It is therefore necessary to ensure the figures for the 21 years (2011-2032) are reduced by the 2011 requirement figure of 388 to ensure that the requirement is calculated for the plan period. The 2011 requirement figure is set by the Adopted Torbay Local Plan (1995-2011) which was adopted on 5 April 2004. This set the requirement as 6,200 for the 16 year plan period which can be translated into an annual requirement of 388 per year.

1.1.4 The report draws on a variety of statistical information and other background reports as well as discussions with the Torbay Development Agency and developers to assess the level of growth and makes recommendations on what the evidence is suggesting is the right level of housing should be for the area.

1.1.5 It should be noted that the figures are rounded to the nearest 100 and may not sum. Discrepancies may therefore occur between sums of the component data and totals. In the same way there may also be discrepancies between percentages calculated prior to rounding and those calculated from the rounded figures. This report has been prepared using up to date evidence as at April 2013. It is time sensitive and will need to be monitored and updated as new information becomes available. It takes account of the 2011 Census data and uses this as baseline information which sets the population and households at 2011. It is noted that there is some debate about these figures compared to the rolled forward Mid-Year Estimates because of the very low population growth that is shown from the census data compared with GP registration records. While GP records are notoriously vulnerable and generally overestimate the population by around 5%, there is still a considerable difference between the figures. It is understood that the most recent population projections to some extent sought to

correct this, but it will be necessary to continually update the figures as more become available.

1.1.6 The revised 2011 based interim household projections have just been released (9 April 2013) as a result of the 2011 Census. These only go to 2021 and show a reduced level of growth compared with the previous 2008 based household projections. This was expected because of the differences between the previous estimates and recent Census releases. Rounded to the nearest 100 these expect a growth of 4,400 dwellings between 2011 and 2021. These are analysed in section 2, and demonstrate that the fall in household size has not been as great as anticipated in the mid-2000s.

1.2 Approach

1.2.1 The requirement for this work arises from the need to understand the objectively assessed need which is set out in the National Planning Policy Framework (NPPF). As part of this it is important to test the implications of the different levels of population arising from the most recent demographic information and the publication of recent economic projections. This information can be used to identify the number of new homes required over the plan period. It also considers the level of development that can be accommodated across Torbay in terms of capacity of the market to deliver sites.

1.2.2 There is no 'established methodology' for this task, rather it is a matter of taking into account all that should be considered, using the best evidence available, in order to contribute to informed discussions amongst decision-takers, and to explain the process and choice to all interested parties. It is important to link the current work with the considerable work that has already been done by the Council. With the move towards locally generated housing figures there is a need to address cross boundary relationships, as the Planning Framework requires, and the relationships with Teignbridge and South Hams should be considered. Whilst not within the remit of this work, the Council will need to be able to demonstrate that this relationship has been addressed.

1.2.3 In order to provide an evidence based analysis, this report has considered:

- The published population and household data from the Government's latest published projections;
- The recent economic projections produced by Oxford Economics (2013), and previous 2011 projections produced by Experian for the South West Observatory;
- The Economic Impact of Increasing Housing Numbers in Torbay report (Baker Associates 2008), and has updated the bespoke projections previously developed for Torbay as part of that report; and
- Evidence of current and future levels of need and demand for housing, from the SHMA update.

1.2.4 The essence of the approach used in this study is to come at the issue of objectively assessed housing requirement from three different positions and to derive a range of figures that that might be used in providing for the growth of Torbay and ultimately provide the flexibility required of a plan as part of the soundness test.

1.2.5 The three different approaches that are integrated to provide the recommended housing range for Torbay are:

- Consideration of the requirement using a demographic projection based approach – meaning the numerical consequences of accepting likely trends in birth and death rates and particularly in net migration levels and applying trends to these. This element identifies objectively assessed need according to previous and current projections as well as a longer term projection using the mid year estimates. **Chapter 2**;

- Consideration of the requirement using a purpose based employment led approach – looking at the reasons for making provision for housing in relation to economic development and the likely economic growth across Torbay. **Chapter 3**;

- Consideration of the requirement from evidence of what the needs are from the 2011 SHMA and more recent needs information. **Chapter 4**.

- Consideration of market demand which relates to the number of people willing and able to buy or rent homes at a given price. The level of demand directly affects the number of homes the market can expect to deliver. A market assessment of Torbay is provided at **Chapter 3** of the SHLAA, although a summary is included within **Chapter 4** of this report.

1.2.6 The sections that follow take each approach in turn.

1.2.7 It should be noted that the scenarios tested here do not represent all possible scenarios. They provide a requirement range from which it is for the Local Plan to consider all this evidence and make a policy decision about what target is appropriate given all the circumstances and objectives that are sought.

1.2.8 The overview report provides overall conclusions on what the findings of both evidence reports might mean for the Council in making and justifying decisions about the level of housing provision to be made in the Local Plan. It also sets out key recommendations. The study is an independent report, and it will be for the Council and other policy makers to make decisions, based on the evidence and other material considerations, about the proposed level of growth in the emerging local plan.

2 Requirement According to Demographic Factors

2.1 Demographic Projections

2.1.1 A key determinant of the housing requirement and how this is likely to change in future is the demographic profile of the population and particularly the assumptions that are used in relation to migration and natural change, on which projections are based. Torbay has explored these issues to some extent in their Housing Topic Paper which considers in detail the population and household projections. This report does not repeat what has been done elsewhere but examines additional data to inform the range of potential housing figures.

2.1.2 This section uses a variety of different sources of demographic information and datasets all of which are calibrated against the 2011 Census information to provide a consistent and up to date baseline position.

2.1.3 It is useful to understand what all the different population projections are predicting will happen within Torbay. It should be noted that there are considerable differences between the 2008 based data which projected high growth and the 2010 based data which projected much lower levels of growth. The 2011 interim projections are considered to be the more robust because they take account of the Census data recognising the lower levels of growth it identified for Torbay.

Table 2.1: Population Projections for Torbay (source: ONS population projections)

Date	2008 based sub national population projections	2010 based sub national population projections	Interim 2011 based sub national population projections
2011	136.0	134	131.2
2016	140.2	135	134.9
2021	145.1	138	138.8
2026	150.2	140	
2031	155.2	143	

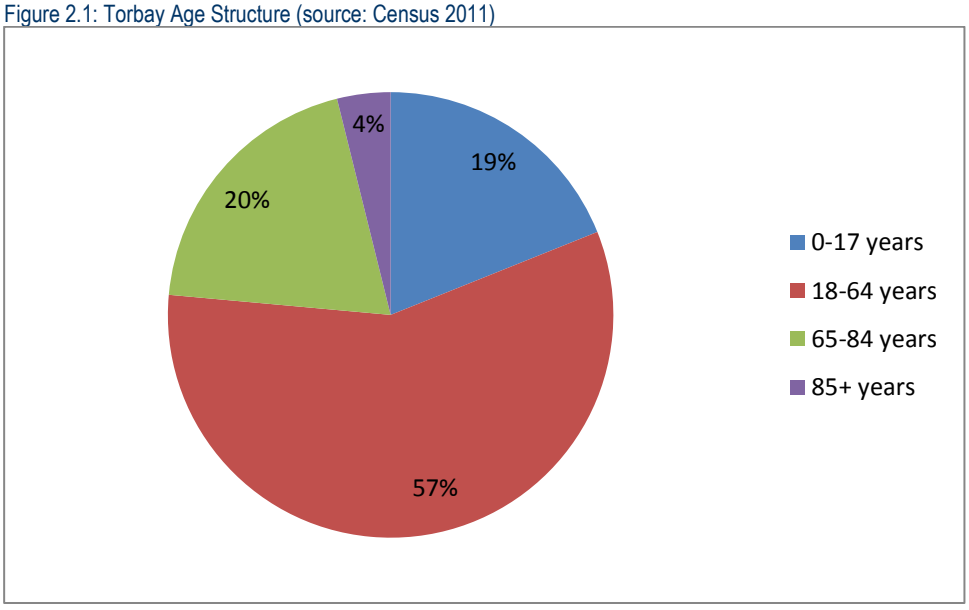
2.2 Census 2011 – Age Structure

2.2.1 Understanding the 2011 base line information is useful. Some of the key information in relation to population and housing is contained below. It provides a useful benchmark against which information can be measured, however, should be treated with an element of caution due to surprisingly low number of people that are shown within the area compared with the 2001 Census and housing completions. In terms of baseline information the following tables are useful and provide comparisons with 2001 data. The current age structure is as follows:

Table 2.2: Current Age Structure of Torbay (source: Census 2011)

Age range	Number	%
0-17	24,789	18.9
18-64	75,316	57.5
65-84	25,783	19.7
85+	5,071	3.9
all	130,959	100.0

Figure 2.1: Torbay Age Structure (source: Census 2011)



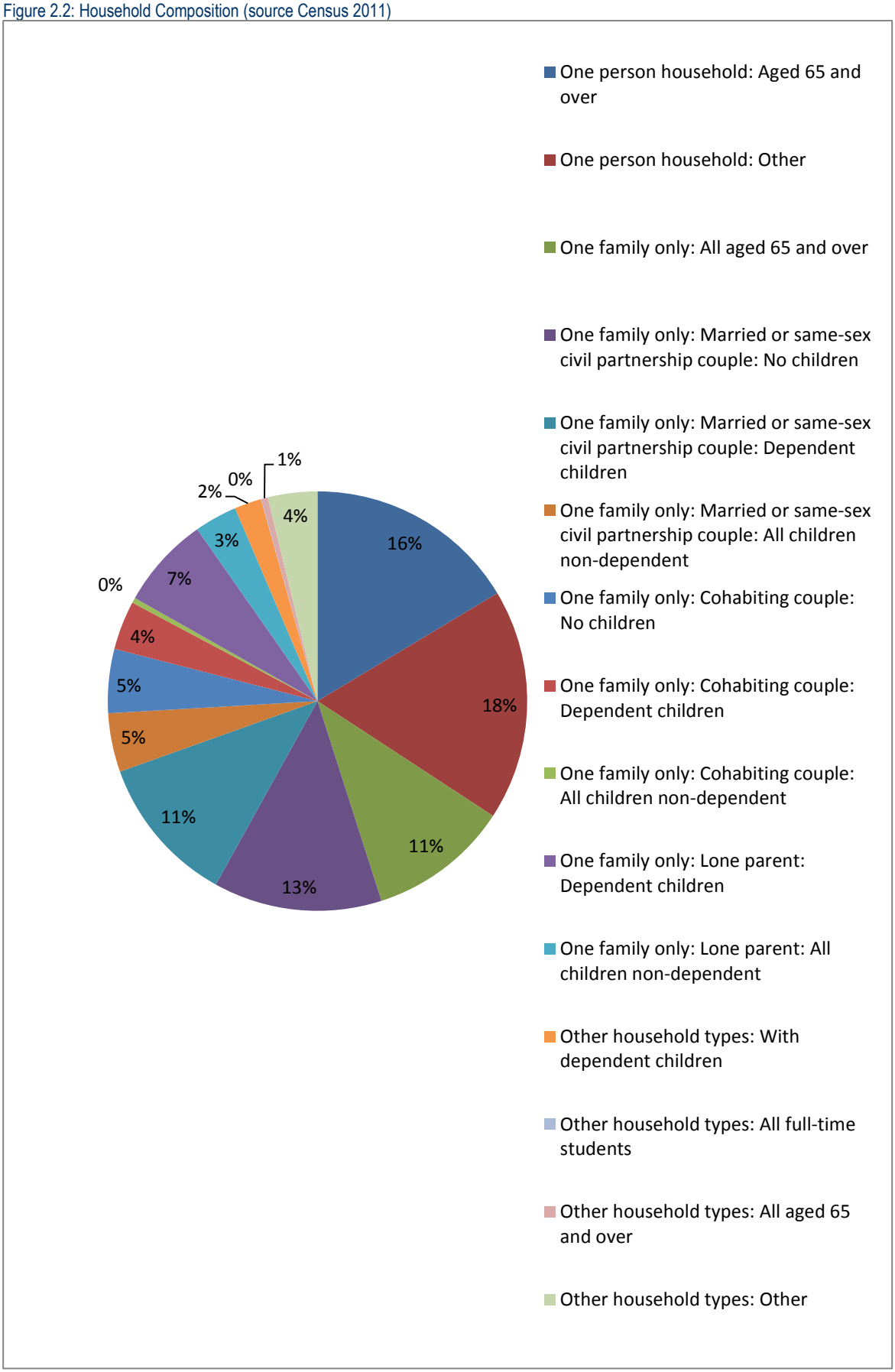
2.3 Census 2011 - Household type and composition

2.3.1 **Table 2.3** and **Figure 2.2** show that of the 64,370 household spaces in Torbay, 59,010 are occupied with at least one usual resident. This means that the remaining 5,360 (or 8%) are usually unoccupied or are presumably 'second homes'. This compares with Council figures, which are lower and show that, in terms of empty properties, the recent 2013 figures demonstrate that there are 1089 properties that have been empty for less than 6 months and 1,256 long-term empty properties. Council information indicates that within Torbay there are 1,628 second-homes.

