



Torbay Strategic Housing Land Availability Assessment

Supplementary Report

Local Economic Impact of Increasing Housing Numbers in Torbay

August 2008



1 Background and purpose

- 1.1 The Strategic Housing Land Availability Assessment considers the merits of potential locations for housing growth across the Unitary Authority and the spatial options for accommodating this growth.
- 1.2 The SHLAA also begins to consider major implications for infrastructure (including community facilities) provision to support this increase in households and which spatial options are preferable in this regard.
- 1.3 As this work was being taken forward, it was recognised that there was a gap in the evidence base regarding the potential impact of increasing the housing numbers upon the economy of Torbay. This includes assessing both the advantages (such as increase in the potential workforce) and the disadvantages (such as competing land uses).
- 1.4 This supplementary report is a desk-based review of the issues based upon socio-economic trends and future projections only.
- 1.5 It is recommended that this review is followed by a more detailed consideration of the spatial options to accommodate the forecast employment growth alongside the consideration of housing. This would constitute a refresh of the 2006 Employment Land Review which covers the period 2006 - 2016.
- 1.6 It is vitally important that the issues are considered in tandem to ensure adequate provision and resolve issues such as competing land-uses and accessibility of employment opportunities from the outset of the Core Strategy development.

2 Methodology

- 2.1 A clear objective of the South West Regional Spatial Strategy is to balance jobs to homes with the aim of to creating a sustainable mix of uses in all our settlements and to reduce the need to travel.
- 2.2 The South West Regional Spatial Strategy panel report (Jan 2008) recommended doubling the requirement for housing to be provided in Torbay over the period to 2026 from 10,000 dwellings to 20,000 dwellings. This increase reflects the trend-based Office of National Statistic household projections (2004 based sub-national projections).
- 2.3 The approach taken by the panel is a 'housing-led' scenario based on the required number of units to accommodate the forecast population and household growth on a 'predict and provide' basis.
- 2.4 However, the Proposed Changes (Draft Revised SW RSS incorporating SOS Proposed Changes - for public consultation July 2008) set the level of housing growth that the unitary authority should make provision for as 15,000 dwellings to 2026. This is below the demographically implied figure.
- 2.5 *This supplementary report considers the issue from an alternative stand point. It takes an 'employment-led' approach to maximise the balance between jobs and homes. Assessing the additional dwellings that arise as a result of the economic projections within the unitary authority leads to a number of clear conclusions around the level of housing required to support Torbay in realising it's economic potential and the viability or desirability of the scenarios upon the economy.*
- 2.6 The report undertakes this task through a number of stages :

Stage 1 - Establishing economic potential

This stage profiles the performance of the Torbay economy over the period 1998 - 2006, compares the performance with neighbouring settlements and takes this forward into two economic projections for the period 2006 - 2026.

Stage 2 - Balancing jobs to homes

This stage considers the number of homes required to achieve the forecast level of economic growth and balance jobs to homes. It also sets out the limits on housing growth under an 'economic-led' scenario.

Stage 3 - Identifying the issues

This stage highlights key issues that need to be considered within the overall spatial vision for Torbay and identifies where 'step-changes' need to be considered to move away from providing for forecast growth to the conditions required to take forward the Torbay of the Mayors Vision.

Stage 4 - Conclusions and recommendations for the future

This stage highlights the conclusions of the work to date and identifies the next steps for the Council to consider in taking forward Local Development Framework.

3 Establishing economic potential

- 3.1 The following section establishes the economic performance of the Torbay economy over the period 1998 - 2006 (using Annual Business Inquiry (2006) data).

General trends

- 3.2 Total employment in Torbay (comprising the towns of Torquay, Paignton, and Brixham) grew by just over 11% in the period 1998-2006, a net gain of around 4,850 jobs (ABI, 2006).
- 3.3 This growth rate is somewhat less than the regional average over the same period (13.3%) but similar to that enjoyed by Plymouth (11.5%). It does not begin to compare with the employment growth at Exeter, a net gain of over 25,000 jobs and a growth rate of 40.8%. Exeter has now consolidated its position as the growth pole of the western part of the South West Region. However, Plymouth remains the largest economy in the area with around 104,000 jobs in 2006, compared to Exeter's 88,000. Torbay's economy is significantly smaller at around 49,000 jobs in 2006.
- 3.4 Employment growth in Torbay over the period 1998-2006 was not uniform; there were large gains in some years (2000-2001, 2003-2004) and large losses in others, particularly 2001-2002 when the figures show over 3,000 manufacturing jobs were lost.

