Powys County Council

Powys Employment Needs Assessment

Addendum

May 2015

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1 Introduction

In 2014 Powys County Council undertook consultation on the Deposit Draft Powys Local Development Plan (LDP). Following this consultation period, a need to review and update various documents within the evidence base for the LDP was identified. This included the 'Powys Employment Needs Assessment' (hereafter referred to as the 'Assessment') produced in October 2012, in order to take into account relevant recent changes in the national and local economy; to test the robustness of the original findings in the light of more recent population and household projections (thereby bringing the Assessment into line with other components of the evidence base); and to address issues that have been raised during the Deposit LDP consultation period. This document therefore forms an Addendum to the original Powys Employment Needs Assessment.

1.1 The National and Local Economy

In the intervening years since the original Assessment was produced in 2012, the national UK economy has shown signs of economic recovery, although global growth expectations are still muted. There is now a greater understanding of the effects of the credit crunch and ensuing recession. Employment in Powys has increased[1] since a low point in 2008, almost recovering its pre-recession peak. However, the population level in Powys has largely plateaued, with a small decrease in population shown in 2013 .

Socio-economic data released since 2012 indicates a similar economic and labour market situation to that which formed the baseline of the original Assessment. The Powys economy has high levels of participation as recorded by economic activity and employment rates, but the value generated is relatively low, with high levels of self-employment and part-time working and low earnings compared to national averages. Overall, labour market indicators in Powys are moving in a positive direction as the economy recovers; this is true of the Wales and UK economies as well. However, there has been a fall in the number of businesses in Powys, a trend counter to that for Wales or the UK as a whole.

In summary, a review of more recently available socio-economic data does not suggest a substantially different situation in terms of the Powys economy to that at the time of the original Assessment.

1.2 National and Local Policy Context

Since the original Assessment was prepared, additional policy documents and strategies have been produced that may be of relevance and which have been reviewed as part of this Addendum. This includes policy documents at the national level, such as the new TAN 23 'Economic Development'; and at the local level, including documents and strategies that have been prepared as part of the evidence base for the LDP.

TAN 23 'Economic Development' was published in February 2014. In relation to employment land provision, the document states that assessments should allow for 'flexibility, competition and choice' and that whilst land provision targets may be higher than anticipated demand to allow for the chance that the assessments are too low, persistent oversupply of employment land should be avoided.

[1] ONS Jobs Density measure via nomisweb.

Within Powys, additional information that has become available as part of the preparation of the LDP and supporting evidence base, include the Sustainable Settlements Hierarchy (June 2014) and revisions to the housing numbers from those presented in the Pre-Deposit LDP (2012).

The Powys Deposit LDP provides for sufficient land within the Powys Local Authority planning area to enable the provision of up to 5,000 new dwellings over the 15 year Plan period (2011-2026). This represents a change from the Pre-Deposit LDP published in 2012, which predicted the need to provide for approximately 7,700 new homes. The underlying evidence and reasoning behind the revised housing numbers are presented in more detail in a Housing Topic Paper produced by Powys County Council in December 2014.

1.3 Report Structure

This Addendum is structured as follows:

- **Section 2** presents findings in the light of revised labour market capacity projections, based on 2011 figures;
- **Section 3** discusses the economic growth projections utilised in the original Assessment and considers their robustness as part of the LDP evidence base going forward;
- **Section 4** outlines the relationships and linkages between employment needs and other LDP topics, such as regeneration initiatives and the spatial distribution of housing;
- **Section 5** revisits the findings of the original Assessment in relation to sectoral growth;
- Finally, **Section 6** presents the main findings to arise from the review and updating of the original Assessment.

2 Revised Labour Market Capacity Projections

The original Assessment makes use of official population projections for Powys based on 2008 figures (local authority principal population projections for Wales 2008-2033). The projections indicate that the population of 16-64 year olds in Wales is predicted to fall over the LDP period by around 4,400. An indicative model was developed as part of the Assessment, applying current age related economic activity rates for the following age groups: 16-24; 25-49; 50-state pension age; and above state pension age. The model made a number of assumptions relating to the proportion of people residing within the Brecon Beacons National Park (and therefore outside of the study area), the proportion of unemployed residents and the proportion of people who would be net out-commuting for work. After application of these factors, the growth in the 'potentially employed population' was estimated at around 2,000 persons over the LDP period, if current labour market conditions are extended. This figure is seen against a forecast fall in total employment in Powys of around 900 jobs over the same period.

Since the time of the original Assessment, more recent population projections have become available (local authority principal population projections for Wales 2011-2036), and these have been used in the preparation of the Deposit Draft LDP to inform future population estimates. In order to achieve consistency across the evidence base supporting the LDP, it is essential that all assessments make use of the same baseline data. As such, this Addendum considers the implications of the 2011-based local authority population projections on the findings of the original Assessment.

