



# Neath Port Talbot LDP

Review of Levels of Growth 2015

**FINAL REPORT**

On behalf of **Neath Port Talbot County Borough**

Project Ref: 33276/4501 | Rev: R1A | Date: January 2015

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# 1 Introduction

## 1.1 Background

- 1.1.1 Peter Brett Associates have been asked to re-assess the level of growth set out within the Neath Port Talbot Local Development Plan (LDP), to inform the examination hearing sessions due to commence on 11<sup>th</sup> March 2015. This work has involved undertaking a review of the Welsh Government objections (both at 'Deposit' stage and 'Proposed Focussed Change' stage), all other related objections and various documents including the September 2014 Growth Strategy Supplementary Paper. The aim is to assess the extent to which the level of growth identified in the LDP, and the model and assumptions used are robust or whether any further changes should be identified going forward into the examination.
- 1.1.2 The employment led model established in the PBA Economic Assessment and Employment Land Provision for Swansea and Neath Port Talbot September 2012 Report used 2008 based information and identified, at table 7.11, a need for 8,027 additional homes to 2026 as a result of pursuing an employment growth of 3,850 jobs. This was considered a robust and aspirational approach and while some minor comments were submitted about the assumptions it was generally supported and Welsh Government stated there was not an issue of soundness. The assumptions used within the model were considered to be very cautious and it was always the intention that these would require monitoring to ensure they remain appropriate.
- 1.1.3 Given that Peter Brett Associates were not involved in the update of the model, its inputs or interpretation, that informed figure 4.2 of the Growth Strategy Supplementary Paper (September 2014) and subsequently the proposed Focussed Changes, this model has been re-examined. Following this review it can be concluded that the model creates a population of 153,098 which is not consistent with the data within the employment led model which was benchmarked against the Experian population input and which led to the identification of a growth of 3,850 jobs to 2026. This inconsistency between population numbers and jobs within the model cause difficulties with the creation of a very high population figure and static jobs figure, meaning that the model outputs have not been used and interpreted accurately. As a consequence the 2014 updated model should no longer be relied upon. The output of this model in September 2014 was the identification of a need for 7,001 homes, which informed the further changes to the LDP.
- 1.1.4 The issue to be resolved is the need to ensure that the population in the model largely correlates with the population input in the economic Experian projections to ensure consistency. It is therefore necessary to reconsider the use and application of the model and input updated assumptions correctly against the benchmarked population of around 146,000-147,000. It is important that the aspiration element of the strategy for jobs is adequately and realistically translated into the number of households. Therefore, consideration has been given to using new and updated assumptions evidenced from more recent Census and other monitoring data as well as from the most appropriate 2011 based household projections.
- 1.1.5 The suggested approach is to establish a robust demographic and employment led housing requirement which uses more up to date information and appropriate assumptions. It is important to be able to demonstrate that the aspirational economic objectives are consistently translated into the new homes target. Consequently, an assessment has been made of the new information from the Census, projections and also contextual data on performance to assess which assumptions should be used to inform an updated calculation.

- 1.1.6 The following section sets out the updated scenarios, explains how the employment led housing requirement model now differs from what was included in our Economic Assessment and Employment Land Provision for Swansea and Neath Port Talbot September 2012 Report, presents the rationale for the assumptions and also sets out a consistent demographic led housing requirement.

## 2 Updated Scenarios

### 2.1 Employment Led Housing Requirement

2.1.1 It is necessary to update the model and include more recent and appropriate assumptions to explore how the level of growth would change. It is entirely appropriate to update the model as long as robust data is available to support the new figures and assumptions and that the total population figure used is consistent with the population within the employment model which identified the growth of 3,850 jobs.

2.1.2 The updated model is set out below. The assumptions, sources of information and rationale are set out after the table.