Year	Net Change (Number of Jobs)
1998-1999	+16
1999-2000	+633
2000-2001	+3,724
2001-2002	-4,216
2002-2003	+1,325
2003-2004	+3,782
2004-2005	-1,712
2005-2006	+1,293

Fig 1: Employment Change Year by Year

- 3.5 This rather volatile picture makes it difficult to derive any consistent trend. The net gain over the period was 4,845 jobs, which equates to an annual average gain of around 600 jobs. However, there was only one year when this was actually the case. This reflects a situation where Torbay has some growth sectors and some declining sectors and the net result year on year is the changing balance between the two.
- 3.6 The position becomes a little easier to assess when employment growth and change is disaggregated by sectors.

Sector-based analysis

- 3.7 **Manufacturing** employment is the source of a significant amount of the volatility. Employment in this sector was around 6,600 in 1998, then fell to around 4,800 in 1999, peaked at over 7,000 jobs in 2000, then fell to around 6,500 in 2001 before falling precipitately to less than 3,500 jobs in 2002 with the loss of over 2,500 jobs in communications equipment manufacture (with the closure of Nortel' manufacturing). Since 2002 overall employment in manufacturing has declined slowly to around 3,000 jobs in 2006.
- 3.8 Until 2001 over half of all manufacturing employment in Torbay was in the communications equipment sector but this now (2006 data) accounts for around 20% of the total. Other important sectors are food and drink (around 650 jobs with employment stable over the period), printing and publishing (declining from 350 jobs in 1999 to 150 in 2006), plastic products (growing from around 550 in 1999 to 750 in 2003 then declining to around 650 in 2006), electrical machinery and apparatus (declining from a peak of around 450 in 2000 to less than 200 in 2006), and medical and precision instruments (declining from around 500 jobs in 1999 to around 350 in 2006). The communications equipment manufacturing sector peaked at over 4,000 jobs in 2000 but now (2006) only employs around 650.
- 3.9 While some manufacturing activities are holding their position, most are in decline. In general, manufacturing employment in the UK remains vulnerable to outsourcing overseas (particularly Eastern Europe and China). Excluding the big loss in employment due to Nortel, the underlying trend in manufacturing employment in recent years has been a net job loss of around 500 over 4 years, or 120 jobs lost a year.
- 3.10 ABI data for the **construction** sector is not reliable due to the large amount of informal, casual and subcontracted labour in the sector. However, data capture has been improving so the picture provided by the figures is probably not too misleading. According to ABI data, construction employment in Torbay grew from around 1,800 in 1998 to a peak of around 2,275 in 2002 and has since declined to just over 2,000. Construction employment typically follows the ups and downs of the economic cycle, being particularly sensitive to changes in the rate of investment in house building. Since 2002 in Torbay, around 230 jobs have been lost in this sector, an annual average of around 60 jobs.
- 3.11 **Distribution** is a large sector with around 9,700 jobs in 2006, spread across three main activities, the motor trade, wholesaling, and retailing. Employment in the motor trade fell from just over 1,000 in 1999 to just over 700 in 2004, then recovered to around 870 in 2006. This volatility reflects the changing structure of dealerships in what is a very competitive sector. The overall trend is probably static or declining.
- 3.12 Employment in wholesaling activities fell from around 1,700 in 1998 to just over 1,200 in 2002 then recovered to around 1,600 in 2006. Again, the overall trend is probably static or declining.