Table 2.3: Household Composition (source Census 2011)

Household composition	Number of Households	%
One person household: Aged 65 and over	9,679	16.4
One person household: Other	10,513	17.8
One family only: All aged 65 and over	6,402	10.8
One family only: Married or same-sex civil partnership couple: No children	7,666	13
One family only: Married or same-sex civil partnership couple: Dependent children	6,777	11.5
One family only: Married or same-sex civil partnership couple: All children non-dependent	2,673	4.5
One family only: Cohabiting couple: No children	2,914	4.9
One family only: Cohabiting couple: Dependent children	2,225	3.8
One family only: Cohabiting couple: All children non-dependent	234	0.4
One family only: Lone parent: Dependent children	4,190	7.1
One family only: Lone parent: All children non-dependent	1,943	3.3
Other household types: With dependent children	1,226	2.1
Other household types: All full-time students	17	0
Other household types: All aged 65 and over	298	0.5
Other household types: Other	2,253	3.8
All categories: Household composition	**59,010**	**99.9**

Figure 2.2: Household Composition (source Census 2011)

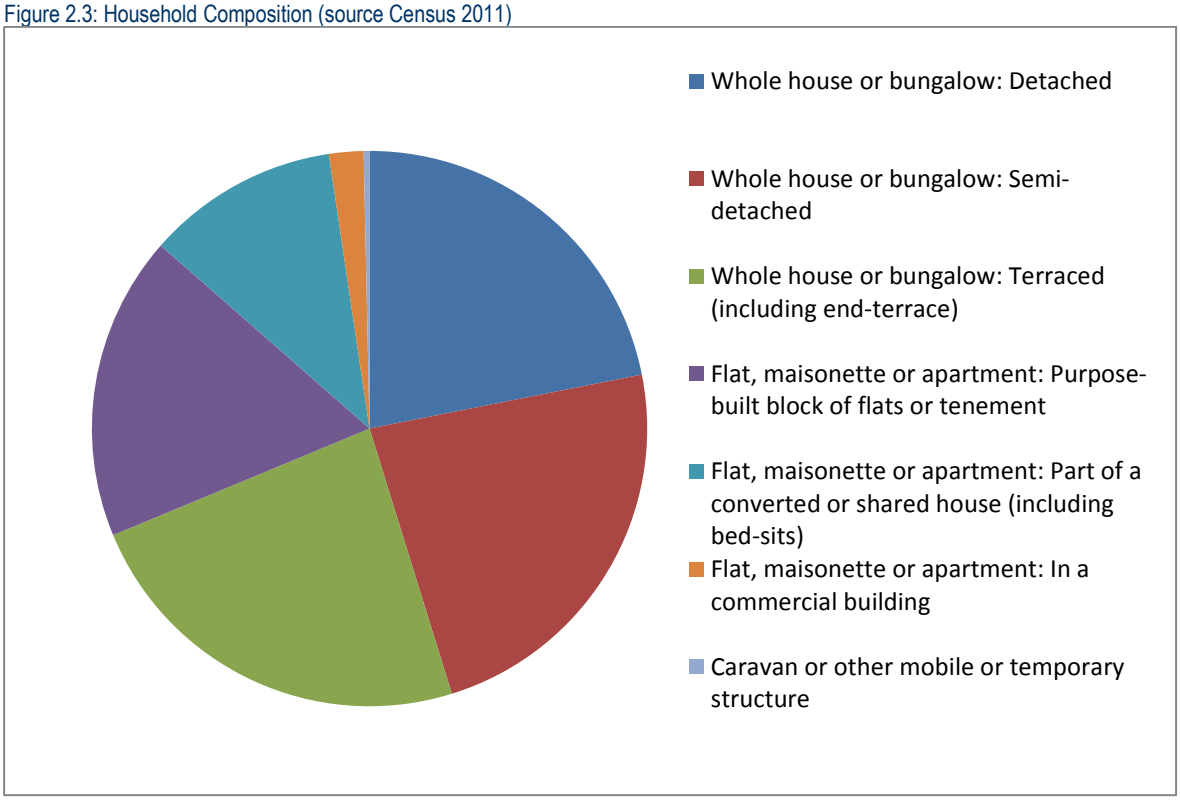


2.3.2 **Table 2.4** shows how Torbay's household spaces are made up with a reasonably even split between detached, semi and terraced houses or bungalows. This table also demonstrates that there has been a decrease in percentage of all house types since 2001 and that this is compensated for by an increase in purpose built flats across Torbay.

Table 2.4: Household Type (source: Census 2001 and 2011)

Household Type	Number of household spaces 2011	2011 percentage	2001 percentage
Whole house or bungalow: Detached	14,088	21.89	22.4
Whole house or bungalow: Semi-detached	15,012	23.32	23.8
Whole house or bungalow: Terraced (including end-terrace)	15,143	23.52	25.1
Flat, maisonette or apartment: Purpose-built block of flats or tenement	11,409	17.72	14.8
Flat, maisonette or apartment: Part of a converted or shared house (including bed-sits)	7,208	11.20	11.1
Flat, maisonette or apartment: In a commercial building	1,292	2.01	2.4
Caravan or other mobile or temporary structure	218	0.34	0.4
All categories: Household spaces	**64,370**		

Figure 2.3: Household Composition (source Census 2011)



2.4 Projected and Actual Population and Households

2.4.1 There is considerable discrepancy between the 2008 based and 2010 based population projections and the actual population change experienced by Torbay for the same years. It is also useful to benchmark these with the 2011 Census data which shows that the population is substantially less than both the mid-year estimates and what both the 2008 and 2010 based projections expected.

2.4.2 The 2011 interim population projections resulting from the Census released in September 2012 appear to take account of the very low census figure and to some extent apply a correction. These go to 2021 and estimate a growth of 8,000 over the next 10 years for Torbay. This is entirely due to internal inward migration (internal being within the UK). The projections demonstrate that the population within neighbouring authorities as well as collectively for the Devon districts is also migration driven. This is illustrated in the table below

Table 2.5: 2011 Interim Population Projections (released September 2012) Components of Change (source ONS Sept 2012)

Area	Natural Change (births minus deaths)	Net inwards migration	Population increase 2011-21
Torbay	-1,000	9,000	8,000
Teignbridge	-1,000	5,000	4,000
South Hams	-2,000	6,000	4000
Devon Districts	-3,000	57,000	53,000

Note: Figures may not sum due to rounding

2.4.3 The Housing Topic Paper identifies the expected structure of the population at 2021 from the latest population projections, see **Table 2.6** below. This demonstrates that there is expected to be considerable growth in the over 69 age group, and a decline in the 19-68 (working age group).

Table 2.6: 2011 Interim Population Projections (released September 2012) by Age (source Torbay Housing Topic Paper)

Age Group	2011	2012	2016	2021	Change 2011-21
0-18	26,388	29,491	26,985	28,121	1,733
19-64	73,656	73,008	72,469	72,317	-1,339
65-68	7,310	8,020	7,730	7,092	-218
69-74	8,415	8,669	10,807	11,416	3,001
75-84	10,309	10,500	11,188	13,101	2,792
85+	5,115	5,.228	5,748	6,783	1,668
All Ages	131,193	131,915	134,927	138,831	7,638

2.4.4 The population of Torbay is aging and household size is reducing, this means that in the future the level of economically active population is likely to reduce. This in turn will affect the ratio of jobs to workers potentially resulting in fewer workers than jobs. However, this is to some extent likely to be offset by the increase in elderly population who are working for longer, through the increased retirement age and also the ability and need to continue working. The latest 2011 based interim projections for 2011 – 2021 show that the population in Torbay is likely to grow by 7,638 people. **Table 2.6** above shows that the majority of this increase (80%) is projected to be 69 and over, with 18% of the growth within the 0-18 category, all other age groups are reducing which demonstrates that there is a declining proportion of people of working age. Future population growth will generally be facilitated by new housing development although migration will result in a natural exchange of population within settlements. While this will influence demographic structure to a small extent, the national demographic trends of a reducing household size and an aging population are likely to be more influential. This is because the average household size assumption has a huge impact on the number of houses required for the population. The calculations are also very susceptible to variations in economic activity rate, which is influenced by the decline in working age population, in migration, changes to retirement age, and pensions, which will increase the working age.

2.4.5 **Table 2.7** summarises the sources of data currently available for both population and household projections, together with a calculation of private household population and also the household size statistics.

Table 2.7: Torbay Population and Household Projections (source: Census 2011, ONS, DCLG)

	2011 Census	2032 (based on 2008 DCLG household and subnational popn projections)	2032 (based on 2010 popn projections (translated into households by Torbay)	2032 (based on interim 2011 population projections extrapolated to 2032	2021 based on 2011 based household projections
Population	130,959	156,100	143,429	147,160	135,441
Households	59,010	75,400	68,623	69,615	63,510
Private household population in communal establishments from Census (2.33%)	127,908 (3051)	152,463 (3637)	140,087 (3342)	143,731 (3429)	-
Household size	2.17	2.02	2.04	2.07	2.13

2.4.6 The 2011 census information demonstrates that 2.33% of the population live in communal establishments. If the assumption is that this proportion will largely remain static over the next 20 years, it is possible to calculate the private resident population that would exist at the end of the plan period and consequently work out the projected household size. However, the proportion in communal establishments has declined from 2.75% of the population in the 2001 census to 2.33% in the 2011 census. For information only 0.53% of the population were residents in communal establishments according to the 1991 Census.

2.4.7 Therefore given the static situation over the last ten years it is not considered appropriate to include an allowance for an increase in those in communal establishments. However, this should be monitored to identify whether the increasing elderly population and any significant changes in lifestyle lead to a rise in communal establishments. It is noted that current health care trust policy seeks to support people living independently for as long as possible rather than placing them in a communal establishment.

2.4.8 It should also be noted that the table above illuminates considerable variation in the 2008, 2010 and 2011 based projections to 2021 and 2032, illustrating the potential variation in population forecasting. The different projections suggest that the population of Torbay could grow by up to 25,141 by 2032, based on the 2008 based projections. The ONS 2010 based population projections were published in March 2012. These have been translated into household projections by the Council using a method similar to that of the 2008 based projections. These projected a far lower population growth of up to 143,429 if this is extrapolated to 2032. The 2010 population projections use a revised migration methodology and show a reduction in projected population of about 8000 people, compared with the 2008 based projections. In September 2012 a further set of population projections (Interim 2011) were released, based on the Census information. If these are extrapolated to 2032 they provide for the population to grow of just over 16,000 to 147,160. This information has been used to inform the new household projections which demonstrate a far lower growth across the majority of the country, although they only go to 2021.

2.4.9 The Department of Communities and Local Government (DCLG) 2008 based household projections calculate that the number of households will rise by 13,051 between 2011 and 2031. These are useful known projections which can be used as a control against the other projections, and are not specifically included here because it provides no further information to be tested nor does it extend any possible range of figures. They are also considered to be out of date and superseded by the more recently published projections.

2.4.10 The Department of Communities and Local Government (DCLG) issued the 2011 based interim household projections on 9th April 2013. These go to 2021 and provide detailed information relating to expected households per year, and can be split by age, type of household and dependent children as well as average household size. These project an increase of 4,400 households by 2021. They demonstrate a far lower level of growth compared to the previous projections which expected 6,500 households up to 2021.

2.4.11 However, the important point is that population and household projections are only future predictions. They do not attempt to predict the impact of future policies or other factors. They are an indication of the likely increase in households given the continuation of recent demographic trends. What actually happens can be influenced by future council policy related to housing and employment development. Future council policy is likely to vary any forecast within the overall context of population change trends.

2.4.12 The information above can be used to develop scenarios which set out the household and population growth to 2032. A key element of this is the understanding of household size and how this is expected to change over time.

2.5 Household size

2.5.1 Information from the census demonstrates the number and size of households within Torbay compared with the South West and the Country. These can also be compared with 2001 data to see how the average household size has changed. This shows that there has been a slight increase in the proportion of 1 and 2 person households and a decrease in 4 and 5 person households since 2001.

Table 2.8: Household Size (source Census 2001 and 2011)

	2001 Census Torbay	%	2011 Census Torbay		South West Region		Country
All Household Spaces With At Least One Usual Resident	57,418	100	59,010	100	2,264,641	100	22,063,368
1 Person in Household	19,340	33.7	20,192	34.2	686,633	30.3	6,666,493
2 People in Household	21,101	36.7	21,959	37.2	840,794	37.1	7,544,404
3 People in Household	7,595	13.2	7,953	13.5	327,767	14.5	3,437,917
4 People in Household	6,228	10.8	5,879	10.0	277,873	12.3	2,866,800
5 People in Household	2,338	4.1	2,108	3.6	93,106	4.1	1,028,477
6 People in Household	621	1.1	689	1.2	28,798	1.3	369,186
7 People in Household	112	0.2	149	0.3	6,187	0.3	88,823
8 or More People in Household	75	0.1	81	0.1	3,483	0.2	61,268

2.5.2 This trend in Torbay is supported by the recently published ONS Lifestyle survey report, which demonstrates that 'the average household size has become smaller over the 40 years between 1971 and 2011. In 1971 the average household size was 2.91 persons and by 2011 the average size was 2.35 persons'. It is interesting to note that concludes that the fall in average household size was most rapid between 1971 and 1991 and has changed little since then.

2.5.3 A calculation of household size should be made using the number of usual household residents i.e. the private household population, excluding those in communal establishments, divided by the households with a usual resident. This gives a 2011 average household size of 2.167 and not the 2.2 which has been included in all the census releases. It is important to have a robust, accurate and consistent methodology for this calculation because it is a highly sensitive variable, which can make a large difference to the number of households required in any translation of population to households. A current average household size of 2.17 compares with 2.20 in 2001 and interestingly 2.17 in 1991 and is set out in **Table 1.10**, where the comparison of census data is discussed in more detail.

2.5.4 Across Torbay, the household size is reducing (i.e. the number of people living in a property is declining). The 'Torbay Housing Topic paper explores the issue of changing average household size and the implications for the number of households. This explains how the 2006

projections expected the average household size to fall to 1.96. This has been revised significantly upwards as the trend towards lower sizes has as yet not materialised. **Table 2.7** demonstrates that the average household size is projected to be 2.02 using the 2008 based projections. This is calculated by dividing the estimated private household population at 2032 by the projected number of households. This household size compares with a projected England average of 2.19 and a South West average of 2.13. It should be noted that household size is linked to the age and structure of the population. There is an increasing trend towards single elderly households which is projected to reduce household size. However, across the Country the Census data is demonstrating that the decline in household size has not been as dramatic as projected.

2.5.5 Changing household size is a sensitive issue and can make a big difference to the numbers of households required. The 2011 Census information for Torbay confirms that the household size at 2011 is 2.17 (which is the total household population of 127,908 divided by 59,010, which is the number of households with at least 1 usual resident). This is slightly higher than the projections, which calculated pro rata would expect it to be 2.14 by 2011 (using an assumption for communal establishments). Household size calculation is a product of the model used and relies on detailed assumptions relating to household formation rates, size and composition. It appears that the latest 2011 interim projections have factored changes in these factors, which has led to revised and slightly higher projected average household size in 2021 at 2.13. If this is extrapolated forward another ten years this would give an average household size of 2.07 in 2031.

2.5.6 It is considered that the most appropriate assumption about average household size to use in this report is the 2011 population projection extrapolated to 2032. This rate of 2.07 by 2032 is broadly corroborated by the 2011-based interim household projections, which show that the downward trajectory is in line to reduce to 2.13 by 2032. Even if it continued in a linear progression, which is not necessarily considered a correct assumption, would be on target to reduce close to 2.07 another ten years.

2.5.7 Household size is an incredibly important and sensitive issue. It is heavily influenced by house building rates and the availability and affordability of properties. It should be noted that these small differences in the average household size have a considerable impact on the number of new houses required. It is important that household formation rates, size and composition should be continually monitored to investigate further and understand whether the trend towards smaller households will continue or has stabilised.