Table 2.1 Employment led housing requirement 2011-2026

| Employment model  |                               | Source and notes  |
|---|-------------------------------|---|
| a1. Economically active 2011  | 64,110                        | 2011 Census   |
| a2. Working Age Population 2011   | 89,124                        | 2011 Census   |
| b. Population 2011  | 139,812                       | 2011 Census   |
| c. Households 2011  | 60,393                        | 2011 Census   |
|   | EE+ Scenario:<br>(3,850 jobs) | Experian and PBA adjusted Experian Employment Forecasts   |
| d. Net gain of jobs (minus 5% for double jobbing allowance)             | 3,658                         | National rule of thumb for double jobbing   |
| e. Net Change in unemployment 2011 – 2026                               | -1,923                        | Calculation based on a reduction of ILO unemployment rate from 9.9% to 6.9%   |
| f. Economically active 2026 (f = a1 + d + e)                            | 65,845                        | Calculation based on economically active population 2011 plus job growth to 2026 minus the change in unemployment by 2026 |
| g. Working age population (g = f x (1/76%))                             | 86,638                        | Calculation based on increasing the ratio of economically active to working age population to 76% by 2026                 |
| h. Total population 2026 (h = g x (1/58.8%))                            | 147,343                       | Calculation based on ratio of working age population to total population at 2026 in WAG 2011 population projections       |
| i. Private households population 2026 (i = h – 0.96%)                   | 145,928                       | Calculation based on projected level of non-household population  |
| j. Total number of households 2026 (J = i ÷ 2.15 persons per household) | 67,874                        | Calculation based on reduction in average household size  |
| k. Number of additional homes 2026 (k = j – c)                          | <b>7,481</b>                  | Net additional household between 2011 and 2026 at 1:1 ratio   |

|  |       |  |
|--|-------|--|
| I. Population change 2011 - 2026 (l = h - b)     | 7,531 | Calculation to illustrate indicative population  |
| <b>Assumptions:</b>                              |       |  |
| Unemployment % 2011                              | 9.9   | ILO unemployment rate Stats Wales  |
| Unemployment % 2026                              | 6.9   | Average Welsh Unemployment Rate 2004-2013 (ILO Stats Wales)                              |
| Unemployment No's                                | 1,923 | Calculation to identify real number reduction from 9.9% to 6.9%                          |
| Economic Activity/Working Age Population         | 76.0% | Evidence provided from past trends extrapolated  |
| Working Age Population/Total Population          | 58.8% | Projected Rate at 2026 based on WG 2011 Population Projections 10 year migration variant |
| Non Household Population (assumed as a constant) | 0.96% | Revised calculation based on WG 2011 Population Projections 10 year migration variant    |
| Average Household Size Reduction by 2026         | 2.15  | Evidence provided from past trends extrapolated to 2026 (average yearly reduced rate)    |

## 2.2 Census data

2.2.1 Where possible, and to ensure a consistent set of base line information, data from the 2011 Census has been used as the starting point for all the figures. This includes the economically active, working age population (all persons 16-64), total population and households as set out in rows a-c in the table above.

## 2.3 Employment projections

2.3.1 In the absence of any additional and more up to date employment projections it is still considered reasonable to use the Experian Economics Adjusted Scenario as set out in the Economic Assessment 2012. This demonstrates that 3,850 jobs will be created between 2011 and 2026. This is an aspirational jobs target which has been developed on a consistent basis with the City and County of Swansea.

## 2.4 Double jobbing allowance

2.4.1 It is considered that this national rule of thumb for double jobbing is still relevant and should continue to be used in the calculation.