- 3.13 Retailing activities are by far the largest component of this sector, mainly supermarkets and more specialised comparison good stores. Employment in supermarkets fluctuated over the period from around 2,800 to 3,500 but in 2006 was only slightly higher than in 1998. This suggests that the long period of supermarket expansion is drawing to a close, with most places now having several players at different price and quality levels. This sub-sector is probably best seen as a mature sector with little or no employment growth overall. However, changes in retail policy such as the abolition of a needs test as proposed in the draft PPS 6 could effect this position.
- 3.14 Employment in more specialised retail stores grew from around 2,500 in 1998 to around 3,250 in 2003, before falling to just over 3,000 in 2006. Employment in this sector is very dependent on the consumer's willingness to spend on discretionary items. The current trend is probably declining and the average rate, based on the period since 2003 is a loss of around 70 jobs a year.
- 3.15 Most employment in the **tourism** sector is in hotels, restaurants and bars, and the operation of visitor attractions and leisure facilities. Employment statistics are also unreliable in this sector because of seasonal, casual and informal working arrangements. The overall total given below is likely to be a considerable under-estimate.
- 3.16 According to ABI data, total employment in this sector in Torbay has grown considerably over the period 1998-2006, from around 7,000 to over 8,500 (growth of approximately 1,600 or 23%). However, the annual totals fluctuate rather wildly from a low of around 6,600 in 2000 to over 9,200 in 2004, followed by a decline to around 8,500 in 2006. Over the period as a whole there was a net gain of around 1,600 jobs, equivalent to an annual gain of around 200 jobs.
- 3.17 Most of the employment growth was in restaurants and bars (+800 jobs) rather than hotels (+175 jobs). Employment in accommodation outside the hotel sector (i.e. caravan parks, campsites, and smaller guest houses and B+B's) increased by around 450. Employment in visitor attractions and entertainment fluctuated between around 1,000 and 1,200 over the period 2000 to 2006 so is probably best regarded as static. Within that sub-sector, there were some exceptions, notably botanical and zoological gardens where employment increased.
- 3.18 These figures fit in with tourism sector trends generally over this period, namely the decline of longer holidays and the rise of short breaks and second holidays, greater use of low cost (unserviced) or informal accommodation, a rise in popularity of eating out (and drinking), and the trend towards informal leisure activities. Since the employment peak in 2004 in the tourism sector, there has been a loss of 670 jobs, mainly in restaurants and bars.
- 3.19 **Transport, storage and communications** is an amalgam of transport activities and post and telecoms services. In the transport sector employment grew from around 830 in 1998 to over 900 in 2002 and since then has fluctuated rather wildly, ending up at almost 1,000 in 2006. Most of the growth over the period has been in (privatised) land transport and

supporting activities. Employment in travel agencies has declined. Overall, while there was a net gain over the period, this sector is probably best regarded as static in employment terms.

- 3.20 Employment in post and telecoms services grew from around 500 in 1997 to over 600 in 2002, then declined quite sharply before rising again to around 470 in 2006. Again, employment in these activities is best regarded as static.
- 3.21 The **financial services** sector, one of the great engines of employment growth in the 1980s and early 1990s, is now in decline. Employment in financial services activities in Torbay was never very significant and has declined from over 900 in 1998 to around 700 in 2006. This job loss of around 200 jobs equates to an annual loss of around 25.
- 3.22 The **business services** sector took over from financial services as one of the main providers of new jobs from the mid 1990's onwards. In Torbay, employment has grown fairly steadily, with one or two blips, from just over 3,000 in 1998 to over 5,750 in 2006, a job gain of around 2,700 and a growth rate of 88%. Most of the growth has been in property services (+270), accountancy (+1,000), recruitment agencies (+980), and miscellaneous business activities (+250).
- 3.23 This performance (a job gain overall of almost 2,700 jobs) would give an annual trend rate of around 340 jobs gained. This is almost certainly too high to carry forward even if the macro-economic context were to continue favourable. This is extremely unlikely in the short-term, given the current economic climate.
- 3.24 **Education and health services** are two large and growing sectors for employment in Torbay, and growth remains largely dependent on decisions made in terms of public sector investment.
- 3.25 In the education sector, employment increased from around 3,500 in 1999 to almost 4,000 in 2001, then fell before rising again to a new peak of over 4,500 in 2004, falling gain to around 4,300 in 2006. The net gain over the period from 1999 was almost 840 jobs, equivalent to an annual gain of around 120 jobs.
- 3.26 Employment growth since 1999 was shared between all sub-sectors except adult education, with primary education generating the greatest number of new jobs (+550). From a desk-based analysis, it is difficult to tell whether this growth reflects new investment in the state sector, new investment by the private sector, or restructuring in the state sector (or all three). However, the relocation of South Devon College to London Road in Paignton and subsequent expansion is likely to be a significant factor.
- 3.27 While investment in the knowledge economy will undoubtedly continue, continued employment growth at these historic rates is perhaps unlikely given probable financial constraints in the public sector.
- 3.28 In the health sector, which is much larger than the education sector, employment grew fairly steadily, with one or two blips, from just under 8,000 in 1998 to almost 9,500 in 2006, a net gain of over 1,500 jobs and a