2.5.8 Using the current projections in **Table 2.7** it is useful to calculate what would happen to the existing private household population of Torbay if it stayed at 2011 levels but the average household size reduced to projected levels. The table below sets out how much additional household would be required just to cater for the existing population.

Table 2.9: Implications of declining average household size change for Torbay

	2032 Average household size 2.17	2032 Average household size 2.02	2032 Average household size 2.04	2032 Average household size 2.07
Households	59010	63258	62,669	61.940
Additional dwellings		+ 4248	+3659	+2930

2.5.9 For illustrative purposes if there was no change in population, there will be between approximately 3,000 and 4,300 additional homes required by 2032 to support the existing population's shift towards smaller households. This is calculated from the existing private household population of 127,908 divided by the projected household size at 2032. This increase of dwellings solely takes account of the change in size of households in terms of the shift towards smaller households, and relates only to the existing population. In reality, this

calculation is more complex because it must take account of household formation rates and composition and relate this to the actual rather than theoretical population profile.

2.6 Components of Change

2.6.1 An analysis of the components of change, which make up the population growth each year, has been undertaken. **Table 2.10** below identifies that the population growth is determined by the level of migration. This is because natural change is negative, although the trend demonstrates that this is getting less severe as birth rates and death rates are getting closer together.

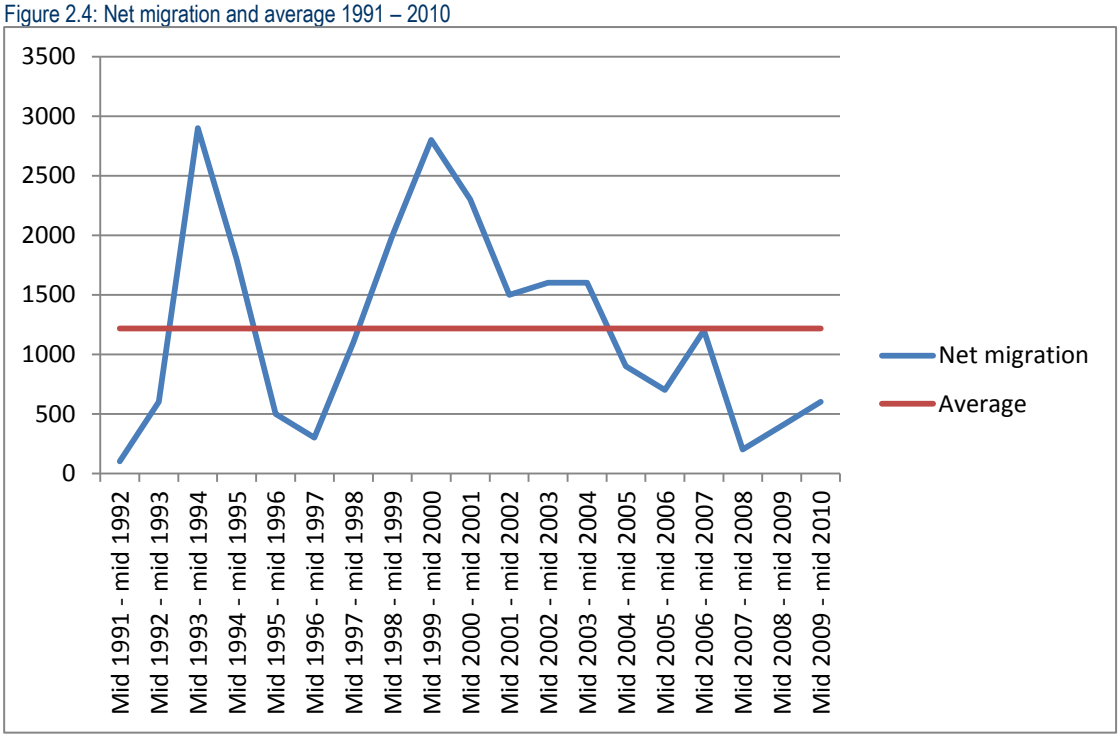
2.6.2 This table shows how the population is made up within Torbay since 1991. The components of change are rounded to the nearest thousand so may not sum. The total change column shows the resulting population growth that has occurred. The key information to note in this table is that birth and deaths have been fairly constant over the period, although there is an indication that birth rates might be increasing slightly. This means that there is a natural decline in the population as deaths exceed births. Without in migration the population of Torbay would decline. This has been well documented by the Council as a key feature of the area and one that the Council are seeking to address. The other point to note from these statistics is that there has been considerable variation in migration. This has been as low as 100 people in 1991/1992 and 200 people in 2007/2008 rising to its highest levels of 2,900 in mid 1993/1994 and again in 1999/2000 to 2,800 people per year.

Table 2.10: Components of Population Change in Torbay (source: ONS mid-year estimates 1991 - 2010)

Date	Births	Deaths	Natural Change	Net migration	Total Change
Mid 1991 - mid 1992	1300	1900	-600	100	-400
Mid 1992 - mid 1993	1300	1800	-600	600	0
Mid 1993 - mid 1994	1300	2000	-700	2900	2200
Mid 1994 - mid 1995	1300	1800	-500	1800	1300
Mid 1995 - mid 1996	1300	2000	-700	500	-200
Mid 1996 - mid 1997	1300	1800	-600	300	-200
Mid 1997 - mid 1998	1200	1900	-700	1100	400
Mid 1998 - mid 1999	1300	1800	-600	2000	1400
Mid 1999 - mid 2000	1200	1900	-700	2800	2200
Mid 2000 - mid 2001	1100	1900	-800	2300	1500
Mid 2001 - mid 2002	1100	1900	-800	1500	700
Mid 2002 - mid 2003	1200	1900	-700	1600	900
Mid 2003 - mid 2004	1300	1900	-600	1600	900
Mid 2004 - mid 2005	1300	1800	-500	900	400
Mid 2005 - mid 2006	1300	1700	-500	700	300
Mid 2006 - mid 2007	1400	1800	-400	1200	800
Mid 2007 - mid 2008	1400	1700	-300	200	0
Mid 2008 - mid 2009	1400	1800	-400	400	0
Mid 2009 - mid 2010	1500	1700	-300	600	300
Average	**1289**	**1842**	**-579**	**1216**	**658**

Note: Figures may not sum due to rounding

Figure 2.4: Net migration and average 1991 – 2010



2.6.3 The total change column shows the resulting population growth that has occurred in Torbay since 1991. The average growth rate for the whole 19 year period is 658 people per annum, which includes an average net migration rate of 1,216 people per year. If the period of high migration is considered to be from 1997 – 2007 the average level of migration over that ten year period is 1, 570 people per year. This contributes to an average growth rate of 950 people per year.

2.6.4 Household and population projections are based on five year trends and as such provide information about what would happen if these trends continued. It can be seen from the information above that these trends are higher for the years preceding the 2008 based projections compared with the 2010 based projections. In basic and very general terms this is why the projections are different with the more recent projections being lower.

2.6.5 Migration within Torbay has been highly volatile. While the trend may be towards falling migration, there have been wild fluctuations in the past, and short term trends are not considered reliable. The recent decline in migration rates is heavily influenced by the poor economic performance generally across the UK and specifically within Torbay. Economic migration will be necessary to achieve Torbay's objective of seeking a step change in economic performance and considerable economic growth. It is therefore useful to consider the longer term trends within the components of growth because using a long term trend is far more robust and allows short term fluctuations to be evened out. It also ensures the trend reflects a more accurate economic cycle, rather than just peaks and troughs. It is appropriate to test the long term growth rate of 658 people per annum in terms of population growth and this will be the basis of the long term trend growth rate to be tested as a Scenario which is discussed in section 2.4 below.

2.6.6 Using the average long term growth trend indicates a likely population increase of 13,818 between 2011 and 2032.

2.6.7 The problem with this data is that it has not been corroborated by the 2011 Census. However, it is still useful to consider the long term trend figure based on mid year estimate components of change and to benchmark the other projections against it.

2.6.8 A comparison of Census data is set out below:

Table 2.11: Census information for Torbay (source: Census 1991, 2001 and 2011)

	2011	2001 Census	1991 census
Population	130,959	129,706	113,862
Households (with at least 1 usual resident)	59,010	57,418	50,352
Private household population	127,908	126,145	109,084
Residents in communal establishments	2,164	3,561	602
Household size	2.17	2.20	2.17

2.6.9 The 2011 Census data demonstrates that there has been a population growth of only 1,253 since 2001. While this might be explained to some extent by the loss of population associated with the closure of Nortel in 2001/2 and the decade of economic decline that Torbay has suffered, there have been over 5000 new homes built within this period and the Census figures should be treated with an element of caution.

2.6.10 The 2011 patient register shows a much higher number of people than the census, however, this is a general and recurrent issue and is known as general list inflation. This occurs when people are registered in more than one place, and when they remain on the list either when they are dead, move out of the area or country. It should be noted that the number of patients on the register has exceeded the number of people resident in every year since 1961, and in 2008 was 3 million greater (or 5.5%) in England and Wales. The well documented limitations of using the patient register because it tends to exclude certain groups, is reliant on the effectiveness of the administration systems and is dependent on the extent to which people re-register. It is interesting to note that if the GP registration population is reduced by 5% it would result in about a 132,000 population, which is similar to the Census population.

2.6.11 The 2011 interim population projections have to some extent addressed this very low level of growth that appears to have occurred according to the Census results. As shown in **Table 2.6** the projections increase the baseline population to 131,200 and over the period to 2021 project an increase of 7,600 people.

2.7 Housing Requirements Based on Demographic Projections

2.7.1 It is proposed to test a number of alternative scenarios, to explore what the effect on household requirements would be from different levels of population. The scenarios to be tested are:

- Long term population growth trend (1991– 2010) projection (D1);
- 2010 based population projection (D2);
- 2011 based interim population projection extrapolated (D3); and
- 2011 based interim household projection extrapolated (D4).

2.7.2 In summary Scenario D1 is based on the long term population growth of 658 people per year as identified through an analysis of the components of change between 1991 – 2010. Scenario D2 uses the 2010 based population projections and Scenario D3 uses the more recent 2011 based interim population projections. Scenario D4 uses the 2011 based household projections and extrapolates the average household population growth of 733 people per year to identify the likely population at 2032. These are all divided by the average household size rate of 2.07 to identify the additional number of households.

2.7.3 The most recent 2011 based household projections should be accorded considerable weight as they represent the most up to date objective assessment of the likely requirement. These show a growth of 4,400 households between 2011 and 2021. While these can be extrapolated forward to 2032, this is not a straightforward case of doubling or pro-rating the figures because it is highly dependent on the assumptions made about average household size change. This means that while they are therefore useful in the short term, it is important to note that they do not provide a detailed projection which covers the plan period.

2.7.4 These scenarios all start from a consistent base date using the 2011 Census population. However, after that they all use different population projections to allow a range of possible scenarios to be compared. From the demographic evidence set out in these scenarios the future population for Torbay could range from 143,429 through to 147,160 by 2032. The table below sets out the detailed calculations. This would generate an illustrative housing requirement of between 8,700 to 10,400 homes respectively using the average household size assumption of 2.07 at 2032. These are then compared with the household projections which if extrapolated over the plan period and use the same average household size would indicate the requirement for 11,598 houses by 2032. This should be treated with caution because it attempts to project forward the 2021 figures. For information these figures compare with the requirement for 13,051 between 2011 – 2031, which was identified in the 2008 based household projections. They then all need to remove the 2011 requirement figure of 388 as shown in row (g) of **Table 2.12** below.

Table 2.12: Torbay demographic projections led housing forecast 2032

	D1: Long Term Growth Trend (1991-2010) (growth 658 persons per year)	D2: Based on 2010 Population Projections Trend	D3: 2011 Based Interim Population projections extrapolated trend	D4 2011 based Interim Household projections extrapolated trend
(a). Total population 2011 (Census)	130,959	130.959	130,959	130,959
(b). Total households 2011 (Census)	59,010	59,010	59,010	59,104 **
(c). Total population 2032	144,777	143,429	147,160	-
(d). Change 2011-2032	13,818	12,470	16,201	-
(e). Total projected private household population (c-2.33%)	141,404 *3373*	140,087 *3342*	143,731 *3429*	146,354***
(f). Additional households 2011-2032 at average household size of 2.07	9,301	8,665	10,425	11,598
(g) homes required over plan period (2012-2032) (f-388)	**8,913**	**8,277**	**10,037**	**11,210**

** this is the number used in the projections and not the 2011 Census
*** based on private household population of 128,110 in 2011 and 135,441 at 2021, giving an average growth of 733 per year and 15,395 for the plan period.

2.8 Conclusions

2.8.1 The table illustrates the level of households that are likely to be required according to a range of scenarios which are informed by a variety of demographic information. The objective is not to provide detailed projections, but rather to understand the likely housing requirement from a variety of sources. This demonstrates how different demographic assumptions can lead to a range of scenarios.

2.8.2 These must all be treated with caution because of the considerable uncertainty associated with the available demographic information, and the short timescales of covered by the most recent projections. The 2011 based interim projections are useful and corroborate in the short term the identification of 4,400 for the next 10 years.

2.8.3 The objectively assessed housing requirement based on demographic projections demonstrates that there is a need for between 8,900 and 11,200 new homes between 2012 and 2032. These use the long term growth trend as the lowest level at which it is advisable to plan for and at its highest extreme the extrapolated 2011 interim projections. As the rest of the report demonstrates this is just one method and should be considered against the alternative employment led scenarios and also benchmarked against the need for affordable and market housing identified through the updated SHMA. The next chapters of the report will consider these issues. It is also important to consider the supply issues such as the availability of sites and the market capacity and what is likely to be delivered within Torbay over the plan period. Those issues are considered within the SHLAA Update report.

3 Requirement According to Economic Factors

3.1 Employment Projections

3.1.1 Economic changes are a key driver affecting housing demand and household formation rates. Therefore it is necessary to consider how the level of economic growth of Torbay relates to the possible level of housing provision.

3.1.2 This work does not provide a detailed understanding of the sectors to identify likely sectoral growth predictions in order to estimate economic potential. Rather it uses a range of published data as a basis for a number of employment led scenarios and tests these based on reasonable assumptions about the prospects for employment (in terms of the number of jobs) in Torbay in the future. The Torbay Development Agency are in the process of updating their economic development strategy which will demonstrate how the economic objectives are to be achieved. A further Employment Land Study is currently being prepared and will consider the economic implications in further detail.

3.1.3 The projections work that has been used to develop the scenarios to be tested has included the most recent data available for Torbay prepared by Oxford Economics and also the South West Observatory projections produced by Experian. These use different methods, assumptions and base data and although they are not consistent it is useful to use them to inform scenarios to be tested. As an alternative an adjusted future growth scenario has been updated which uses the existing baseline information, and factors in the interventions proposed by the Torbay Development Agency to identify a likely level of job growth over the years 2011 and 2032.