2.1 2011-Based Population Projections

Analysis of the 2011-based population projections has been undertaken to update the assessment of future labour supply. A slightly modified methodology to that of the original Assessment has been applied to take account of recently available data and the current expectations for changes to the state pension age (SPA).

At 2011 the SPA for men stood at 65 and for women at 60.5 years. At 2026 the SPA will have risen to 66.5 years for both men and women. The increases in the SPA, as well as other factors relating to the performance of private pension provision and improved health in older age are likely to increase economic activity rates for the older age groups within the labour market. This updated analysis has used 2011 Census data to determine age related economic activity rates in the base year (2011). The age groupings used are 16-24 years, 25-49 years, 50-59, 60-SPA and ten years post SPA[2].

These same rates have been applied at 2026, using the 2011-based population projections, for the 16-24, 25-49 and 50-59 age groups. For males, the economic activity rate for 60-64 is extended to cover the 60-66.5 age group and the current ten year post SPA economic activity rate is retained and applied to the adjusted age group. For females the changes are more substantial with the SPA rising by six years. There is, therefore, a greater degree of uncertainty as to how economic activity rates might adjust for women aged 60 – 76.5 years. Analysis of economic activity rates for males and females for age groups between 16-59 (current core working age) clearly indicate female rates to be around 91% of the male rates. There are some fluctuations for different age groupings. However, the average for 16-59 and 40-59 both show female rates at 91% of male rates. The male economic activity rates for 60-SPA years and ten

[2] This is derived. Economic activity rates for 10 years post SPA estimated assuming all economically active beyond SPA recorded in Census are within this age cohort.

years post SPA at 2026 are therefore discounted by 9% to derive estimated female economic activity rates for the end of the plan period.

Clearly there remains uncertainty as to exactly how the changes to SPA will affect economic activity, particularly for women where there are substantial increases over the course of the LDP period. However, this approach is deemed to be robust in the absence of official labour market participation forecasts and has been agreed with officers within Powys County Council. **Table 2-1** below sets out the rates used.

Table 2-1 Economic Activity Rate Assumptions

Age group	Male Economic Activity Rate	Female Economic Activity Rate
16-24	71%	67%
25-49	93%	84%
50-59	86%	78%
60-SPA	64%	58%
Ten years post SPA[3]	36%	32%[4]

Table 2-2 summarises the implications for the economically active population of Powys on the basis of the assumptions regarding SPA already stated and utilising the 2011-based population projections. The table shows there are reductions in the economically active population within four of the five age groups in Powys. There is a substantial rise in economically active populations of 60–SPA. This is in part driven by growth in the population of this age group, but primarily the rising SPA. In total the projections show a decrease in the economically active population of Powys of just over 1,000 persons between 2011 and 2026.

Table 2-2 Economically Active Population, Powys

Age group	2011	2026	Change 2011-26
16-24	8,860	6,680	-2,180
25-49	33,150	29,990	-3,160
50-59	15,300	14,690	-620
60-SPA	3,730	8,810	5,080
10 years post SPA[5]	6,740	6,530	-210
Total	**67,790**	**66,700**	**-1,090**

The table also illustrates the substantial ageing of the workforce, moving from a position where 38% of the economically active Powys population is aged 50+ in 2011 to 45% in 2026.

After adjusting for those residents within the BBNPA Area[6], an unemployment rate of 3% and net out commuting (estimated at 5.5% in the 2011 Census), the estimated growth in the locally

[3] Economic activity rates for 10 years post SPA estimated assuming all economically active beyond SPA recorded in Census are within this age cohort.

[4] A figure of 38% is used at 2011 based on actual Census data. This relates to age group 60.5-70.5. It is anticipated that as the 10 years post SPA shifts to 66.5 – 76.5 the economic activity rate for this group will reduce to around 91% of the male rates as explained in the main text.

[5] Economic activity rates for 10 years post SPA estimated assuming all economically active beyond SPA recorded in Census are within this age cohort.

employed workforce between 2011 and 2026 is -830 persons. This compares with a projected reduction in total employment of 900 jobs under the baseline scenario. The two figures are therefore broadly in balance.

As discussed above there remains some uncertainty as to how economic activity rates will respond to changes in the SPA. The greatest uncertainty relates to how the rapid increase in SPA for women will impact on economic activity levels. Powys already exhibits economic activity rates well above the Wales average for both males and females and rates are currently high relative to the last ten years. It is not considered reasonable to test far higher rates than currently modelled. However, this should be kept under review by Powys County Council as new data emerges and the effects of changes to SPA can be assessed.

The estimated growth in the locally employed workforce between 2011 and 2026 of -830 persons is substantially less than that identified in the original Assessment, which indicated an increase of around 2,000 persons over the Plan period.