growth rate of 19%. Most of the new jobs were in hospital services (+1,700), medical practices (+300) and dentistry (+75). Jobs were lost in other human health activities and social work activities (including care homes). This is slightly unexpected as it might have been thought that residential care homes were a growth sector in Torbay.

- 3.29 Taking the human health sector separately, the average growth rate on an annual basis would be 220 jobs gained. Veterinary activities and social work activities are probably best regarded as static in employment terms.
- 3.30 Employment in **other services** grew from around 2,200 in 1998 to over 2,600 in 2002 then declined to around 2,100 in 2003 and 2004 before increasing again to around 2,400 in 2006. The net gain over the period was 225 jobs, equivalent to an annual gain of 28 jobs.

Future growth scenarios

- 3.31 The employment data presented in the previous section reflect the situation up to 2006. The decade ending in 2006 has witnessed an exceptional degree of price stability and continuous, if not always very rapid, growth. This is reflected in the employment figures. In 2005 Britain experienced its highest level ever of employment, of almost 26.5m people in employment.
- 3.32 It is now clear that this period has come to an end and new conditions now apply. Starting with a crisis in financial markets, additional economic uncertainty has been created by rapid hikes in some basic commodity prices, above all of oil. Whether these reflect real concerns about scarce future supplies ("peak oil") or more short term and speculative factors in futures markets remains to be seen.
- 3.33 So far, despite these shocks, the UK economy has managed to avoid outright recession. Most analysts are predicting that in the short to medium term, output growth will be much slower, and many fear that recession is eventually inevitable if oil prices remain high. Only the Treasury is still predicting an upturn next year.
- 3.34 Against this background, any prediction of future employment growth in any of the UK's local economies is more than usually fraught with uncertainty. However, it is possible to take a view, even if this view has subsequently to be revised in the light of events.
- 3.35 In developing future employment scenarios for Torbay, we have used two sets of assumptions to develop an optimistic (Scenario A) and a less optimistic growth scenario (Scenario B).
- 3.36 Scenario A assumes that the UK avoids full-blown recession (although there may be one or two quarters where growth is negative) but that output growth is greatly reduced in the short to medium term, to between 1% and 2% a year. This is below the level where employment growth is guaranteed and it may well be that such growth goes into reverse and unemployment increases, at least for a while. Under this Scenario, economic growth begins to resume its historic trend after 2011 and employment then begins to grow once more.

- 3.37 Under Scenario B, the UK goes into recession in the short to medium term with a significant increase in unemployment, which particularly hits sectors dependent on discretionary spending such as some retailing and tourism. Recovery after 2011 is slower and less pronounced under this scenario. Given the current pessimism about the state of the UK economy and the housing market in particular, this forecast maybe more realistic over the next five years or so.
- 3.38 Neither Scenario A or B are based on any major shift to a new economic paradigm where much higher oil, commodity and food prices force an unravelling of globalisation and the development of a whole new set of economic relationships based on reducing oil dependency, carbon trading, and local food production.
- 3.39 Over the next 20 years, it is however entirely possible that some such shift could occur. This would have incalculable (but not necessarily wholly negative) consequences for local economies such as Torbay with increased holidays being taken in the UK, climate change, shorter commuting distances and an emphasis on buying locally all having the potential to positively impact upon the economy of Torbay.
- 3.40 The employment growth under each scenario is set out in Table 2 (overleaf). In summary, Scenario A results in a net gain of 11,500 jobs and Scenario B results in a net gain of 6,150 jobs to 2026.
- 3.41 In both scenarios, most economic growth occurs in the main sectors of hotels and restaurants, business services, education, health and social work together with other service activities.