3.1.4 It should be noted at the outset that the projections are based on very different assumptions, base dates and baseline information, and use information from a variety of sources. It is therefore important to treat them with some caution and to recognise they are different and purely used to illustrate the likely implications of each one in terms of the economically active population and the number of houses that would be required as a result. We recommend that a more detailed economic potential study is undertaken to further consider the specific sectors and the likely growth opportunities that exist. It should also be noted that economic growth is not an entirely independent matter, but will be influenced by the strategy and policies of the Council, amongst others. It will be very important for Torbay to monitor the level of jobs that come forward to enable the level of job growth to be assessed and measured against what is expected.

3.1.5 This section continues by understanding the economic activity in Torbay and analysing sectoral trends in employment at a national level, regional and then in Torbay, looking at employment trend information from Annual Business Inquiry (ABI) data and more recently Business Register and Employment Survey (BRES) data. This is followed by consideration of the projections and presentation of alternative future economic scenarios for Torbay. It concludes with the housing requirements associated with these economic scenarios and their implications.

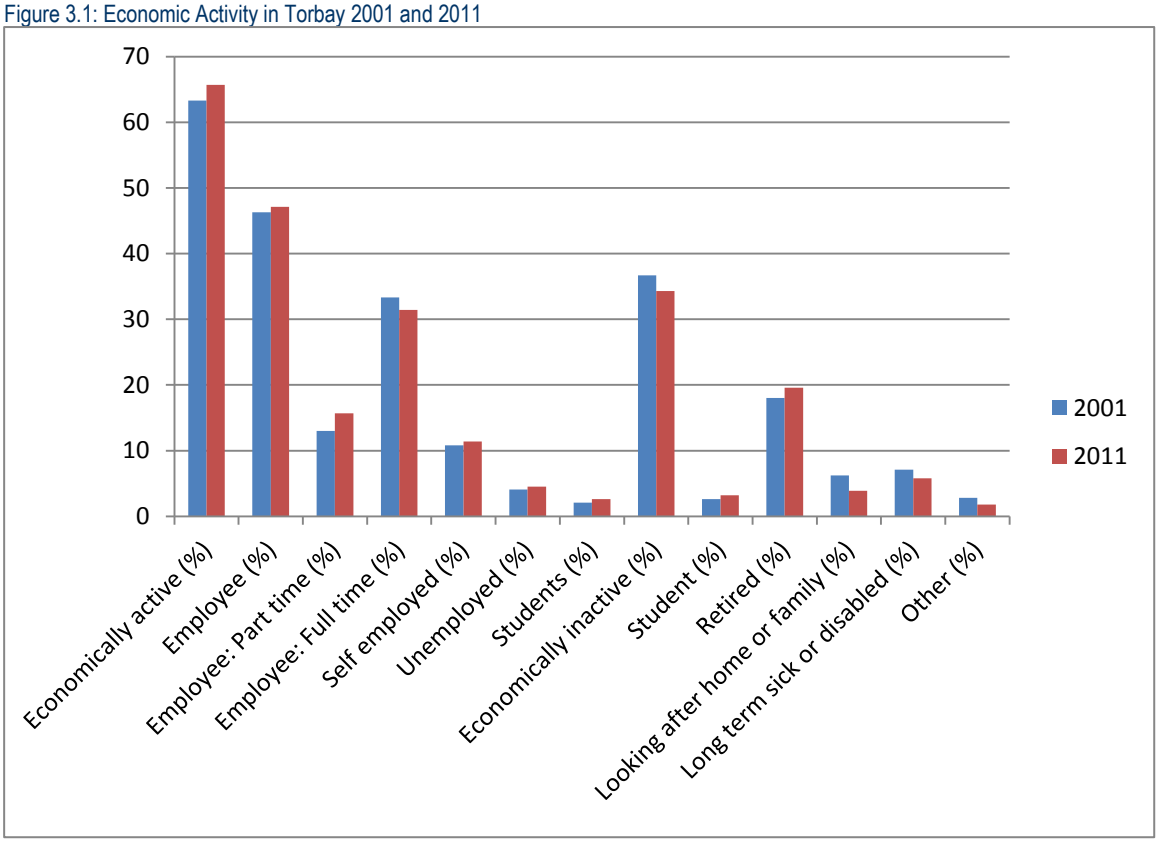
3.2 Economic activity in Torbay

3.2.1 It is useful to consider the current baseline data and economic situation in Torbay as demonstrated by the 2011 Census. **Table 3.1** and **Figure 3.1** show that there has been a slight increase in the rate of economically active in Torbay and the percentage of employees, which is made up of a slightly increased rate of part time employees compared to full-time when considered against the previous 2001 census. There has also been a decrease in the economically inactive and those looking after home or family and long term sick and disabled.

Table 3.1: Economic Activity in Torbay 2001 and 2011(source Census 2011)

All usual residents aged 16-74	2001	2011
Economically active (%)	63.3	65.7
Employee (%)	46.3	47.1
Employee: Part time (%)	13	15.7
Employee: Full time (%)	33.3	31.4
Self-employed (%)	10.8	11.4
Unemployed (%)	4.1	4.5
Students (%)	2.1	2.6
Economically inactive (%)	36.7	34.3
Student (%)	2.6	3.2
Retired (%)	18	19.6
Looking after home or family (%)	6.2	3.9
Long term sick or disabled (%)	7.1	5.8
Other (%)	2.8	1.8

Figure 3.1: Economic Activity in Torbay 2001 and 2011

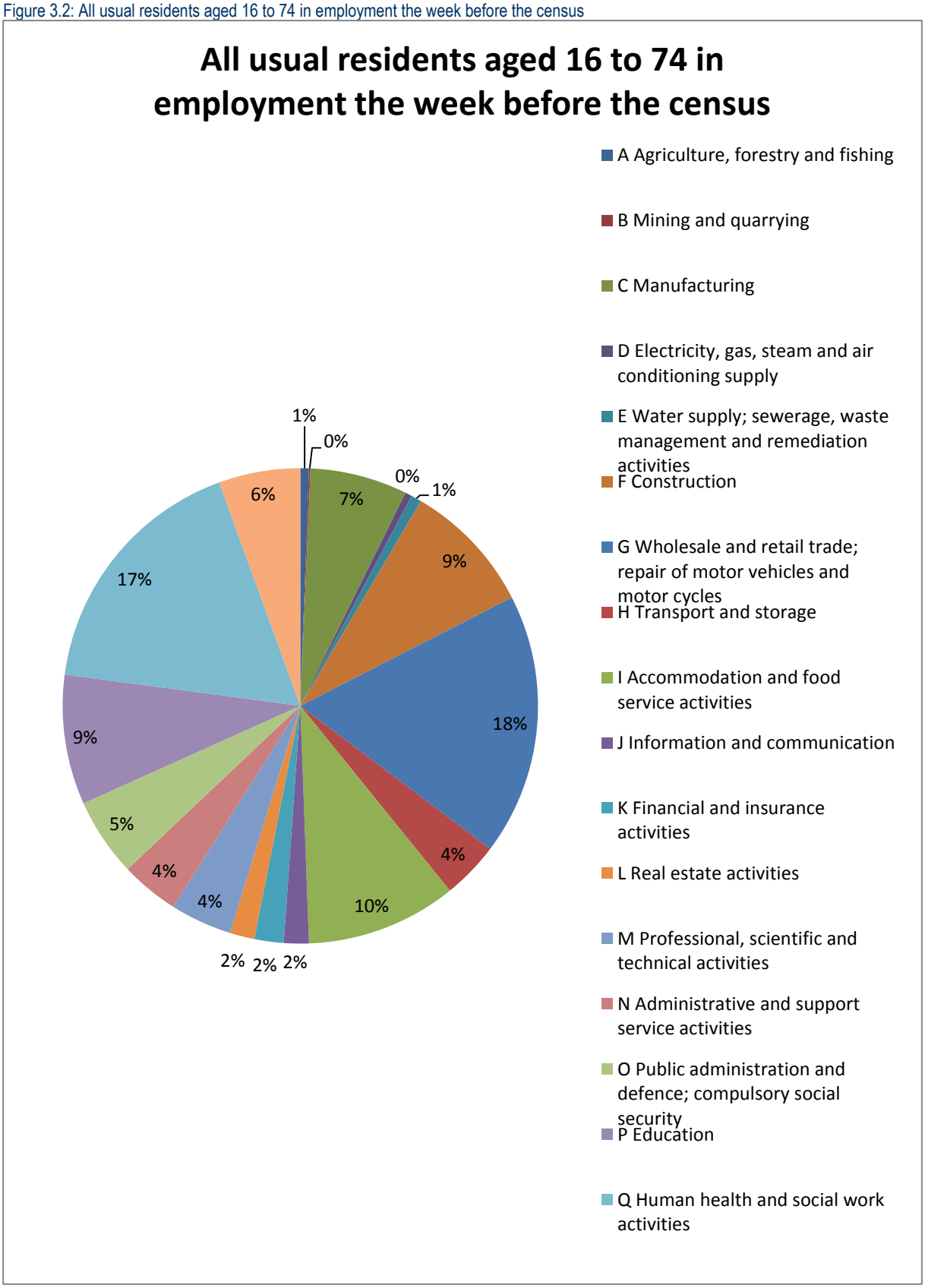


3.2.2 A more detailed look at employment illustrates the industries that are currently represented within Torbay. The table and chart below show that the largest sectors include Wholesale and retail trade, Human health and social work, Accommodation and food services, Manufacturing, Construction and Education.

Table 3.2: All usual residents aged 16 to 74 in employment the week before the census (source: Census 2011)

Industry	All usual residents aged 16 to 74 in employment the week before the census	%
A Agriculture, forestry and fishing	331	0.58
B Mining and quarrying	61	0.11
C Manufacturing	3,764	6.61
D Electricity, gas, steam and air conditioning supply	261	0.46
E Water supply; sewerage, waste management and remediation activities	405	0.71
F Construction	5,116	8.99
G Wholesale and retail trade; repair of motor vehicles and motor cycles	10,135	17.81
H Transport and storage	2,216	3.89
I Accommodation and food service activities	5,837	10.26
J Information and communication	964	1.69
K Financial and insurance activities	1,133	1.99
L Real estate activities	954	1.68
M Professional, scientific and technical activities	2,390	4.20
N Administrative and support service activities	2,257	3.97
O Public administration and defence; compulsory social security	3,034	5.33
P Education	5,024	8.83
Q Human health and social work activities	9874.0	17.35
R, S, T, U Other	3,156	5.55
All categories	**56,912**	**100.00**

Figure 3.2: All usual residents aged 16 to 74 in employment the week before the census



3.2.3 A more detailed look at Annual Population Survey (APS) results provides comparative data since 2004. This demonstrates a number of differences with the Census data. Most differences exist because of the different assumptions and measures that are being used. This would account for the economic activity rate which in the APS is a proportion of all those economically active within the age range 16-64, rather than in the Census which uses 16 – 74.

3.2.4 It is essential to understand the effect of unemployment rates on the economically active and employment growth and also on the number of households that will be required to fill the new projected jobs and the number of new homes required. In Torbay there has been a considerable rise in unemployment levels over the last few years, although this has reduced in the last year. The Annual Population Survey April 2011 – March 2012 identifies the unemployment rate (16-64) as 8.4%, compared with 4.8% in 2005/2006. The average for the last 8 years is 7% and compares with the most recent (Oct – Dec 2012) seasonally adjusted unemployment figures for the South West is 5.5%, and 7.8% for the UK.

3.2.5 The economic activity rate for Torbay has varied from between 73.7% in 2005-2006 and 77.5% in 2006-2007 (Annual Population Survey). This is in line with the economic activity rate for England which is 76.5% and is slightly lower than the South West rate of 78%. Given that this economic activity rate is in line with the national average there is no reason to adjust this over the plan period and the remainder of the report therefore assumes that it will be held constant at 76%. This is realistic because the proportion of the working age population is declining and while there are likely to be positive implications associated with the increased retirement age and people working longer hours which may provide additional capacity within the existing workforce to undertake new jobs, this assumes they have the skills required or can retrain. Getting people back into work is a worthy objective but it is difficult to achieve without series of targeted policies and initiatives with funding sources identified. The Torbay Development Agency have agreed that it would be unrealistic to expect to increase the economic activity rate beyond current levels.

Table 3.3: Torbay Key Annual Population Survey (APS) data (Source NOMS)

	Apr 2004-Mar 2005	Apr 2005-Mar 2006	Apr 2006-Mar 2007	Apr 2007-Mar 2008	Apr 2008-Mar 2009	Apr 2009-Mar 2010	Apr 2010-Mar 2011	Apr 2011-Mar 2012
Economic activity rate - aged 16-64	74.1	73.7	77.5	75.6	76.6	76.6	76.3	75.8
% aged 16-64 who are employees	57.9	58.2	59.5	57.0	58.4	58.3	58.3	58.7
% aged 16-64 who are self employed	12.1	11.5	12.5	13.6	12.2	10.5	9.9	10.1
Unemployment rate - aged 16+	4.4	4.8	5.9	5.3	7.0	9.5	9.4	8.4
% who are economically inactive - aged 16-64	25.9	26.3	22.5	24.4	23.4	23.4	23.7	24.2
% of economically inactive who want a job	28.2	31.4	28.2	30.4	35.1	31.3	37.9	36.6
% of economically inactive who do not want a job	71.8	68.6	71.8	69.6	64.9	68.7	62.1	63.4

3.2.6 It is proposed that an average rate is taken when using this data in calculations. This is relevant to the table relating to the translation of population and jobs into households. **Table 3.4** sets out these average rates.

Table 3.4: Average Rate 2004-2012 (source: APS Nomis)

	Average rate (2004- 2012)
Economic activity rate - aged 16-64	76
% aged 16-64 who are employees	58
% aged 16-64 who are self employed	12
Unemployment rate - aged 16+	7
% who are economically inactive - aged 16-64	24
% of economically inactive who want a job	32
% of economically inactive who do not want a job	68

3.2.7 The self-employed rate is consistent with the 2011 Census information and has been relatively stable over the period varying from 13.6% in 2007/2008 down to 9.9% in 2010/2011. This is compared with a relatively static UK figure over the period of 9.3%. Further analysis of the APS information identifies the number of employees and self-employed in order that an average percentage rate can be calculated which can be then applied to the projections where they do not include any self-employment.