2.2 Key Findings

The original Assessment considered whether the potential for labour supply in excess of baseline labour demand should give rise to testing a higher growth employment led scenario. It is considered that the conclusions of the original Assessment in this regard still hold, namely that:

- Any model of higher employment growth would be speculative, without a clear basis for which sectors to promote. If a general uplift to growth rates was applied the results would be a slightly higher growth rate in projected office requirements, a slower rate of decline in industrial related activity and a likely growth in non-B Use Class related employment. The implications for employment property and land requirements would therefore be very modest and restricted to the office sector; and

- There is already a flexibility buffer built into the original Assessment to take account of any demand over and above the core assessment. This is considered to provide sufficient room for manoeuvre in the short term, with any higher levels of growth able to be considered if and when they become apparent through the normal processes for policy and plan review.

In addition, the revised labour market analysis suggests the scale of projected employment growth and labour force change are broadly in balance and that therefore there is no strong labour supply imperative to deliver a greater level of economic growth.

[6] Estimated at around 17% based on draft Population and Housing Topic Paper, Powys County Council

3 Economic Growth Projections

Section 3 of the original Assessment sets out an understanding of the likely pattern of economic and employment change in Powys over the LDP period. The forecasts used in the Assessment were based on economic projections commissioned for Powys from Oxford Economics; forecasts were aligned to the autumn 2011 update of the Oxford Economics UK Forecasting Model. The forecasts were used to provide an understanding of the overall scale of employment change for the County, together with sectoral and use-class employment projections. These projections informed part of the assessment of future employment property requirements, in particular the need for additional office capacity in Powys to meet the needs of projected expansion in the financial and business services sector.

3.1 Alternative Growth Projections

This section considers the robustness of the original Assessment in relation to the economic growth projections used. An update to the Local Economy Topic Paper providing evidence for employment related policy as part of the preparation of a Joint Core Strategy for Gloucester, Cheltenham and Tewkesbury[7], refers to the importance of ensuring that a Local Plan is based upon robust economic data and acknowledging instances where Inspectors have questioned the approach taken elsewhere in the UK. A specific example was that of the South Worcestershire Development Plan in October 2013, where the Inspector questioned the reliability of the forecasts that informed the Plan's economic policies. Interim conclusions from that occasion included that 'the Councils will need to satisfy themselves that they have up to date and realistic employment forecasts to inform their analysis. This is likely to mean examining and comparing forecasts from more than one source to ensure as far as possible that they are representative of the likely economic situation over the plan period'.

It is acknowledged that there are inherent uncertainties with economic forecasting; there are also a number of different models that can be used to obtain growth projections. Other studies of interest within the Powys area that have been produced since the time of the original Assessment include the Regional Delivery Plan for Employment and Skills for South West and Central Wales (2014-2024), prepared by the Regional Learning Partnership. The Regional Delivery Plan aims to provide a basis for the future utilisation of European Structural Funds and other sources of funding; this study uses projections from Cambridge Econometrics to provide a picture of the economy, labour market and skills in the South West and central Wales area, which includes Powys.

As part of this Addendum we have considered the robustness of the original projections given the availability of this new evidence. Appendix 1 provides a more detailed comparison and analysis of the more recent Cambridge Econometrics projections for Powys with the original Oxford Economics projections used as part of the original Assessment. The comparison concludes that there would be no substantive change to the conclusions of the original work as a result of these alternative forecasts.

3.2 Key Findings

As a result of this review we have now taken into account two sets of projections (the original Oxford Economics and the more recently prepared Cambridge Econometrics dataset). It is considered that the policy recommendations in the original Assessment remain valid and responsive to changing circumstances. On the basis of our review we have concluded that the original projections remain fit for purpose on the basis that:

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[7] Local Economy Topic Paper – Update, Joint Core Strategy Gloucester, Cheltenham, Tewkesbury (June 2014)

- The assessment of future employment land requirements highlights the importance of replacement demand in Powys, rather than a need to address expansion in the economy;

- The original Oxford Economics projections have been tested against more recent projections prepared by Cambridge Econometrics for the South West and Central Wales Regional Learning Partnership. Comparison does not suggest any substantive change to the conclusions in terms of the employment land policy that would be required (comparison of the two approaches is discussed further in Appendix 1);

- There is sufficient flexibility within the assessment of future requirements to deliver higher levels of growth if forthcoming;

- The challenge as identified at the time of the original Assessment, and still in place, is that of delivering new employment sites and premises in the face of a very weak commercial property development market and the absence of public sector gap funding. The identified requirement was above historic achieved take-up of employment land which was delivered during stronger economic conditions.

4 Relationships With Other LDP Topics

To varying degrees, there are relationships between economic growth (and the resultant employment land distribution identified) and with other topic areas within the LDP such as population growth, housing requirements, regeneration initiatives and retail provision. The purpose of this section is to provide clarity around, for example, the employment and housing scenarios and how they fit together; to explain the correlation between, for example, employment land and population growth; and to set out how the proposed spatial distribution of employment land relates to the distribution of housing and to regeneration initiatives such as Local Growth Zones.