Industry	Scenario A								Scenario B					
	1998	2006	Annual change	Annual change	2011	2016	2021	2026	Annual change	Annual change				
	number	number	2006-11	2011-2026					2006-11	2011-2026	2011	2016	2021	2026
Agriculture, forestry and fishing	240	82	0	0	82	82	82	82	0	0	82	82	82	82
Quarrying, manufacturing, and utilities	6,700	3,147	-175	-85	2,272	1,847	1,422	997	-175	-85	2,272	1,847	1,422	997
Construction	1,844	2,047	20	40	2,147	2,347	2,547	2,747	20	40	2,147	2,347	2,547	2,747
Distribution	9,375	9,707	10	20	9,757	9,857	9,957	10,057	10	20	9,757	9,857	9,957	10,057
Hotels and restaurants	5,992	7,419	75	150	7,794	8,544	9,294	10,044	35	75	7,594	7,969	8,344	8,719
Transport and communication	1,325	1,464	0	0	1,464	1,464	1,464	1,464	0	0	1,464	1,464	1,464	1,464
Financial services	919	710	0	0	710	710	710	710	0	0	710	710	710	710
Business services	3,060	5,759	85	170	6,184	7,034	7,884	8,734	45	90	5,984	6,434	6,884	7,334
Public administration	1,792	2,056	0	0	2,056	2,056	2,056	2,056	0	0	2,056	2,056	2,056	2,056
Education	2,397	4,345	70	140	4,695	5,395	6,095	6,795	35	70	4,520	4,870	5,220	5,570
Health and social work	7,948	9,475	80	160	9,875	10,675	11,475	12,275	40	80	9,675	10,075	10,475	10,875
Other service activities	2,197	2,422	50	100	2,672	3,172	3,672	4,172	50	100	2,672	3,172	3,672	4,172
Total	43,789	48,633	215	695	49,708	53,183	56,658	60,133	60	390	48,933	50,883	52,833	54,783

Table 2 : Economic scenarios by sector

Comparing with existing economic forecasts rates

- 3.42 The Torbay Employment Land Review (UPE, 2006) includes economic forecasts for the period 2005 - 2016. They also forecast a continued growth but a lesser rate than previously witnessed. However, the forecasts from this study were much more optimistic than either of the forecasts completed for this report.

	Core Forecast (Additional Jobs)	Optimistic Forecast (Additional Jobs)
2005 - 2011	2980	5830
2012 - 2016	2930	5920
Total	5910	11750

Table 3 : UPE Forecasts (2006)

- 3.43 The UPE forecasts were based upon growth occurring in the areas main employment sectors - health, hotels, retailing and construction. Manufacturing and wider industrial activities remain strong, if minor parts of the economy (UPE, 2006).
- 3.44 The Regional Assembly commissioned Roger Tym and Partners (2007) to prepare guidance on a local authority basis which sets out :
- a) employment growth
 - b) land requirements
 - c) location of employment uses
- 3.45 The report sets out two employment forecasts for the Torbay Housing Market Area (which corresponds with the Unitary Authority Area). These forecasts originate from work undertaken by Cambridge Econometrics to inform the economic aspirations of the Regional Spatial Strategy and Regional Economic Strategy.

	GVA 2.8%	GVA 3.2%
2006 (Total number of jobs)	55600	55600
2026 (Total number of jobs)	63500	65700
Change	7900	10100
% Change	14%	18%

- 3.46 The majority of job gains were forecast to be in Distribution, Education & Health and Other Business Services sectors. Significant losses are forecast in Chemicals & Minerals and Public Administration & Defence.
- 3.47 This forecast has been included within the Regional Spatial Strategy proposed changes as policy HMA 5 with the Torbay SSCT making provision for 10,100 jobs.