Table 3.5: Torbay Analysis of Employees and Self Employed (source: APS Nomis)

	Employees	Self employed	aged 16-64	% of self employed in relation to employees	% aged 16-64 who are self employed
2004 - 2005	45300	9500	78,300	21.0	12.1
2005-2006	45500	9000	78,300	19.8	11.5
2006-2007	46500	9700	78,300	20.9	12.5
2007-2008	45200	10800	79,300	23.9	13.6
2008-2009	46400	9700	79,500	20.9	12.2
2009-2010	45900	8200	78,800	17.9	10.5
2010-2011	45500	7700	78,000	16.9	9.9
2011-2012	45900	7900	78,200	17.2	10.1
Average				19.8	11.6

3.3 Sectoral Trends in Employment

3.3.1 At the national level, the following broad trends were apparent during the period 1998-2008.

3.3.2 Employment agriculture, forestry and fisheries sector declined from 1998-2003, then increased from 2003 to 2008, almost back to the same level as 1998. This may reflect changes in statistical coverage. Manufacturing has seen a steady decline each year. However, there was a noticeable slowing down in the rate of decline towards the end of the period. Employment statistics are notoriously unreliable for construction, and this is reflected in the employment figures which fluctuate from year to year. Performance of this sector is linked to the property market. Distribution growth has been in decline since 2004. The hospitality sector has seen consistent employment growth over the past decade, fuelled in part by increased tourism spend (domestic and overseas), and lifestyle changes towards more frequent day trips, holidays and short breaks, and much more eating out, particularly in the larger urban areas. The result was trend growth to 2008 of +15.3%. The transport sector is very mixed with traditional activities like road and rail transport and the post office mixed in with telecommunications and mobile phones. Overall the sector has seen fairly consistent employment growth over the 1998-2008 period.

3.3.3 Financial Services has been a great driver of employment growth in the 1980's and early 1990's, but this resulted in an unsustainably large sector within which corporate mismanagement led to the financial collapse of 2008/9. Between 1998 and 2008 there was very little employment growth in this sector; trend growth to 2008 was +3.0%. The Government's rescue of institutions has meant that employment has declined post 2008, but not by as much as might have been the case. Employment growth in Business Services sector has been consistent and very significant over the period 1998 to 2008, driven by a number of factors including outsourcing by large companies, the property boom, real international competitiveness, and Government and private sector demand for external consultancy and advice. Trend employment growth to 2008 was +37.9%. Employment data for public administration and defence is inadequate as defence personnel may be excluded. However, the broad trend is clear enough, with employment more or less static up to 2002, then increasing significantly. Trend growth to 2008 was +5.5%. Successive Comprehensive Spending Reviews have announced significant cuts in public administration budgets. For instance, local authorities will see their budgets cut by 28% over the next 4 years, while defence budgets are cut by 8% over the same period. Employment in this sector, nationally, is now expected to slowly decline followed by a longer period of little or no growth.

3.3.4 A significant proportion of growing Government tax receipts over the 1998-2008 period were directed to additional investment in education, both in terms of capital investment in schools and in terms of additional teachers. As a result, employment in this Education grew by a third over this period (33.5%). However, it is expected that job losses in this sector will continue in the short term. Spending on health is driven by very dynamic demand factors – an ageing population, increased sophistication and cost of medical treatments, and higher consumer expectations of quality of service. Employment grew by almost a third (30.3%) between 1998 and 2008, although the rate of growth was beginning to slow down towards the end of this period. In the comprehensive spending review, the Government has made a commitment that NHS spending will be protected.

3.3.5 The 'other services' sector includes the creative industries and personal services of all kinds. Employment growth at the national level has been very significant over the past decade, with trend growth to 2008 totalling 23.7%.

Regional Trends

3.3.6 At the regional level, trends on the whole follow the national level, but with more dynamic outcomes in terms of employment growth. Overall, employment in the South West region grew by 14.9% between 1998 and 2008, compared to 9.5% nationally.

3.3.7 In manufacturing, the slowdown in the rate of decline was more pronounced, with almost no net job loss regionally between 2004 and 2007. In financial services, there was employment growth up to 2002 followed by decline, with no net growth overall during this period. Business services growth was even more impressive regionally than nationally. Public services and defence employment also grew more rapidly at the regional level than nationally. The growth in employment in the education sector was very significant, at over 40%, compared to 33% nationally, while the growth in health sector employment (30%) was similar to the national performance. Other services employment also grew rather more rapidly at the regional level than nationally.

3.3.8 More recently the South West economy has seen output decline and has suffered from a sharp decline in construction and manufacturing. There have also been a higher proportion of public sector cuts than at national level. However despite these losses the Labour Force Survey has shown that in the year to August 2012 there had been job gains in private sectors in accommodation and food services, social work and transport.

3.3.9 Going forward Experian predict that the next year will remain difficult because of on-going cuts and the continuing Eurozone crisis, the outcome of which is uncertain and could result in renewed recession. An improvement in growth is expected in 2014, however there is a risk that a slower than expected recovery impedes job creation in private services. In the longer term they expect GDP growth to recover to a rate which marginally underperforms the UK average.

Local Trends

3.3.10 **Table 3.6** shows the total number of employee jobs within Torbay between 1998 and 2008 using ABI employee data from Nomis. This illustrates that there has been growth of 8% and that 3,800 new jobs were created, but within this there has been considerable variation across the years. **Table 3.7** shows employment over the last few years using BRES data. This starts from a higher base than the ABI data because it uses a different methodology and includes an element for sole proprietors.

Table 3.6: Number of Employee Jobs in Torbay (source Annual Employment Survey ABI Data from Nomis 2012)

Year	Total Number of Employee Jobs	Change from Previous Year
1998	43,800	-
1999	43,800	-
2000	44,400	600
2001	48,200	3800
2002	43,900	-4300
2003	45,300	1400
2004	49,100	3800
2005	47,300	-1800
2006	48,800	1500
2007	47,900	-900
2008	47,600	-300

Table 3.7: Numbers in Employment in Torbay BRES Data from Nomis 2012

Year	Total Number of Employee Jobs and Sole Proprietors	Change from Previous Year
2008	50,500	-
2009	51,000	500
2010	49,300	-1700
2011	50,300	1000

3.3.11 ABI data demonstrates the growth in jobs within the economy between 1998 and 2008. This data is set out at **Appendix 1** and demonstrates that there has been considerable change over time and within the sectors.

3.3.12 The figures in **Appendix 1** show that growth has been strong in a number of sectors with business services seeing the largest growth over the last 10 years, followed by public administration and defence. The other sectors that have grown are education, hotels and restaurants, distribution and other jobs. The BRES data shows that the only sectors to have

grown in last few years have been accommodation, and food services, transport and education.

3.3.13 The economic performance of the Torbay economy over the period 1998 – 2006 was considered in detail in the 2008 SHLAA supplementary report 'Local Economic Impact of Increasing Housing Numbers in Torbay'. This demonstrated that employment growth by just over 11% in the period with a net gain of around 4,850 jobs. This was just less than the regional average and far less than the growth experienced by Exeter. The ABI figures demonstrate that employment growth has not been uniform with some large gains followed by large losses, particularly in 2001/2.

3.3.14 Since 2006 the figures demonstrate that there has been continued decline across many of the sectors. The position is more difficult to ascertain because of the differences in the data available through ABI and BRES which provide slightly different measurements of employment. Together with **Appendix 1** the following table provides detailed information on the jobs that have existed and currently exist within Torbay.

3.3.15 The BRES data demonstrates the employment at 2011. This includes an element of self-employed within the totals. It also shows the levels for each main sector for the last four years.

Table 3.8: Torbay jobs 2008 – 2011 (source: BRES Data from NOMIS 2012)

	Employment			
	2008	**2009**	**2010**	**2011**
Agriculture, forestry and fishing	100	100	200	200
Mining, Manufacturing and Electricity, gas, water and waste	2,600	2,200	2,300	2,700
Construction	2,300	2,300	1,500	1,700
Wholesale and retail trade; repair of motor vehicles and motorcycles	9,100	9,400	9,100	8,900
Transportation and storage	1,200	1,300	1,300	1,200
Accommodation and food service activities	7,100	7,800	7,900	7,500
Information and communication	500	500	600	600
Financial and insurance activities	700	700	700	800
Real estate activities	1,300	700	600	700
Professional, scientific and technical activities	2,300	2,100	2,400	1,900
Administrative and support service activities	3,000	2,600	2,800	4,000
Public administration and defence; compulsory social security	2,300	2,200	2,400	2,100
Education	4,900	5,000	4,200	4,800
Human health and social work activities	10,400	10,900	10,500	10,900
Arts, entertainment and recreation	1,600	1,500	2,100	1,400
Other service activities	1,000	1,000	800	700
Total	**50,500**	**51,000**	**49,300**	**50,300**

NOTE: All numbers rounded to nearest 100 so may not sum. BRES data from NOMIS includes an element of self employed

3.3.16 There are considerable methodological differences between the BRES and ABI data, particularly in terms of how the data has been collected and interpreted, and specifically in terms of the fact that BRES data includes an element of self-employed which accounts for the difference in the figure (notice 2008 in particular). It should be noted that the numbers are all rounded to the nearest hundred and therefore may not sum. Some figures have been removed and cannot be reported due to their small size. All figures are estimates and it should be noted that there are discontinuity errors which exist primarily due to different sampling dates (pre and post 2006) and the use of different Standard Industrial Classifications (2003) that have been used across the time period.

3.3.17 However, despite these limitations it is useful to see what job growth has occurred and in which sector since 1998. The ABI employee data (at **Appendix 1**) shows that between 1998 and 2001 there was a gradual increase in employment to 48,200. There was then a sharp decline of over 4,000 jobs in 2002, probably due to the closure of Nortel. Employment then peaked at 49,100 in 2004 and has gradually declined to 2008. In terms of sectors the following trends can be seen:

- Gradual decline in manufacturing, mining, electricity and gas;
- Static or slight decline in agriculture, forestry, fishing, and construction, as well as financial services with a larger decline in wholesale and retail trade;
- Slight rise in transport, storage and communications and other community, social and personal service activities;
- Rise in hotels and restaurants, public administration and defence; and
- Considerable gradual rise in real estate, education, health and social work.

3.3.18 The BRES data 2008 – 2011 shows that the overall number of jobs has declined by 200 over the time period. Within this general decline there has been growth within the following sectors:

- Accommodation and food service activities;
- Administration and support service activities;
- Human health and social work activities

3.4 Assessment of growth

3.4.1 The Torbay Local Economic Assessment (LEA) (Interim 2010) Report provides detailed information about the economy. It recognises that the unusual economy of Torbay currently faces a number of problems. Low GVA and wages, high levels of deprivation and a dependence on the public sector and tourism for employment are all putting pressure on the local economy. In addition there is a perception by many local businesses who believe Torbay's poor transport links are holding them back.

3.4.2 To achieve sustainable economic growth Torbay will have to address these challenges including productivity of the economy; demand for labour in particular for full time employment, earnings base, the sector base of the economy and the infrastructure to support growth.

3.4.3 The key sectors are identified as tourism, health, accommodation and food, and retail. The reliance on tourism is demonstrated by the fact that Torbay has the highest proportion of people with main or second jobs in tourism industries within the UK. The visitor related spend in Torbay was estimated to be £365m in 2011. Recent information shows that there has been an increase in day visitors but decrease in overnight stays.

3.4.4 The LEA also identifies the over-dependence on the public sector. Growth will require the diversification and growth of other sectors including:

- Advanced electronics;
- Marine related engineering, science, leisure;
- Business & professional services;
- Retail

3.4.5 Within Torbay there is also the intention to nurture sectors including the creative industries and environmental sectors that have the potential to grow and contribute to a stronger Torbay economy. The Torbay Development Agency are in the process of revising the Economic

Strategy. This will be a key strategic document which will assist the Local Plan in delivering the desired jobs growth.

3.4.6 Discussions with the Torbay Development Agency (TDA) have identified that unemployment and underemployment are both issues that need to be addressed. In addition there is a need to address the gaps that exist to improve employment density. This means that growth is required and in order to do this, greater demand needs to be created. There are some success factors that exist. These include a number of new businesses being created through European Union Funding and the Government's New Enterprise Allowance, and as a result starts ups have increased.

3.4.7 In terms of sectoral growth the Tourism sector is a key area for Torbay particularly in terms of how to address issues of seasonality and part time employment. Other sectors that will be specifically encouraged include professional services through the location of call centres, which are anticipated as a direct result of improved accessibility from the South Devon Link Road.

3.4.8 Food processing of fish is another target area for development. Brixham has seen exports of fish increase dramatically from £18 billion in 2006 to £26.5 billion in 2012. This means that there is considerable scope for increasing the amount that can be processed within Torbay rather than being taken out of the area. It has been calculated that there is potential for the development of a processing and blast freezing plant. If 20% of the current exports were to be retained through a new processing facility this would lead to nearly 200 jobs being created.

3.4.9 Health care and the delivery of health services to elderly people is also proposed as a growth sector where more can be done and developed. The expansion of South Devon College and its links with Astra Zeneca, together with the current and likely future demographic structure of the population means that in the longer term this objective is probably achievable.

3.4.10 The TDA regularly follow 50 key business accounts to determine the state of the economy. There is strong evidence from these that they are either stable or looking to grow. There is also reported growth of local business turnover in relation to internet sales companies. This is supported by survey results from the TDA business barometer which reports a 12% increase in turnover between 2010 and 2012. It also appears that there is some optimism about increased employment although caution around investment. The Development Agency reports that within the last 18 months there has been inward investment enquires for a 400 job call centre in Torbay. However, there was no suitable building available and the opportunity was lost. In addition there have been 3 separate enquiries for a range of other premises, and again suitable sites and buildings were not available. The northern part of Torquay is attractive to professional services sector and it is considered that a site in this location is required if growth in this sector is going to be sustained.

3.4.11 The TDA believe that more can be done to support existing businesses and respond to their growth needs by providing the right sort of business accommodation, and that the South Devon Link Road should assist in supporting this growth. This would provide some support for the growth objectives of Torbay to increase available space and unlock jobs. However, there are currently no obvious sites and much of the existing stock is considered to be too small and in the wrong place. The Employment Land Review will consider these issues in more detail in the forthcoming report.

3.4.12 A key challenge will be to identify locations for sites and provide a range of good quality space. Incentives and market interventions will be required to make land available and realise the jobs that are anticipated from the South Devon Link road and to ensure they come forward on sites such as White Rock and Claylands. Sites are being identified through bringing forward gap funding and pursuing a novel approach to Local Development Orders as well as using the £1 million growth fund as a tool to incentivise inward investment. Further investment also needs to be secured from the Government to support the economy and also to deliver the LEP objectives as well as securing the next round of EU funding. Torbay will

also benefit from the more permissive funding regime introduced by the Transition Status for Devon.