4.1 Links Between Employment, Population and Housing

The Powys Deposit LDP provides for sufficient land within the Powys Local Authority planning area to enable the provision of up to 5,000 new dwellings (excluding windfall sites) over the 15 year Plan period (2011-2026); the Draft Housing Topic Paper produced in December 2014 outlines the updated statistical evidence available to support this proposed dwelling target, taking the Welsh Government 2011-based household projection figures as a starting point and supplementing this data with evidence relating to the housing market and economic climate (for example house building activity), past build rates and the County's capacity to accommodate growth. Conclusions presented in the Draft Housing Topic Paper include that the LDP is 'suitably aspirational in that it seeks to replicate build rates that have been experienced in the periods of stronger economic growth/more buoyant housing market' whilst planning for a 'modest and proportionate expansion of housing over the next twelve years (to 2026)' taking into account all relevant sources of evidence.

Relevant sources of evidence would naturally include economic growth projections as presented in the original Assessment, which suggested in overall terms a fairly limited change in the total level of employment in Powys across the LDP period. The analysis undertaken within this Addendum on the basis of revised (2011) population projections, suggest a potential for growth in employed workforce capacity of -830 persons (noting here also the uncertainty in respect of older age economic activity rates that may put downward pressure on this figure). The agriculture-adjusted figure presented in the Cambridge Econometrics figures of +350 jobs broadly aligns to the labour supply analysis. An employment change range of -900 to +350 (utilising both Oxford Economics and adjusted Cambridge Econometrics figures) appears appropriate given the labour supply analysis and the potential downside risks on this element.

A study undertaken by NLP[8] in 2009 identified that the relationship between housing and economic development is complex and multi-faceted and that there is often a 'non-linear, indirect spatial link between employment opportunities and housing demand'; JOP Consulting Ltd[9] noted in 2011 that whilst 'there is and always has been an inherent link between housing and employment allocation…this link is never one to one' as a result of a range of additional factors and complexities, including for example choice and commuting patterns. It is therefore a matter of judgement, based on evidence relating to employment requirements and aspirations as a starting point, as to how employment and housing demand may fit together in any one geographical area (JOP Consulting Ltd).

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[8] The Housing Implications of Employment Land in the Peterborough Sub-Region, Nathaniel Litchfield & Partners, August 2009

[9] Conwy Deposit LDP 2007-2022 Background Paper 14 'Employment Land Assessment Revisited', JOP Consulting Ltd, March 2011

The original Assessment identified that 'the primary driver of future employment land and property requirements is anticipated to be the need to replace and upgrade the existing supply of premises in order to tackle issues of dilapidation and the need to deliver the required type and quality of premises for modern business occupiers'. We consider that the findings of the original Assessment still stand in that the extent of the requirement for land/premises, as identified from economic forecasting, can comfortably be met by the existing supply, subject to resolving delivery issues and maintaining flexibility. The level of requirements presented in the original Assessment is already above historic levels of take-up. TAN23 states that the 'persistent oversupply of employment land should be avoided'. Over-ambitious site allocations could ultimately be detrimental to the long-term supply of employment land; where allocations are not taken up there is a risk that sites are re-allocated for alternative uses, such as housing.

4.2 Spatial Distribution

A sustainable settlement hierarchy has been prepared as part of the evidence base to support the LDP[10]. The hierarchy has been developed from that underpinning the Unitary Development Plan, taking into account more up to date information such as the 2011-based population projections. The settlement hierarchy 'provides the framework for distributing development proposals to meet the forecast growth in households in the County and provides focus for service provision and investment plans/opportunities'. The tiers in the settlement hierarchy have been identified as towns; large villages; small villages; rural settlements; and open countryside. The hierarchy seeks to support housing, employment and services in and around the higher tier settlements, thereby contributing to their vitality and promoting vibrant and sustainable communities. This section considers how the proposed spatial distribution of employment land as put forward in the original Assessment relates to topics such as regeneration initiatives in the County and the spatial distribution of other land-uses such as housing.

4.2.1 Regeneration Initiatives

Since the preparation of the original Assessment in 2012, further work has been undertaken in relation to regeneration initiatives in Powys, notably the possibility of creating Local Growth Zones (LGZs). In March 2012, Business Minister Edwina Hart announced that a Task and Finish Group would be established to explore the LGZ model as an alternative approach to Enterprise Zones within Powys and looking at specific issues affecting the key market towns of Brecon, Llandrindod Wells and Newtown. The Final Report of the Group[11] recommended the creation of four LGZs in Powys, namely:

- The Severn Valley (covering Welshpool, Newtown and Llanidloes)
- Rhayader, Llandrindod Wells and Builth Wells
- Brecon, Bronllys and Talgarth
- Ystradgynlais

The Final Report also referred to the need for the public sector to play a more active role in terms of making available appropriate land and property to meet the needs of new and existing businesses. The recommendation of the Task and Finish Group was that there should be

[10] Powys LDP Sustainable Settlement Hierarchy, June 2014

[11] Local Growth Zone Task and Finish Group Final Report 2012

support for commercial property development in LGZs through new build and refurbishment schemes where necessary. As part of their response to the Report, Welsh Government identified that land and property is currently available in many of the LGZ locations, both through the private sector and the public sector; Welsh Government has stated that it will continue to monitor the situation relating to the need for investment in business accommodation and methods by which companies seeking new or upgraded premises can be supported.