4 Balancing jobs and homes

- 4.1 As previously stated, a clear objective of the Regional Spatial Strategy is to balance jobs to homes - to create a sustainable mix of uses in all our settlements and to reduce the need to travel.
- 4.2 Assessing the additional dwellings that would be required to support the economic projections within Torbay leads to a number of clear messages, not only around the level of housing required to support Torbay in realising its economic potential but also the viability or desirability of the Torbay that following a 'predict and provide' approach will lead to.
- 4.3 Over the period 2006 to 2026, the economic forecasts undertaken for this study project a total of 11,500 additional jobs (Scenario A) or 6,150 jobs (Scenario B) to be generated across Torbay Unitary Authority. Taking an economic-led approach, and with the aim of matching additional jobs with additional homes, this equates to a maximum ability of Torbay to accommodate additional dwellings.
- 4.4 The supplementary report has arrived at the dwelling figures, firstly by considering the increase in the population expected to arise from the additional jobs in the area, and further by calculating the subsequent number of new homes needed to house this rise in the population - to reflect assumption changes in the revised household projections. Other projections such as the stability of in-commuting levels and unemployment levels remains constant.
- 4.5 The additional population attracted to the area for employment will need to be housed. Working on projections of 1.96 (ONS, 2006) persons per household for Torbay by 2026, for the total population this amounts to the need for the total additional dwellings for the Unitary Authority, limited by economic potential. No account has been taken of turning households into dwellings by applying a standard vacancy rate.
- 4.6 The following tables take each of the scenarios in turn and calculate the number of dwellings that an economic led scenario would lead to. In summary, Scenario A would support an additional circa 22,500 dwellings and Scenario B would support circa 15,300 dwellings.

Scenario A - Optimistic (11,500 jobs)

Torbay Jobs to Population	2006	2026
Employees	48634	60133
Self employed	10200	12612
Jobs filled by in-commuters	- 1738	-1738
Employed workers (total employed - in-commuters)	60572	74483
Economically active (total employed + unemployed)	61972	77099
Working age population	75700	93085
Total population	133200	163790

Population to Households	2006	2026
Total population	133200	163790
Total no. of households	61000	83566
Additional households 2006 - 2026	22566	

Scenario B - Core (6,150 jobs)

Torbay Jobs to Population	2006	2026
Employees	48634	54783
Self employed	10200	11490
Jobs filled by in-commuters	-1738	-1738
Employed workers (total employed - in-commuters)	60572	68011
Economically active (total employed + unemployed)	61972	70400
Working age population	75700	84966
Total population	133200	149558

Population to Households	2006	2026
Total population	133200	149558
Total no. of households	61000	76305
Additional dwellings 2006 - 2026	15305	