3.4.13 The TDA acknowledges that the heart of the SW LEP business plan is very vague and does not have measurable targets and job growth objectives within it. The most recent employment information from the TDA in January 2013 suggests that the economy remains fragile and is struggling to recover. GVA for Torbay is the lowest in the South West and of particular concern is that growth has been slower than the regional average and has consistently reduced since 2006, which is the base date against which GVA is indexed.

3.4.14 The Council have produced a paper highlighting how the objective of achieving considerable job growth will be delivered. This is supported by the South West Observatory figures, however, these are considered exceptionally optimistic because they are largely dependent on continuing high growth in business services and apply high growth rates that are not founded on evidence of the performance of the sectors present within Torbay However, there is evidence of some optimism and the Council's paper highlights the likely jobs that will come forward through new developments, and it is understood that the data has been collated from planning applications. It supports the Development Agency view that the health sector is likely to grow with significant investment committed for the hospital in the next five years, and that development within the Hotel and restaurant sector is expected to take place. The potential for jobs with the construction sector is also highlighted. It should be noted that the existing and new innovation centres are expected to create a significant number of new jobs of approximately 1,220 over the next five years. There is also considerable reliance on the White Rock site to bring forward 1,135 jobs. It will be important to monitor these jobs, especially the new start companies in terms of survival rates and the assumptions made.

3.4.15 The optimism in terms of job growth has to be balanced with the losses that might be sustained. The public sector has suffered from this particularly over recent years. However it is difficult to predict how this will evolve, which sectors will be affected, and how benefit reform will influence this. The Torbay Development Agency believes that skills and employability are issues which are being addressed across the bay and that reducing unemployment is an objective which may be achievable. However, their view is that there is a considerable slack within the economy and that increasing economic activity rates is not likely to be realistic.

3.4.16 Achieving significant job growth within Torbay will require considerable interventions to identify sites and space for businesses. This requires the Council and Development Agency to secure investment from a range of sources and to pursue a positive approach to identifying sites. If these interventions are achieved then it might be reasonable to assume that there will be job growth in excess of the most recent economic projections from Oxford Economics. However, the Council consider that a considerable number of the jobs will be created as a direct result of the South Devon Link Road, which have not been included in the Oxford Economics projections. We have concerns about how these jobs have been calculated because they appear to be based on 2001 data, set out in the Kingkerswell Bypass Economic Impact Study – SQW and BBP Alliance (2002), which has not been updated. It is not possible to wholly endorse the Council's job growth figures of achieving 5000 new jobs in the next five years because the assumptions on which they were based have not been tested and reality checked in light of the current economic situation. We would expect this to be tested and a much more up to date assessment of jobs to be undertaken before we support a projection which includes a significant number of jobs created as a direct result of the Link Road.

3.4.17 Evidence on enterprise survival rates is also not optimistic. Data from the South West Observatory have produced the following from *ONS Business Demography 2010:*

- During 2010, there was a fall in the number of VAT registered businesses in Torbay, of -4.7% (South West -2.1, England -1.9%), the largest decrease of any South West county or unitary authority.

- Torbay had 355 new businesses in 2010, a fall of -5.3% from 2009 (South West -0.6%, England -0.7%).

3.5 Development of Economic growth scenarios

3.5.1 It is valuable to use and develop economic scenarios and to test the implications of the different anticipated levels of growth. These scenarios are based on the following employment projections prepared for Torbay Council:

- Oxford Economics projections 2012 (E1);
- SW Observatory projections August 2011 by Experian (E2); and
- PBA adjusted forecast 2013 (E3).

3.5.2 The prospects for employment growth are particularly uncertain at this point. The promised private sector recovery has not yet materialised and Government and public sector expenditure cuts have not yet finished having an effect on employment. Accuracy about employment growth will require regular monitoring and review to check assumptions and revisit sectoral growth. One difficulty of estimating forward over a long time period is the likely emergence of completely new activities. These are likely to include internet based services of all kinds and innovative technologies based on reducing dependence on non-renewable resources, as well as services designed to promote the transition to a low carbon economy. Where uncertainty is so acute, as at the present time, it is prudent to test different projections. These have been agreed with Torbay Council to be a useful basis for which to develop scenarios which set different employment growth levels and consequent population growth which can be translated into illustrative households.

3.5.3 All of these projections take some account of the impact of the recession and the effect this has had on employment growth, however, it should be noted that this is most apparent in the most recent projections produced by Oxford Economics, which identifies that employment reduced by nearly 400 jobs between 2007 and 2011 to a level of 56,595 jobs. The ABI and BRES employment data both support this and demonstrate that there has been a slight reduction in employment levels since 2007.

3.5.4 The Oxford Economics projections include an element of self-employed within their figures. However, it is necessary to estimate the number of self-employed that should be added to the South West Observatory Experian projections. This will be detailed in the scenarios below.

3.5.5 The projections need to cover a period up to 2032 from the current position in 2011 to enable analysis on a consistent basis. This is fraught with difficulties because of the differences in data sources, base date and baseline information, but the most important factor in using these projections to develop scenarios is the use of the employment change figure over the 19 years and the use of consistent baseline information at 2011, which is the latest available and to provide consistency with the demographic information.

3.5.6 It is difficult to establish the exact level of employment as at 2011 because while the impact of the recession on employment growth will have been significant, as shown by reduced employment and rises in unemployment level, there is uncertainty about the exact levels of employment and self-employed, which can be seen from the different figures contained within the different sources of information. The various figures available in terms of current baseline employment levels at 2011 demonstrate the following:

- 56,912 jobs (from the 2011 Census);
- 50,300 jobs (from 2011 BRES data);
- 56,959 jobs (from Oxford Economics projections 2011 baseline); and
- 53,414 jobs (from South West Observatory projections 2011 baseline).

3.6 Economic Scenarios

Scenario E1: Oxford Economics projections March 2013

3.6.1 The first scenario uses the Oxford Economics projections March 2013. These projections indicate that Torbay will only deliver 1,808 jobs between 2011 – 2030. As the table below demonstrates most sectors are expected to be static or decline, however employment growth is expected in the following sectors:

- Administration and support;
- Professional, scientific and technical activities;
- Accommodation and food service activities;
- Wholesale and retail trade;
- Arts entertainment and recreation; and
- Human health and Social work activities.

Table 3.9: Employment Projections Oxford Economics March 2013

	2011	2030	Change
A : Agriculture, forestry and fishing	401	319	-82
B : Mining and quarrying	11	6	-5
C : Manufacturing	2,342	920	-1422
D : Electricity, gas, steam and air conditioning supply	83	60	-22
E : Water supply; sewage, waste management and remediation activities	521	448	-73
F : Construction	3,055	2,276	-779
G : Wholesale and retail trade; repair of motor vehicles and motorcycles	9,532	10,036	505
H : Transportation and storage	1,324	1,389	65
I : Accommodation and food service activities	7,808	8,846	1.037
J : Information and communication	685	793	108
K : Financial and insurance activities	779	807	28
L : Real estate activities	750	763	13
M : Professional, scientific and technical activities	2620	3676	1.056
N : Administrative and support service activities	4584	5994	1.410
O : Public administration and defence; compulsory social security	2,215	1782	-432
P : Education	4589	4234	-355
Q : Human health and social work activities	11,946	12,234	378
R : Arts, entertainment and recreation	2,035	2431	396
S : Other service activities	1,316	1299	-17
Total	**56,595**	**58,403**	1,808

Note: figures rounded and includes an element for self employed

3.6.2 This projection includes an element of self-employed and the projections only go to 2030. For this work it is necessary to extrapolate the projection to 2032. The most robust way of doing this is to use the 19 year average of 95 jobs per year (2011 – 2030) and roll this forward for 2 years to 2032. Using this long term average gives 190 extra jobs which need to be added to the 1,808. This projects a total growth of **1,998 new jobs between 2011 and 2030**.

3.6.3 These baseline projections represent a very low growth scenario and do not take into account local factors such as the South Devon Link Road. In addition it is a 'do nothing' approach which does not recognise the economic objectives, and initiatives (both in place and proposed,) which are expected to realise the economic potential and create more jobs.

Scenario E2: SW Observatory projections August 2011 by Experian

3.6.4 The second scenario uses the South West Observatory projections which show a decline in employment between 2006 and 2011 and then an increase to 2030.

Table 3.10: Torbay employment growth 2006 – 2030 (source: SWO employment projections Experian 2011)

	2006	2011	2026	2030
Employees	46,070	44,548	55,286	57,450

3.6.5 The South West Observatory figures produced by Experian are primarily trend based at the regional level. They input UK forecasts into the South West model without any regional adjustment to the UK forecasts. They provide a picture of what might occur in the South West and Torbay if the median HM Treasury forecast holds true and structural trend relationships between the UK macroeconomic variables and economic activity in the South West continue to hold. The South West projections estimate relationships between growth of components of demand in the UK economy (household consumption etc.) and industry output at the national and regional level. This is then combined with longer-term trends in output and productivity at an industry level within the regions.

3.6.6 Within these projections a considerable number of jobs are projected to come from the business services sector. This is because it reflects the UK and regional growth rather than being specific to the Torbay economy. There is a considerable danger in the strong reliance on business services which in this scenario is projected to more than double. While some of the factors that have driven this growth are likely to continue, the growth rate is unlikely to reach pre-2008 levels during the next decade. This is because some of the drivers of business sector growth may be slowing down and also the number and size of businesses requiring services is also likely to slow down. Therefore while this scenario is useful as an aspirational target, a note of caution should be sounded particularly in relation to the business services and health and social elements of these figures. They are considered to be exceptionally optimistic and noted that they are not corroborated by the more recent projections for Torbay.

3.6.7 In this scenario it is important to make an allowance for self-employment to ensure that all the projections are as comparable as possible to each other. The most robust approach to do this is to understand the level of self-employment over the last few years and take an average rate of self employed as a percentage of employees. The APS data identifies the number of self-employed and the rates can be calculated. An average percentage can be applied to give a robust estimate of the number to be added to the figures. The calculations from the table above demonstrate an average of 19.8% of employees are self-employed. This would mean that at least 8,865 self-employed should be added to the projections in 2011 and 11,433 added in 2030 (assuming that this rate remains constant across the 20 years). Using these assumptions it is projected that there will be 2,568 more self-employed over the period.

3.6.8 Detailed projections by sector for 2030 are as follows:

Table 3.11: SWO Employment Projections by Experian 2011

Sector	2011	2030	Change
Agriculture etc.	407	397	-10
Manufacturing	2,526	2,374	-152
Utilities	152	89	-63
Construction	2,806	2,609	-197
Distribution	7,461	8,946	1485
Hotels & Catering	4,576	6,316	1740
Transport & Communication	1,709	2,496	787
Financial Services	597	1,092	495
Business Services	5,902	10,354	4452
Public Admin & Defence	2,139	2,033	-106
Education	3,466	3,709	243
Health & Social	10,349	14,417	4068
Other Services	2,458	2,617	159
TOTAL	**44,549**	**57,450**	**12901**

Note: Figures are rounded (does NOT include self-employed)

3.6.9 If we account for self-employed as above the difference between 53,414 in 2011 and 68,883 in 2030 equates to the need for 15,469 new jobs by 2030. If we use the same approach to roll forward to 2032 using the average 19 year rate of (814 per year) this would lead to the projection of **17,097 new jobs to 2032.**

Scenario E3: PBA adjusted growth

3.6.10 The development of an alternative future growth scenario seeks to reconcile the positive aspirations for growth by the Council and the realistic implementation of interventions to achieve this with the pessimistic past growth rates and difficult economic climate. Any prediction of future employment growth in the current economic situation is fraught with uncertainty. However, it is useful to take a view of what might be possible, even if this view has to be subsequently revised in light of events.

3.6.11 In developing an alternative economic scenario we have built on the previous work done in 2008 which considered the capacity and likelihood of growth within the sectors. This is set out in more detail in the 2008 SHLAA supplementary report 'Local Economic Impact of Increasing Housing Numbers in Torbay'. This considered two future growth scenarios; scenario A where the UK avoids full blown recession and Scenario B setting out a more pessimistic outlook. This approach was previously considered robust and we have sought to update the basic Scenario B by reconsidering the assumptions and growth rates in light of recent information.

3.6.12 In general it has been necessary to downgrade the assumptions in light of evidence that growth has not occurred as quickly as expected, as shown by the BRES data and the Oxford Economics projections. However, special consideration has been given to those sectors where known interventions are identified, specifically through the Economic Strategy. This adjusted scenario seeks to recognise some likely growth of the hotel and restaurant, health and social work and business services and in the construction sectors as a result of the growth agenda. Consequently the approach uses the existing BRES data 2008 – 2011 to reflect a continuation of the recession trend until 2016, the adjusted growth rate is then applied between 2016 – 2032 to reflect the changes in the economy and the strategy going forward. This adjusted growth scenario suggests that there might be a **net gain of 5,337 jobs to 2032**.

3.6.13 The **Table 3.12** below sets out the adjusted scenario.

Table 3.12: PBA adjusted growth scenario based on Baker Associates report 'Local Economic Impact of Increasing Housing Numbers in Torbay' 2008

Industry	1998 (ABI)	2008 (ABI)	2008 (BRES)	2011 (BRES)	Annual change 1998-08	Annual change 2008-11	Annual change Adjusted 2016-2032/7-	2016	2021	2026	2032	2037
Agriculture, forestry and fishing	240	200	100	200	-5	23	0	298	298	298	298	298
Quarrying, manufacturing, and utilities	6700	2,600	2,600	2,800	-413	55	-70	3,083	2,733	2,383	1,963	1613
Construction	1800	1,900	2,300	1,700	6	-196	40	729	929	1,129	1,369	1569
Wholesale and retail	9400	8,900	9,100	8,900	-47	-81	15	8,488	8,563	8,638	8,728	8803
Hotels and restaurants	6000	6,700	7,100	7,500	69	129	75	8,118	8,493	8,868	9,318	9693
Transport and communication	1300	1,500	1,700	1,900	18	44	0	2,098	2,098	2,098	2,098	2098
Financial services	900	700	700	800	-26	19	0	879	879	879	879	879
Business services	3100	5,300	6,600	6,600	225	36	90	6,843	7,293	7,743	8,283	8733
Public administration	1800	2,300	2,300	2,100	50	-64	0	1,773	1,773	1,773	1,773	1773
Education	2400	4,800	4,900	4,800	240	-43	50	4,569	4,819	5,069	5,369	5619
Health and social work	7900	10,400	10,400	10,900	245	180	80	11,834	12,234	12,634	13,114	13514
Other service activities and arts	2200	2,400	2,600	2,100	17	-154	70	1,351	1,701	2,051	2,471	2821
Total	**43789**	**47,572**	**50,485**	**50,327**	**378**	**-53**	**350**	**50,064**	**51,814**	**53,564**	**55,664**	57414
ABI and BRES numbers are rounded so will not sum. Annual change figures worked out from actual ABI and BRES data.											**5,337**	7087

3.6.14 The projected growth levels associated with the three different scenarios can be summarised as follows:

Table 3.13 Growth Scenarios

Scenario	Employment Change 2011 – 2032	Average annual net increase
Scenario E1 – Oxford Economics Projections (March 2013)	1,998	95
Scenario E2 - SWO projections by Experian (August 2011)	17,097	814
Scenario E3 – PBA adjusted	5,337	254

3.6.15 The employment change identified in the scenarios uses jobs figures which are net and represent all job growth. It should be noted that they do not represent full time equivalent jobs, because this information is not available on a consistent basis. The final calculation which translates these total net new jobs into the economically active population required to fill them applies a discount for double jobbing. This recognises that some people may have more than one part time job.