The original Employment Needs Assessment identified four sub-areas for the purposes of supply analysis and demand profiling, namely Machynlleth, Severn Valley and North, Central Powys and Ystradgynlais. Whilst overall, the County has an extensive supply of employment land, both through allocations and sites offering potential for expansion, trends were identified in relation to the over/under supply of land in certain spatial clusters. Notably these included the Ystradgynlais area, which saw a large proportion of its original allocation developed over the previous plan period and therefore has a relative under supply going into the LDP period; conversely the Central Powys and Severn Valley clusters were identified as having a higher level of undeveloped allocation and therefore may have less of a requirement for further employment land allocations.

The indicative spatial distribution of employment land requirements set out in the original Assessment show that supply broadly matches the forecast allowance for each of the four sub-areas, three of which correspond broadly with the LGZs proposed by Welsh Government (only the Bronllys area of the Brecon, Bronllys and Talgarth LGZ falls within Powys, the remaining areas being within the Brecon Beacons National Park and therefore outside of the remit of the original Assessment). The exception is the Central Powys area, which broadly covers the settlements of Rhayader, Llandrindod Wells and Builth Wells and where the level of employment land supply (25 ha) potentially exceeds the demand requirement (9.6-13.5 ha).

4.2.2 Housing and Employment Land

As set out above, the indicative spatial distribution of employment land requirements show that supply broadly matches the forecast allowance for each of the four sub-areas identified in the original Assessment. The Assessment concluded that ‘there is a need to maintain flexibility both across Powys and within each sub-area, however the chosen level will need to be determined by the LDP’s preferred spatial strategy and in particular matching employment land to housing allocations’. The recommended employment sites supply shown in the original Assessment identifies a range of allocations and sites offering potential for expansion, the vast majority of which are to be found within settlements that form part of the top two tiers of the sustainable settlement hierarchy (i.e. towns and large villages). There remain issues of potential oversupply of employment land within the Central Powys area, but also evidence of unmet demand with the potential to absorb overspill from the neighbouring Brecon area.

The Draft Housing Paper prepared by Powys County Council in December 2014 sets out that housing growth is distributed on a pro-rata basis according to a settlement’s place in the sustainable settlement hierarchy and its existing size (household numbers). The Paper identifies that, again, the top two tiers of the hierarchy (towns and large villages) are expected to take 85% of the County’s housing growth for the period to 2026.

5 Needs of Individual Sectors

The original Assessment considered the needs of individual sectors in terms of requirements for B Use Class sites and premises. Economic forecasts were broken down to the local area and highlighted both the on-going structural shifts in the economy and that there would be significant churn of jobs and businesses within certain sectors over the LDP period. Whilst this information is useful in terms of reflecting current patterns of activity within sectors and likely sectoral growth or decline given current strengths and weaknesses in the local economy, it should be noted that the robustness of the data reduces as the geographic focus narrows. The data is therefore of value to inform the Employment Needs Assessment, but care must be taken with the level of emphasis given to it.

In preparing this Addendum to the original Assessment, the economic forecasts produced by Oxford Economics in 2011 were compared with more recent forecasts prepared by Cambridge Econometrics in 2013, including an exploration of differences in sectoral forecasts. A detailed analysis can be found at Appendix 1; however potential differences identified between the two sets of forecasts, which may explain some of the differences in the OE and CE projections for total employment, are in the following sectors:

- Energy and utilities
- Accommodation and food services
- Government services, most likely healthcare

These three sectors are considered to have a modest impact on B Use Class property. There may be some requirement for offices and industrial premises within the energy and utilities sector (however, a proportion of any growth in this sector is likely to be in mobile maintenance tasks). Growth in accommodation and food services and healthcare is not considered to impact upon B Use Class property substantially.

Analysis of forecasts as part of the original Assessment did not identify a single sector with needs of such a scale that specific responses were required. The main findings of the Assessment are considered to remain relevant in the light of new statistical evidence obtained as part of this Addendum.

Analysis of sectoral growth reflects the current patterns of activity and therefore factors in an area based approach to a certain extent. Should development proposals come forward that may substantially shift the current balance of activity (for example proposed distribution of housing or significant infrastructure development proposals), there may be a justification for reflecting this in employment policy. The policy recommendations contained in the original Assessment provided for a range of site typologies and locations with the flexibility to accommodate different occupiers through criteria based policies, without the need for extensive and potentially incorrect allocations in all settlements. The total estimate for future requirements across the Plan period also incorporates a flexibility allowance equivalent to five years supply, which it is considered would cater for any peaks, unexpected demands or shifts in sectoral activities.