- 4.7 The two scenarios provide a household growth range of 15,300 - 22,500 additional households to be provided within the Unitary Authority. However, given the current economic climate and fit with Regional Assembly scenarios, it is suggested that the lower scenario provides a more realistic projection of the future, at least in the short to medium term of 5 - 10 years.
- 4.8 The case for the preferred scenario is also borne out by the findings of the deliverability workshops undertaken for the SHLAA which show that housing build-out rates of 765pa (Scenario B) are likely within a stable economic climate, however 1129 (Scenario A) are currently considered unrealistic in economic terms and impacted upon further by the current market uncertainty.
- 4.9 Further consideration of the impact of the earlier version of the RSS which allocated 10,000 homes to the unitary authority should also be taken. This earlier figure would support the creation of 2240 jobs within the economy therefore restricting the growth of the Torbay economy well below any of the anticipated economic growth scenarios.
- 4.10 Following the interpretation from jobs to additional households, there are a number of major factors that should be considered further to support 'proper' spatial planning for the Authority.
- 4.11 **Household size** - Decreasing household size is a major contributor to the requirement for additional households within the Unitary Authority. Whilst this is a national trend caused by people partnering later in life, divorce rates and people living longer, Torbay is specifically an area which will suffer from this trend. Household size is already untypically low with a current average household size of 2.18 persons per dwelling (compared to a national average of 2.32 persons per dwelling) (ONS, 2006). In simple terms, just under 7000 new dwellings will be required to provide for this trend alone within Torbay to 2026.
- 4.12 DCLG projections forecast household size to reduce further by 2026 to 1.96 persons per dwelling, however some doubt is cast on whether this will be considered feasible or viable given the costs of housing and increasing living costs. If the market were to act as a brake on decreasing average household size, holding it at an average household size of 2.07 (the mid-point), the number of new dwellings would fall to 18,125 (under Scenario A) and 11,250 (under Scenario B).
- 4.13 **Age structure of the population** - The age breakdown of the Torbay resident population is characteristically skewed towards an older demographic, largely reflecting the popularity of the area as a location for retiree or near retiree in-migrants. In 2006, only 57% of the total population were of working age (16 - 74) compared to 62% nationally (Great Britain) (ONS, 2006).
- 4.14 This raises considerable issues for the Authority, in terms of housing provision, maintaining a healthy economic future, healthcare, service provision as well as the image the town projects.

5 Consideration of wider implications

- 5.1 The appendix has focused on a statistical understanding of the number of homes to support Torbay to reach its economic potential. However, there are a number of less quantifiable issues which also need to be understood and taken into account within the development of the Local Development Framework.
- 5.2 **Sector dependence and economic fragility** - Both economic projections (and the other contrasting forecasts) are based upon growth within a limited number of economic sectors. A change in circumstances such as a major decision to cut public spending (affecting health or education sectors) or a major downturn in tourism would particularly impact upon the health of the Torbay economy and the number of jobs which could be created. As the economy grows, particular effort should be targeted at broadening the economic base but it is unlikely an increase in housing will have this effect (apart from perhaps strengthening the local construction industry).
- 5.3 **Benefits of an increasing workforce** - The benefits from an increasing workforce will be very limited as the relationship between number of jobs and number of new homes is indirect. In part, as 7000 houses arise as a result of decreasing household size and in part, because the age breakdown is so skewed towards a non-working age population, it would require many more homes to make this a realistic benefit. The type of business predominant in the Torbay economy also mean that many business are serviced-based (ie. they have to be where their customers are) or growing small local businesses which are less influenced by the availability of labour.
- 5.4 **Potential to increase out-commuting** - As explained above, future economic growth in Torbay is fragile whereas, until the recent downturn, housing demand has been buoyant, the market considered strong and Torbay perceived as an attractive place to live. Economic growth in the competing centres of Exeter and Plymouth has been either steady or strong with a greater range of employment opportunities on offer than within Torbay. Therefore there is the danger that unless policy controls are implemented to control the rate development of housing against the rate of employment growth, Torbay will increase the level of out-commuting to neighbouring centres.
- 5.5 This is a particular issue in the balancing the relationship between Torbay and Newton Abbot. The town has recently been identified as an SSCT within the RSS Proposed Changes and required to make provision for significant levels of housing and economic growth. Together with considerations such as transport links, proximity to other centres and ambitious plans to regenerate the town centre, further consideration should be given to the changing relationship between the two centres to retain a balance. A similar relationship is occurring between Taunton and Bridgwater in Somerset. In this instance the two authorities are working together to develop policy tools which balance their housing and employment growth to prevent out-commuting increasing.