3.6.16 Using the average annual net figures it is possible to roll forward these projections for example for another five years to 2037. This has been done in the adjusted Scenario E3 in **Table 3.12.** However, this would merely be a linear projection which is not necessarily accurate. This approach is not recommended as it is too far ahead to forecast employment growth with any degree of certainty. It will be important to monitor the level of net job growth that is being achieved within Torbay on an annual basis, or as frequently as possible. This will be essential to understand whether the expected level of growth is being delivered, what additional interventions are required and whether there are any policy implications that need to be addressed.

3.7 Employment Led Housing Requirements

3.7.1 In order to support economic growth, a comparable level of homes will need to be provided to support population growth, or more specifically the growth of economically active residents. Using the change in jobs identified over the period 2011 – 2032 we can compare the economically generated housing requirements. New jobs creates new economically active people required to support these jobs and these new people would generally require accommodation, however, this is constrained by the levels of unemployment and also the economic activity rate.

3.7.2 The relationship between the housing requirement to economic growth and local jobs is an important one, particularly to ensure that there are sufficient workers to fill planned jobs, achieve regeneration and other objectives. However, in Torbay, which is such an attractive place and attracts people who are not economically active, the link between homes and jobs cannot be the only or primary determinant of the housing requirement because there are demographic needs for housing created over and above those linked directly with job creation. This is factored into the calculation in **Table 3.14** by considering the total population and the needs that will arise.

3.7.3 The recession provides an added complication because it is difficult to predict growth with any certainty. It is noted that the pre-recession unemployment rate has been as low as 4.4% and is currently much higher. Seeking a reduction in the level of unemployment has direct implications for the number of new houses required, because the jobs created may well be filled by those already living in the area and are currently unemployed. The employment led scenarios assume the unemployment rates will reduce in line with the South West average

rate of 5.5% over the period 2011 to 2032. While it is considered that this is a reasonable assumption given the respective pre-recession unemployment rates of under 6% for Torbay, it is not considered realistic to use an assumption of lower than this. It should be noted that to achieve an average rate of 5.5% for the whole plan period means reducing it to this level over the next five years and then maintaining it as well as incorporating a number of years below this level. Within the calculation it can be seen that the actual number of unemployed resulting from the reduction of the unemployment rate reduces as the number of economically active grows. This appears paradoxical because the actual number of unemployed grows and therefore the differential change is proportionally lower.

3.7.4 Key issues here are the assumptions relating both to economically active, the proportion of working age population and also to unemployment and the effect these will have on household growth. As set out above the analysis assumes the unemployment rate will reduce over the plan period and also that the economic activity rate remains constant. The proportion of working age as a percentage of non-working age population at the end of the plan period reduces and is taken from the 2011 population projections. While these assumptions are considered robust, there is considerable uncertainty and it is essential that these issues are adequately monitored through the plan period. The Annual Population Survey average results identify in **Table 3.4** that 76% of the working age population are economically active. The employment led housing calculation assumes that the economic activity rate is held constant. It is recognised that this is not likely to be true, because it will follow a curve which responds to the cycles within the economy, and be influenced by the increasing age of the working population. However, there are a number of reasons why the assumption is considered credible. The latest interim population projections 2011 recognise that the proportion of working age population is due to fall by 5% to 2021 which will have a significant and direct impact on the number of economically active people. However, this will to some extent be offset by the increasing retirement age and the number of elderly people working for longer as shown by the Annual Survey of Hours and Earnings. The number of over 65s working is likely to be an important factor in the economy over the next 20 years and could give some scope for flexibility within the existing population to take up new jobs. However, this has to be carefully examined in the context of the reducing proportion of working age population. It should be noted that within this calculation the proportion of working age at 2032 is taken directly from the 2011 interim population projections. Given the difficulty of predicting this balance reliably it is reasonable to assume that it will be held constant over the next 20 years. Additional support for this approach is given by the fact that the economic activity rate for Torbay is very similar to UK rates. An assumed increase in the economic activity rate could only be justified if there were specific and financed initiatives to get the unemployed, or those on long term sickness benefits back into work. As reported above, the Torbay Development Agency agree that increasing the level of economically active is not likely to be achievable. However, it is recommended that economic activity rates are monitored to provide a better understanding of how the reduction in working age population and increase in elderly working people is affecting the level and type of jobs.

3.7.5 It will also be important to monitor whether the unemployment rate reduces, at what rate and over what time period. Another assumption is that the current level of economically inactive who do not want a job is maintained at existing levels. It is suggested that the Council should monitor economy activity rates, job growth and migration rates in their Authority Monitoring Report (AMR) as part of a plan monitor and manage approach. In this way they can ensure that sufficient housing is provided over the long term to support economic growth.

3.7.6 In order to support economic growth, a comparable level of homes will need to be provided to support population growth, or more specifically the growth of economically active residents. For instance, if economic growth of 100 jobs per annum was pursued then 100 economically active people will be required to support these jobs and these new people would generally require new accommodation.

3.7.7 It should be noted that all the employment led growth options are considered to be commuting neutral. At this stage consideration has not been given to existing commuting patterns and assumes that job growth will need to be supported by consummate growth in economically

active workers, whether they are residents or commuters from adjacent authorities. **Table 3.15** below sets out the baseline data for the consideration of housing requirements which includes population, households and economically active residents which has come from the Census and Annual Population Survey. The table then goes on to consider the housing requirements associated with employment growth scenarios.

3.7.8 The calculation set out in the table uses a series of assumptions to calculate the total population and therefore housing requirements to support growth. Further explanation of these assumptions is set out above. The basis of the calculation is the acknowledgement that only a percentage of the population is likely to be economically active and subsequently the total population including residents that are economically inactive must grow proportionally to support economic growth (e.g. facilitate growth in economically active residents). To do this the table has used ratios of economically active to working age population and working age to total population. For example, in Torbay it identifies that 1.32 working age residents are needed to ensure that 1 economically active resident is available to fill the jobs. The study has used the ONS 2011 based interim population projection to inform the ratio of working age population to total population. ONS has projected in their latest projections that the population aged under 16 and over 65 will increase by 2026 and that there will be a reduction in the working age population to 56% by 2032. The result is that 1.79 people (total population) will be required to ensure 1 working age resident lives in Torbay. The employment led scenario has used the same assumption as the ONS 2011 based interim population projection to ensure that economic growth is not constrained by projected demographic changes.

3.7.9 Understanding the balance between the population structure and jobs is useful. 2011 Census figures show that there are about 56,912 jobs compared with 61,759 economically active people in Torbay. This demonstrates that there is a fairly evenly balanced situation between the jobs and economically active, but this is influenced by the high numbers of economically inactive who do not want a job i.e. 57% are retired. A good indicator of an area's sustainability with regard to population and employment is the number of economically active and the corresponding employment density. Employment density is the simple ratio of jobs to the number of economically active people. Nomis figures for employment density in Torbay are 0.84, which is higher than the South West (0.82) and Great Britain (0.79). This ratio represents the number of jobs (0.84 on Torbay) for every economically active resident and shows that Torbay is performing better than the South West and nationally on this measure. The theoretical balance is '1' which may suggest that there is one job available for every resident. However, in realty, if settlements are to provide an appropriate range of jobs to meet the requirements of all the residents in terms of sectors and skill, then a ratio greater than 1:1 would be required to ensure that a large labour market is available to provide flexibility for the economy to grow. This issue is closely related to self-containment and travel to work patterns. Available travel to work data indicates that Torbay had a high level of self-containment. More up to date travel to work data is not yet available from the Census and it is recommended that this is considered in more detail as it emerges.

3.7.10 It is important to consider that the employment led scenario is not an alternative to the population projections set out in the housing requirement work. The employment led scenario approaches the need for housing from a completely different direction. Population and household projections use assumptions on natural change, migration and household formation to identify the potential population and subsequent household demand. The employment led scenario uses job growth and projected economic activity rates to identify the required working age population to support jobs. This different approach enables the Council to identify the level of housing required to meet its economic objectives within the population projection framework. The employment led scenario reflects the demographic changes set out in the latest ONS population projections, because it factors in the projected decline in residents of working age population and the reduction in average household size. Primarily it provides a tool to understand the implications of job growth and to assist in understanding what the housing requirement might be.

3.7.11 **Table 3.14** below sets out the economic scenarios and their job growth assumptions to 2032. Notes, sources and assumptions are also clearly set out. In summary the additional jobs allow

the required economically active to be calculated, factoring in the changes in unemployment rate and a percentage for those that have more than one job. The working population is then calculated using the ratio, as is the total population. This can be translated into the household population by taking away the proportion of those not in private households using the in 2011 Census rate of 2.33%. This total household population at 2032 is then divided by the average household size of 2.07 to get the number of households required to support this level of population. The difference between the existing number of households in 2011 and those expected in 2032 is the number of additional homes that will be required to support that level of job growth. It is important to then take off the 2011 requirement which is set in the Adopted Local Plan to calculate the additional number of homes required for the 20 year plan period from 2012 – 2032.

3.7.12 The table shows the number of additional homes required for each scenario as follows:

- E1: the creation of 1,998 jobs to 2032 will require 8,480 new homes;
- E2: the creation of 17,097 jobs to 2032 will require 25,653 new homes; and
- E3: the creation of 5,337 jobs to 2032 will require 12,278 new homes.

Table 3.14 Torbay Employment led housing requirement: Assumes household size reduces to 2.07 by 2032, a reduction in unemployment rate to 5.5% and maintenance of economically active population

Table	Torbay to 2032			Source and notes
a1. Economically active 2011	59,537	59,537	59,537	Based on 2004-2012 Average Economic Activity rate of 76% (APS)
a2. Working Age Population 2011	78,588	78,588	78,588	Census 2011
b. Population 2011	130,959	130,959	130,959	Census 2011
c. Households 2011	59,010	59,010	59,010	Census 2011
	Low (Scenario E1)	**Medium (Scenario E3)**	**High (Scenario E2)**	Growth Scenarios based on Oxford Economics (E1), SW Observatory (E2) and PBA adjusted projections (E3)
Projected net new jobs to 2032	**1,998**	**5,337**	**17,097**	Job Growth
d. Net gain of jobs (minus 5% for double jobbing allowance)	1,898	5,070	16,242	National rule of thumb for double jobbing
e. Net Change in unemployment 2010 – 2032	-1,621	-1,447	-832	Calculation based on a reduction of unemployment from 8.4% reduced to 5.5%
f. Economically active 2032	59,814	63,161	74,947	Calculation based on economically active population 2011 plus job growth to 2032 - Change in unemployment by 2032
(f = a + d + e)				
g. Working age population	78,703	83,106	98,614	Calculation based on retaining the ratio of economically active to working age population to Torbay average of 76%
(g = f x 1.32)				
h. Total population 2032	140,540	148,404	176,097	Calculation based on ratio of working age population to Total population at 2032 in 2011 based interim projections of 0.56%
(h = g x 1.79)				
i. Private households population 2032	140,508	148,369	176,056	Calculation based on 2.33% non-household population in Census 2011
(i = h - 2.33%)				
j. Total number of households 2032	67,878	71,676	85,051	Calculation based on reduction in average household size (AHS)

Table	Torbay to 2032			Source and notes
(J = i ÷ 2.07 persons per household)				
k. Number of additional homes 2032	8,868	12,666	26,041	Calculation to illustrate the number of new homes based on reduction of AHS from existing and expected households
(k = j – c)				
l. Population change 2010 - 2032	9,581	17,445	45,138	Calculation to illustrate indicative population
(l = h - b)				
m. additional homes required over plan period 2012-2032 (k-388)	**8,480**	**12,278**	**25,653**	Calculation to remove the 2011 requirement which is included within the Adopted Local Plan

Assumptions:		Source
2011/12 unemployment rate of 8.4% equates to 5000 people	5000	Annual Population Survey 2011/12
Unemployment % 2032	5.5	Average South West Unemployment rate APS
Net change in unemployment	-1,621	Calculation to identify real number reduction from 8.4% represented by 5000 to 5.5%
Economic Activity/Working Age Population	76.0%	Retention of proportion of economically active
Ratio	1.32	Calculation to identify ratio
Working Age Population/Total Population	56.0%	Projected Ratio at 2032 based on 2011 Interim Population Projections
Ratio	1.79	Calculation to identify ratio
Non Household Population (assumed as a constant)	2.33%	Torbay figures Census 2011
Average Household Size Reduction by 2032	2.07	2011 Interim Population Projections extrapolated from 2021 to 2032

3.8 Conclusions

3.8.1 These scenarios all use the 2011 Census data as baseline information; however, they then use different sources of information which have been developed into Scenarios to get an average number of annual new jobs. These scenarios primarily illustrate the links between jobs and homes and the resulting population as well as the likely number of additional homes each scenario would require. They are not detailed projections and should be treated with caution due to the high levels of uncertainty in relation to job growth. They demonstrate the high and low growth levels possible for Torbay between 2011 and 2032, benchmarked against a more likely mid range scenario, which seeks a positive approach to growth while taking account of Torbay's poor historic economic performance. These need to be carefully considered alongside the four demographic scenarios and the evidence of need from the 2011 updated SHMA.