6 Conclusions

This Addendum to the Powys Employment Needs Assessment published in 2012 has taken into account relevant recent changes in the national and local economy, tested the robustness of the findings of the original Assessment in the light of more recent population and household projections and addressed a variety of issues that have been raised during the Deposit LDP consultation period relating to employment land.

The main findings of this Addendum are summarised as follows:

- A review of more recently available socio-economic data does not suggest a substantially different situation in terms of the Powys economy to that at the time of the original Assessment in 2012;
- Use of the 2011-based population projections has brought the Assessment into line with other documents forming part of the evidence base supporting the LDP;
- Taking into account these revised projections, the growth in the locally employed workforce between 2011 and 2026 has been estimated at -830 persons, less than that identified in the original Assessment, which indicated an increase of around 2,000 persons over the Plan period;
- The findings of the original Assessment in relation to whether a higher growth employment led scenario should be tested, are considered to hold, namely that any model of higher employment growth would be speculative, without a clear basis for which sectors to promote. The market context and historic take-up data suggest the results of the quantitative assessment will already be challenging to deliver given the cost-value gap present in the commercial employment development market in Powys. As a result, any increase in the assessed requirement would be unlikely to be delivered. In addition, the revised labour force analysis suggests no labour supply imperative to deliver higher levels of job growth. There is already a flexibility buffer built into the original Assessment to take account of any demand over and above the core assessment. This is considered to provide sufficient room for manoeuvre in the short term, with any higher levels of growth able to be considered if and when they become apparent through the normal processes for policy and plan review;
- As a result of this review we have now taken into account two sets of economic forecast projections (the original Oxford Economics and a more recently prepared Cambridge Econometrics dataset). We consider that the policy recommendations in the original Assessment remain valid and responsive to changing circumstances;
- An employment change range of -900 to +350 taking both the Oxford Economics and adjusted Cambridge Econometrics figures into account appears appropriate given the labour supply analysis and the potential downside risks on this element;
- The Addendum has considered the linkages between employment and housing, taking into account the housing numbers put forward within the Powys Deposit LDP. The findings of the original Assessment are considered to stand, given the need to replace and upgrade the existing supply of premises and the need to deliver the type and quality of premises for modern business occupiers. The spatial distribution of employment land requirements show that supply broadly mirrors the forecast allowance for each of the geographic sub-areas identified in the original Assessment and accords broadly with both the Sustainable Settlement Hierarchy and the proposed spatial distribution of housing. Findings from the economic forecasting undertaken as part of the original Assessment, together with the revised labour force analysis and population projection data produced as part of this

Addendum suggest that employment requirements and aspirations within Powys are not driving the housing market in the County;

- In terms of individual sectors, analysis of economic forecast data as part of the original Assessment did not identify a single sector with needs of such a scale that specific responses were required. The main findings of the Assessment are considered to remain relevant in the light of new statistical evidence obtained as part of this Addendum;

- It is considered that the Assessment contains sufficient flexibility to accommodate any peaks, unexpected demands or shifts in sectoral activities that may take place during the LDP period to 2026;

- The challenge for economic development in Powys remains not in the supply of allocated land for employment purposes, but in bringing forward sites and delivering development. Policies to encourage mixed-use to enable such development were therefore recommended in the original Assessment are considered to remain valid.

Ongoing work in relation to population and housing has been undertaken during the course of the preparation of this Addendum. Appendix 2 contains a summary of how the findings of the Addendum relate to emerging work relating to housing provision within the County; further consideration as the flexibility of approach taken in terms of providing for higher growth; and further consideration of the approach taken in relation to replacement and churn.

Appendix 1

Comparing Economic Forecasts

Comparing Economic Forecasts

The original assessment was based on 2011 based economic forecasts prepared by Oxford Economics (OE). The South West and Central Wales Regional Learning Partnership has subsequently utilised forecasts prepared by Cambridge Econometrics (CE). Data for Powys is available via the Regional Learning Observatory. The publicly available CE data is less detailed than the OE data, however it is more recently prepared (2013 compared to 2011).

As part of this review and update, the OE and CE data were compared to understand whether the analysis within the original Powys Economic Needs Assessment remains robust, or whether account should be taken of a changing view of the potential economic future of the area.

Historic Comparison

The two data sets were compared over the period 2001-11 alongside ONS Jobs Density data for total employment. This ONS data is considered the most comprehensive assessment of local employment.

Table 1 sets out the data from the three sources. What is immediately evident is the discrepancy between the overall scale of employment within the CE data and both the ONS and OE data. Closer inspection of the sectoral breakdown provided by OE and CE shows a substantial difference in the treatment of agriculture. Many employment data sets exclude farm based agriculture. It is understood that Oxford Economics has added this into its modelling, leading to a much larger agriculture, forestry and fishing sector in Powys in employment terms.