- 5.6 **Attracting the right type of homes** - PPS 3 (Housing) states that Local Authorities should plan for a mix of housing, taking into account specific groups who require housing. In order to reach the economic potential and ensure the workforce is able rent or buy property, further emphasis should be given to using housing as a tool to attract or retain the economically active. This could be through design (including working from home opportunities) or more likely, through affordable housing initiatives (such as key worker or Homebuy). With Torbay placed 13th least affordable area in the country for young-first time buyers (JRF, 2004) it is the type rather than the overall number of new homes that is likely to lead to a greater economic benefit.
- 5.7 **Competing land-uses** - estimates undertaken for this appendix suggest a total land-take of 11 ha (Scenario A) and 6 ha (Scenario B) would be required to make provision for B-class job growth. It is considered that the SHLAA would have no issue in accommodating the required land-area within identified sites, however issues of accessibility from the main population centres would need to be addressed. It should be noted that these indicative projections are significantly lower than the projections within the policy HMA5 of the Regional Spatial Strategy and joint working is being taken forward to resolve this issue and inform the Torbay Local Development Framework.
- 5.8 **Making provision for non-B class jobs** - a large % of the jobs arising within both the economic scenarios fall outside B-class uses. Whilst some will occur in existing premises through spaceless growth (for example, hospital or school), others will require more specialist provision or allocation within the Local Development Framework. Often, locational requirements for non-B class uses are more restricted, for example, a significant number of educational jobs are projected to occur on-site at South Devon College however, this would require additional build space on the existing campus. This raises particular challenges for the LDF team to continue to support economic growth and the requirement for a non-standard approach or whole economy approach to an Employment Land Review to provide the evidence base for the LDF.
- 5.9 **Capturing the added value of new jobs** - Torbay experiences high levels of deprivation as a result of low incomes - average earnings 70% of the national average and over a quarter of working age people claim one or more benefit. Skills levels of the resident population are lower than average with 39.1% of population having no qualification compared to 36% nationally (ONS, 2006).
- 5.10 The sectoral economic projections show that it is anticipated economic growth will occur across skills-levels and wage bands. In order to capture the added value of new jobs for local residents, specific local labour and training initiatives should be considered to up-skill local residents to benefit from higher skilled opportunities. If this is not put in place, additional jobs are less likely to benefit the existing resident population.
- 5.11 **Step-change towards the 'Mayors Vision'**- The factors identified above highlight one overall conclusion. Planning housing on a 'predict and provide' basis will not support the delivery of Torbay's economic potential, improve the area's reputation as a centre for business and investment or

make steps towards delivering the regeneration promoted in the Mayors Vision for the future of Torbay.

- 5.12 Whilst planning for manageable growth levels (estimated at 15 - 17,000 houses over the period 2006 - 2026), particular investment will be required to targeted housing growth with a particular aim to attract and retain economically active residents, to grow the economy and to secure the appropriate land, premises and infrastructure required for job growth outside of B-Class uses.

6 Conclusions

- 6.1 This supplementary report considers the issue from an 'employment-led' approach. It aims to maximise the balance between jobs and homes and make provision for the required number of homes to support Torbay in realising its economic potential.
- 6.2 In conclusion, the Torbay economy does have fairly good potential for growth over the period 2006 - 2026. Whilst this is largely focused within a small number of economic sectors, the range of opportunities (skill level and income range) are wide. However, this sector reliance does leave the Torbay economy more fragile and open to economic shocks than those surrounding it or when comparing to the fragility of the Torbay housing market.
- 6.3 The direct connection between the impact of housing growth upon the economy is less marked than it might otherwise have been in other areas because Torbay has very small household size, a skewed age profile and older in-migrants meaning that new housing is not necessarily providing for the economically active.
- 6.4 However, the tables clearly show that a greater number of houses than the original 10,000 RSS allocation are required to support the economy in reaching its full potential. The projections estimate that 15,000 - 17,000 new dwellings may have a greater chance of achieving this but on-going monitoring of demographic projections (a key determinant in ensuring the balance) will be required to ascertain this into the longer-term.
- 6.5 Provision of housing at this scale will also not have the desired impact without further investment to ensure it is effectively targeted at meeting the housing needs of the economically active and ensuring the other components the economy requires to grow effectively.
- 6.6 Finally, it should be recognised that much of Torbays economic growth is likely to occur in non B-class uses. This raises particular challenges for the Local Development Framework to continue to support economic growth and ensure that requirements for other employment generating uses (eg. education or health care) are adequately met. This is a different and potentially more challenging approach than previously taken in allocating land for B-class uses. It is recommended that these issues are addressed through a whole economy refresh of the 2006 Employment Land Review which also considers the time period to 2026.