3.8.2 Scenario E1 is based on the most up to date employment projections from Oxford Economics which have been prepared taking into account the impact of the recession. The calculation demonstrates that it would cater for limited population change because it assumes that some jobs would be taken up by the existing economically active population who are currently unemployed. However, this is dependent on the types of jobs that have been lost and those that may be created and whether these can be adequately filled by existing economically active unemployed. Consequently, the majority of the new housing identified in this scenario is required by the existing population.

3.8.3 Scenario E2 is tested because it provides a very positive and aspirational approach which is what Torbay are seeking to achieve. These South West Observatory projections by Experian demonstrate the creation of a considerable number of jobs which are well above the alternative employment projections. They are considered not to be achievable and should be treated with caution. It is interesting to note that the data produced by the demographic scenarios is not supporting anywhere close to this high level of growth. The number of new homes required is considerable because in addition to the requirements of the existing population there is a need for new homes generated by the considerable growth in the economically active within Torbay who are generated to fill all the new jobs.

3.8.4 Scenario E3 is included because it provides an alternative future growth scenario which takes into account the positive interventions that are in place or that Torbay are putting in place to deliver a step change in economic development throughout its area concentrating on expanding sectors according to its economic strategy. However, it is dependent on these interventions being achieved and job growth will need to be monitored closely to assess the extent to which the aspirations are being achieved.

3.8.5 To conclude, of all the scenarios tested it is considered that the mid range scenario E3 which identifies the generation of 5,337 jobs between 2001 and 2032 is considered to be the most robust. Consequently, in considering the objectively assessed housing requirement the figure of 12,278 homes should be considered against the demographic led housing scenarios and the needs information from the updated SHMA. In addition it is necessary to understand the supply and housing market capacity information contained within the SHLAA update to establish the suitable range which will inform the housing provision target within the Local Plan. In order to manage an appropriate growth strategy over the plan period it is essential that the provision of jobs and homes is monitoring on a regular basis.

4 Housing Needs and Market Demand

4.1 Housing Need

4.1.1 The Council has an up to date SHMA 2011 which updates the detailed 2007 report and tests the need that exists as well as providing sensitivity analysis of the data to consider what the need would be if migration reduces by 10%. It is considered that the SHMA 2011 update provides a robust basis for understanding need and it is not therefore necessary to further update this. However, more recent information from the Census and also from Council sources relating to those on the housing register, the number of empty homes and general information on affordable housing are included to provide an up to date context.

4.1.2 Historically Torbay has had a very pressing need for affordable housing. The 2003 Housing Need Survey found a need comparable to Inner London. In 2012, the average house price in Torbay was £183,047 (Halifax House Price Index); just under 11 times average earnings, compared to around 8 times in the South West.

4.1.3 Torbay is part of the Exeter and Torbay Housing Market Area Partnership. The Housing Market Assessment (ORS 2007) found an annual housing requirement for 817 dwellings in the Torbay Unitary Authority area (in addition it finds a requirement for 123 dwellings per year outside Torbay Unitary Authority boundaries but within the Torbay Housing Market Area). Of these, there is an annual need for 404 social rented dwellings and 96 intermediate dwellings, i.e. affordable housing constitutes about 60% of the overall housing requirement.

4.1.4 The study indicated that most of the requirement is for smaller dwellings: 19.1% for 1 bedroom and 69.3% for 2 bedroom properties. However, other evidence, including the market assessment, carried out as part of this study has shown that there is a danger of the flat market being saturated, whereas the aspiration for family houses remains strong. The most likely explanation of this is that people often prefer houses to flats where they can afford to express a choice. Therefore the 'demand' for family houses is higher than what people 'need' in narrowly defined terms.

4.1.5 An update to the SHMA was undertaken by ORS in 2011. This is up to date and concludes that 'the changes which have occurred to affordability and migration since 2007 have had only a very minor impact on the housing requirements of Torbay'. The five year requirement for 2011 – 2016 that is identified is 4,103 and is split between the following housing types, and mix of sizes required by tenure.

Table 4.1 Torbay SHMA five-year requirement (source figs 13 and 14 of 2011 SHMA update)

5 year net requirement	Bedrooms	%
Market Housing 1,583 (39%)	1 bed	34.3
	2 bed	29.4
	3 Bed	3.3
	4+ bed	33
Intermediate Housing 349 (8%)	1 bed	73.7
	2 bed	26.2
	3 Bed	-
	4+ bed	-
Social Housing 2171 (53%)	1 bed	18.9
	2 bed	68.6
	3 Bed	4.2
	4+ bed	8.3
All Need **4,103 (100%)**		

4.1.6 In terms of the mix of house sizes the model clearly identifies a need for smaller affordable units with some need for larger social rented dwellings. In terms of market housing 35% of the demand is for 3 or more bedrooms and over 34% is for 1 bedroom.

4.1.7 The SHMA update report also includes sensitivity testing in the form of a scenario where there is a reduction of 10% of internal in migrant households into Torbay. Given that the model is largely based on the high migration levels experienced between 2001 – 2006, and that there has been a reduction of net migration rates since then, the implications are important and provide a useful analysis. **Table 3.5** below shows the effect of a 10% lower in migration rate, which is primarily on the market sector which accounts for 600 out of a total of 750 units. This changes the balance of housing type further in favour of more social housing which now accounts for 63% of the requirement. It is suggested that the migration levels are monitored regularly to assess the extent to which a reduction is taking place and the effect this will have on need.

Table 4.2 Torbay SHMA five year requirement with 10% lower inwards domestic migration (source: SHMA update 2011)

Housing type	5 year net requirement with 10% lower in migration	%
Market Housing	989	29.4
Intermediate Housing	260	7.7
Social Housing	2,111	62.8
	3,359	100

4.1.8 The conclusion to be drawn from this evidence is that there is a considerable need for affordable housing as well as market housing within Torbay. If this five year requirement of 3,359 was simply extrapolated this would indicate a need for over 13,400 homes across the plan period. As is the case with most areas where there is a high affordable housing need, these are not likely to be delivered in their entirety and the links with market housing to achieve these will have significant viability implications. However, it is a truth that the more homes that are allocated with a policy clearly linking delivery to the provision of affordable units, the more affordable homes will be achieved. This objectively assessed need therefore supports a housing requirement that is at the higher end of the identified range.

4.2 2013 Update

4.2.1 Given that the SHMA is up to date and provides valuable evidence of objectively assessed need, a full analysis of affordable housing need has not been undertaken. However, it is considered useful to provide up to date information where it is available. In mid 2007 there were just under 4,000 households in housing need on the Homefinder Torbay waiting list for rented accommodation. In 2010 Homefinder Torbay was replaced by Devon Home Choice. In 2012 the Council refreshed its waiting list, and as at March 2013 this shows that there is a waiting list of 3050 people for social rented properties. The table below shows the detail by band:

Table 4.3 Torbay 2013 Waiting list by size and banding (source: Torbay Council, Devon Home Choice figures)

Number of bedrooms	Band A	Band B	Band C	Band D	Band E	Total
1	2	214	168	505	632	1521
2	0	108	153	200	523	984
3	2	33	98	79	231	449
4	0	16	30	20	14	83
5	0	4	3	4	2	13
Total	4	375	452	808	1402	3050

4.2.2 However, it is very important to note that only 1,648 are actually in need, which includes bands A – D. Band E is assessed as those having a desire rather than a need to move and is not therefore counted as part of this element of objectively assessed need. Those in need on the waiting list can be split by house size as follows:

Table 4.4 Torbay 2013 Waiting list (Bands A-D) for social rented properties and size (source: Torbay Council, Devon Home Choice figures)

Number of bedrooms	Number on Waiting list
1	889
2	461
3	218
4	69
5	11
Total	1,648

4.2.3 In 2007 a further 470 households were on the Home2Own waiting list for shared ownership properties. Figures from South West Homes (which replaced Home2own) indicate that at March 2013 there 434 were on the waiting list for shared ownership. In terms of the size split the requirement is as follows:

Table 4.5 Torbay 2013 waiting list for shared ownership properties and size (source Torbay Council, South West Homes figures)

Number of bedrooms	Number on Waiting list
1	247
2	124
3	50
4	11
5	2
Total	247

4.3 Market Demand

4.3.1 This has been considered in detail in the SHLAA report. However, for completeness a summary of the key findings is included below.

4.3.2 A key element in understanding where, how much and what type of housing is likely to come forward in any particular area is the operation of the local housing market. Agents, Developers and local estate agents have been involved in the process and contributed to the market assessment.

4.3.3 The analysis demonstrates that there remains a relatively strong level of demand for the right product. However, the rate of sales is slow, reflecting a lack of market confidence and a lack of available finance, particularly for the first time buyer. This is reflected in the Land Registry data which suggests that house sales in Torbay have followed a steady decline over the past 10 years. Evidence demonstrates that property prices vary considerably across the district. Developers during the panel meetings considered that the market for housing diminishes as you travel south, as accessibility to employment and services in the bay and wider (Notably Newton Abbott and Exeter) falls.

4.3.4 Vacancy rates appear to be just over 3% which is within the range required for the effective and dynamic operation of the housing market. While bringing empty properties back into use is a laudable aim and one which the Council is actively pursuing, it is not considered that this will make a significant contribution to the housing stock. As such it is not necessary to apply a discount to the overall housing requirement identified for the plan period.

4.3.5 In terms of the recent trends in the market there was a common consensus among the Estate Agent responses that generally the flats market, notably in Torquay, is saturated and that there is little demand for any additional properties in the higher end apartment market. The main area of demand across the surveyed agents was in the modest family homes market where the stamp duty threshold results in a strong market for modest 3 bed homes. There are generally signs of confidence in the market with the relaxation of lending requirements and an increase in available credit. Locally, agents consider that the opening of the South Devon Link Road will have a positive impact on the local market, with the greatest and earliest benefits being felt in the north of the bay. However, they do perceive that much of this increased interest will be from second home buyers who will be seeking prime properties with sea views and parking.

4.3.6 The Developer Panel reflected this confidence in the future concluding generally that there will be an increasing demand for properties in the bay in the coming years. Though it is likely that increasingly the area will be competing with new homes being delivered around Newton Abbott and also Exeter, notably Cranbrook. The most significant change since 2008 has been the reduction in delivery rates. Analysis of housebuilder delivery rates across the country indicates that annual delivery rates at present are at about the 30 dwellings per annum level for a single outlet on a site. The panel agreed that a level of approximately 25-30 dwellings

per annum might be achieved on a greenfield site in Torbay at present. Within the urban area, however, the panel were more concerned about the actual ability of the market to deliver sites, notably smaller sites and those where there is an existing use.

4.3.7 Past completions are primary evidence of market capacity as this indicates the exact level of housing built by developers. However, it may be that the actual market capacity is higher than indicated by past rates which may have been affected by limited land release imposed by the planning system. There have been considerable variations in Torbay's annual dwelling completion rate over these last 31 years. An analysis of completions demonstrates that the highest house building rates of 700 and 800 were completed in 2007 and 2008, a time when there was a high level of apartment developments in Torbay and indeed across the country. Since then completions have fallen in line with the decline in the economy to the all-time low of 268 units in 2011/2012. However, across these variations in delivery on an annual basis there is a remarkable consistency of delivery across 5 – 10 year period of between 450 and 480 dwellings per over the last 31 years, although in some years higher rates have been reached. If these levels are reached within the next 5 years and are then maintained, it would indicate that between 9,000 – 10,000 homes could be delivered by the market over the plan period.

4.4 Conclusion

4.4.1 The SHMA was updated in 2011 and provides a robust analysis of objectively assessed need, identifying both affordable housing and market need specifically in terms of a five year requirement. Sensitively testing of the SHMA considered the implications of a reduced in migration rate. This supports what has been happening in the last few years, and while it has the effect of reducing the overall need, the affordable housing need remained stable, with the market housing element reducing dramatically. This demonstrates that there is a large affordable housing need of over 2,370 homes, out of a total of 3,359 homes required for the period 2011- 2016.

4.4.2 Consequently the SHMA figures would support a housing target at the upper end of the range as highlighted by the 2011 based interim household projections extrapolated as in Scenario D4 in **Chapter 2** and also corroborated by the adjusted economic projections set out in Scenario E3 of the employment led projections set out in **Chapter 3**.

4.4.3 The Overview Report will consider the implications of this study which sets out the evidence base for the objectively assessed housing requirement of between 8,900 and 12,300 new homes for the plan period between 2012 and 2032. The Local Plan will need to consider all the sources of evidence within this document as well as the SHLAA evidence study and consider what objectives it is seeking to achieve to come to a view on what level of housing provision it should plan for. The main report will identify a number of options to be considered, the implications of each and make a recommendation for how the Local Plan should set a housing provision figure which is robust and reconciles all the relevant evidence and objectives in a in a consistent and coherent way.

Appendix 1 Torbay Employment Trends

Torbay Employment Trends
Annual Business Inquiry Data Employee Analysis 1998 - 2008

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change
Agriculture, forestry, fishing	200	200	0	0	100	100	0	100	200	200	200	0
Manufacturing, Mining, Electricity, Gas etc.	6,700	4,900	7,200	6,700	3,600	3,800	3,800	3,300	3,200	2,800	2,600	-4,100
Construction	1,800	1,500	1,500	1,900	2,300	2,200	2,300	2,100	2,000	2,000	1,900	100
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	9,400	9,900	9,000	8,900	9,400	9,400	9,700	9,500	9,800	9,500	8,900	-500
Hotels and restaurants	6,000	5,900	5,600	6,900	6,500	6,800	8,200	7,500	7,400	7,000	6,700	700
Transport, storage and communication	1,300	1,300	1,200	1,400	1,500	1,100	1,300	1,200	1,500	1,400	1,500	200
Financial	900	900	700	700	900	700	700	600	700	600	700	-200
Real estate, renting and business activities	3,100	3,400	3,300	4,500	3,500	4,200	4,900	5,300	5,800	5,600	5,300	2,200
Public administration and defence; compulsory social security	1,800	2,000	2,100	2,200	1,900	2,000	2,000	1,800	2,100	2,200	2,300	500
Education	2,400	3,500	3,700	4,000	3,500	3,700	4,600	4,000	4,300	4,700	4,800	2,400
Health and social work	7,900	8,600	7,900	8,500	8,200	9,000	9,200	9,600	9,500	9,700	10,400	2,500
Other community, social and personal service activities	2,200	1,800	2,200	2,400	2,600	2,100	2,100	2,200	2,400	2,400	2,400	200
Column Total	**43,800**	**43,800**	**44,400**	**48,200**	**43,900**	**45,300**	**49,100**	**47,300**	**48,800**	**47,900**	**47,600**	**3,800**