Table 1 Employment Data for Powys from Different Sources

Source	2001	2011
ONS Jobs Density	60,000	64,000
Oxford Economics	59,000	68,000
Cambridge Econometrics	49,000	56,000

Both OE and CE data suggest more substantial growth in employment in Powys than the official ONS data over the same period. There is no sectoral detail available within this ONS data set available to provide an understanding of where such discrepancies may lie.

Projections 2011-26

It is evident from the data above that the starting position at 2011 is very different. For the purposes of the Powys Employment Needs Assessment, the important issue is change over time, and ensuring that the Powys Local Development Plan is able to accommodate that change effectively. In order to make more effective comparison of the OE and CE data, both employment time series have been indexed to a base year of 2011=100.

The OE data suggests a slight fall in the level of total employment over the period 2011-26 to 98.7% of the level in the base year. This is equivalent to -900 jobs. At the headline level, the CE data suggests a far stronger employment performance, with a growth of 4.5%, equivalent to +2,500 jobs. At face value this is a difference of some 3,400 jobs over the Plan period.

As noted above, OE and CE treat agriculture differently. The OE approach to agriculture leads to a substantial impact over the 2011-26 period. CE shows no change in agricultural employment (albeit, only capturing part of the agriculture sector). OE forecasts a fall of more than 2,000 jobs in its analysis. Adjusting the CE data for this element alone[12] leads to CE data implying only a 0.6% point growth over the Plan period. This is much more closely aligned with the level of growth suggested by OE, equivalent to +350 jobs, reducing the discrepancy to 1,250 jobs. This alternative treatment of the agriculture sector could explain almost two thirds of the original discrepancy. It should be noted that CE may include some decline in agricultural employment that is masked by the effects of rounding data in the publicly available information.

Exploration of further sectoral differences have been undertaken. In summary:

- CE shows no reduction in manufacturing employment, compared with a reduction of 1,400 jobs by OE. The treatment of manufacturing by CE appears slightly unusual, given that over the period 2001-11 the sector is shown to decline in Powys by 30% which was similar in scale to the level of decline in Wales and the UK. However, over the period 2011-26 CE show continued decline at the Wales and UK levels, but flat employment performance for Powys. One potential explanation is the effect of rounding in the CE data.

- CE shows a 1,000 job rise in the Electricity, Gas and Water sector compared to no change recorded by OE. This may indicate a more positive view on the scope for employment growth in the energy and utilities sector in Powys. This difference cannot be explained by data rounding.

- The construction and transport sectors are forecast to perform similarly in the two datasets.

- CE projects no change in the distribution (including retail) sector, whereas OE project a growth of around 600 jobs. This could suggest a worsening in the outlook for this sector since the OE forecasts were produced. However, any uplift in the CE data of less than 1,000 jobs could be masked by the heavy rounding of data.

- CE projects a 1,000 job growth in the accommodation and food services sector in comparison to a marginal decline in the OE projections. This may suggest a more optimistic view of this sector in the CE data. This difference cannot be explained by data rounding.

- CE projects no change in the financial and business services sector, whereas OE projects a 1,200 growth in jobs. It is possible that rounding of CE data masks an uplift of up to 1,000 jobs, or it may indicate a differing view on the potential of this sector. Considering CE historic data, over the period 2001-11 the sector was shown to grow by 40%, faster than both Wales and the UK. Future projections performance is shown to be behind Wales, although as noted above, rounding could play a role. Given projected growth at the Wales level, previous good performance in this sector and growth projected by OE, it is reasonable to assume there will be growth in this sector and the rounding effect may be the primary issue.

- CE projects a 1,000 job growth in the government services sector (including education and health). This compares with a loss of 500 jobs in the OE analysis. The CE data does not provide sufficient sectoral breakdown to investigate which sub-sectors are driving this growth. Given the effects of austerity on public sector employment the most likely source of growth is among the health sector. OE allow for some growth in this sector, masked by losses in other areas. This may indicate a more positive view on employment in this sector since the OE forecasts were prepared.

- CE shows no change in employment in the other services sector compared with a 900 job growth by OE. This could be explained by rounding. Historic CE data shows Powys experiencing higher growth in this sector than Wales and the UK. Over the Plan period the

UK and Wales are shown to experience growth. There is no clear reason as to why Powys should not also experience some growth in this sector and therefore rounding effects are likely to be in play.

In summary, this analysis shows that the level of detail in the information is not always available, and the effects of rounding data to the nearest 1,000 jobs in the CE forecasts may mask more subtle changes in the Powys economy. Potential differences identified between the two sets of forecasts, which may explain some of the differences in the OE and CE projections for total employment, are in the following sectors:

- Energy and utilities
- Accommodation and food services
- Government services, most likely healthcare

These three sectors will have a modest impact on B Use Class property. There may be some requirement for offices and industrial premises within the energy and utilities sector. However, a proportion of any growth in this sector is likely to be in mobile maintenance tasks. Growth in accommodation and food services and healthcare is not considered to impact upon B Use Class property substantially.

Alignment with Labour Supply

The workforce/labour force analysis undertaken on the basis of revised population projections suggested a potential for growth in employed workforce capacity of 830 persons, although this includes some uncertainty in respect of older age economic activity rates that may put downward pressure on this figure.

The agriculture adjusted figure for CE of +350 jobs broadly aligns to the labour supply analysis. An employment change range of -900 to +350 taking the OE and adjusted CE figures appears appropriate given the labour supply analysis and the potential downside risks on this element.

Appendix 2

Response to draft updated Population and Housing Topic Paper

A Draft Population and Housing Topic Paper was produced in 2015 to support the LDP(2); findings in relation to a review of this document and further population figures sent from Powys County Council in an email dated 12th May 2015, are provided below:

Revised Housing Numbers

The revised housing numbers now relate to a population figure that is above the 2011 based principal projection. The increase in population over the period of 3,723 (as set out in the email) compares to 2,800 under the Principal Variant projection and is very similar to the Higher Variant projection. The additional increase in population over and above what has already been tested as part of the Employment Needs Assessment is 900 – 1000 persons over the LDP period.

A re-run of the labour supply model using the Welsh Government Higher Variant projections has only a very modest effect on the potentially employed workforce. Rather than a figure of –830 over the LDP period as set out in Section 2 of the Addendum, this figure changes to –790; a basically negligible change. The reasons for this are that the major effects of the Higher Variant scenario are felt primarily in the Under 16 and Over 74 age groups and as such the effects in the working age population are very modest. If a more even spread of additional population across all age groups is assumed, then using our model we might assume 45% of the additional population would expect to work locally. On that basis, our figure would be reduced by some 400-450 persons over the LDP period and therefore moving from –830 to between –380 to –430. This range is still in the range of normal using the Cambridge Econometrics and Oxford Economics forecasts as stated in the Addendum.

Future Proofing

Our approach already builds in plenty of flexibility in terms of providing for higher growth. In the assessment of future requirements we not only consider the requirements for net additional jobs in the economy and the need to upgrade stocks, we also provide an uplift to cover choice and a further flexibility buffer that is outlined to serve two potential purposes – dealing with excess demand in the plan period and/or ensuring a supply at the end of the plan period. Our final assessment has considered historic completion levels; whilst Powys has an ageing stock that is in need of upgrading, the development economics are such that without public support there is generally little in the way of employment development. Therefore our assessment of what might reasonably be required in normal market circumstances and what might actually be delivered are somewhat different. Either way, our assessment provides plenty of flexibility to deal with a higher housing figure and any increased requirement for jobs.

In terms of net additional employment, the element of our assessment which deals with additional jobs is only a small part of the total requirement (approximately 10%). If the number of jobs required increased to deal with a greater labour supply this element may increase slightly, but it will have a relatively minor effect in terms of the overall scale of employment requirements outlined in the Assessment. The key findings set out in Section 2.2 of the Addendum therefore stand.

The final point here is with regard to the setting of a potential threshold at which point employment land allocations would need to be revisited. In employment land terms we consider that we have provided substantial flexibility and that a considerable level of additional growth could be accommodated without there being much of a material impact on our conclusions due to the dominance of replacement. If the level of housing increased by another 1000 dwellings (say), this is probably only going to increase jobs by around 500 and many of those would be outside the B Use Class. Whilst we do not currently have forecasts for that level of growth to predict accurately the sectors in which jobs would likely fall, we would assume that it is likely to be 'more of the same' i.e. a slight decline in manufacturing and a slight increase in office-based working.

Replacement and Churn

A variety of approaches are taken by specialists in relation to this area, primarily because there is limited hard and fast evidence to set the assumptions for a solid foundation. The approach we have used is based on previous assessments undertaken, including extensive testing of the logic chains. The most compelling evidence is that we know there has been ongoing demand for industrial type premises across the UK throughout the last 20-30 years, yet employment has been in decline in the industrial sectors overall for much of that time. If only the net changes in overall employment are considered then this would result in forecasting a decline in the requirement for industrial premises, contrary to the observed pattern. Our approach is therefore based on a logical articulation of the situation observed in the commercial development market. It is accepted that in part it is indicative, but it seeks to describe what is reasonable to assume.

The monitoring information available in relation to development patterns is often insufficient to make a fully accurate assessment and we cannot therefore point to accurate historic information for Powys; however a comparison of approaches taken in other local authority areas provides some corroboration for the approach we have adopted. In particular it demonstrates that there are losses of some employment land to other uses whilst new employment sites are developed for industrial purposes.