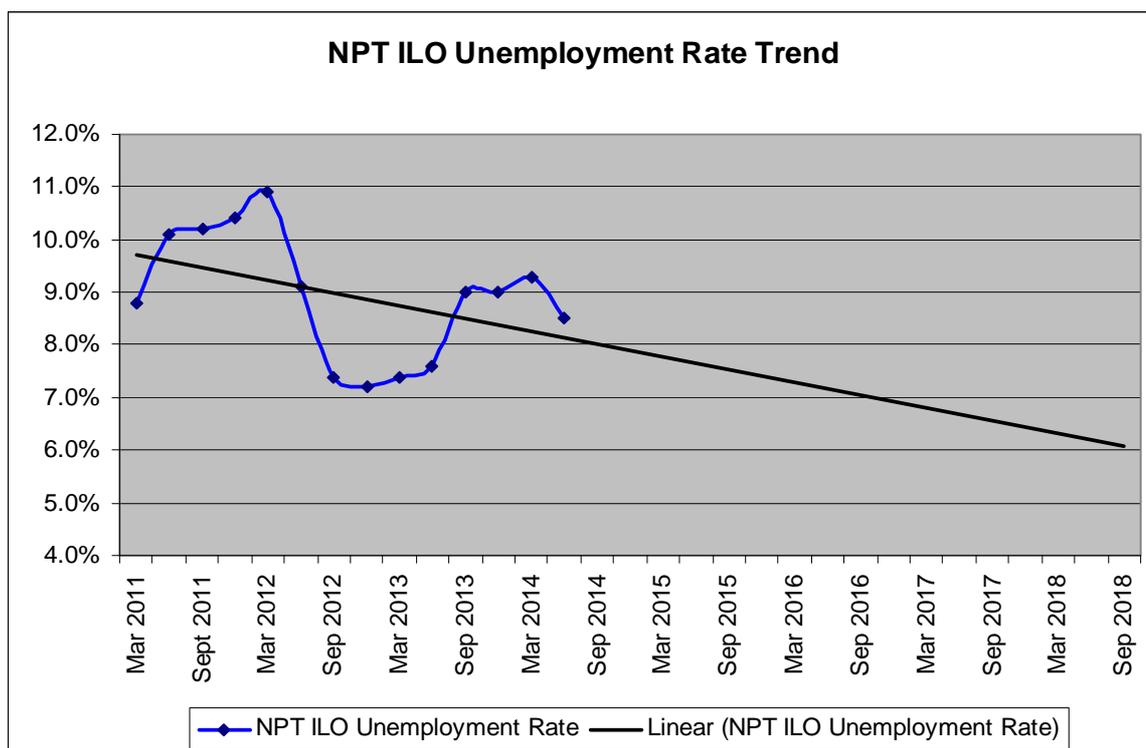
## 2.5 Unemployment rate

2.5.1 This assumption has been updated to take the starting point as 2011 and use the ILO unemployment rate. The average ILO unemployment rate was 9.9% at 2011 and, as shown in the Growth Strategy Supplementary Paper September 2014, has reduced as follows:

Table 2.2: Change in average ILO unemployment rate 2011 -2013

| Year | Neath Port Talbot Average ILO Unemployment Rate % | Welsh Average ILO Unemployment Rate % |
|------|---|---------------------------------------|
| 2011 | 9.9   | 8.5                                   |
| 2012 | 8.65  | 8.35                                  |
| 2013 | 8.25  | 8.12                                  |

Source: ONS (2014) Local Labour Force Survey/ Annual Population Survey



2.5.2 While the quarterly unemployment rates are volatile, the general trend is a reduction towards the Welsh average, and this combined with the aspirational approach to getting people back into work is consistent with the rest of the LDP strategy. Monitoring will be essential to assess whether this downward trend continues and whether the level of 6.9% will be achieved by 2026. This figure of 6.9% is the 2004 – 2013 Welsh average which is considered to be a long term average and consequently robust. Progress down to the Welsh average will be monitored through the contextual indicators included within the Annual Monitoring Report and if it appears that this figure is not likely to be reached it will be necessary to deal with this through a review.

## 2.6 Economically Active

2.6.1 The number of economically active people at 2026 is calculated as all those who are economically active at 2011 (row a1) plus the number of new jobs created (row d) and minus the change in number of unemployed achieved by the reduction in unemployment rates (row e). This is set out in the notes and calculation in row f in table 2.1 above.

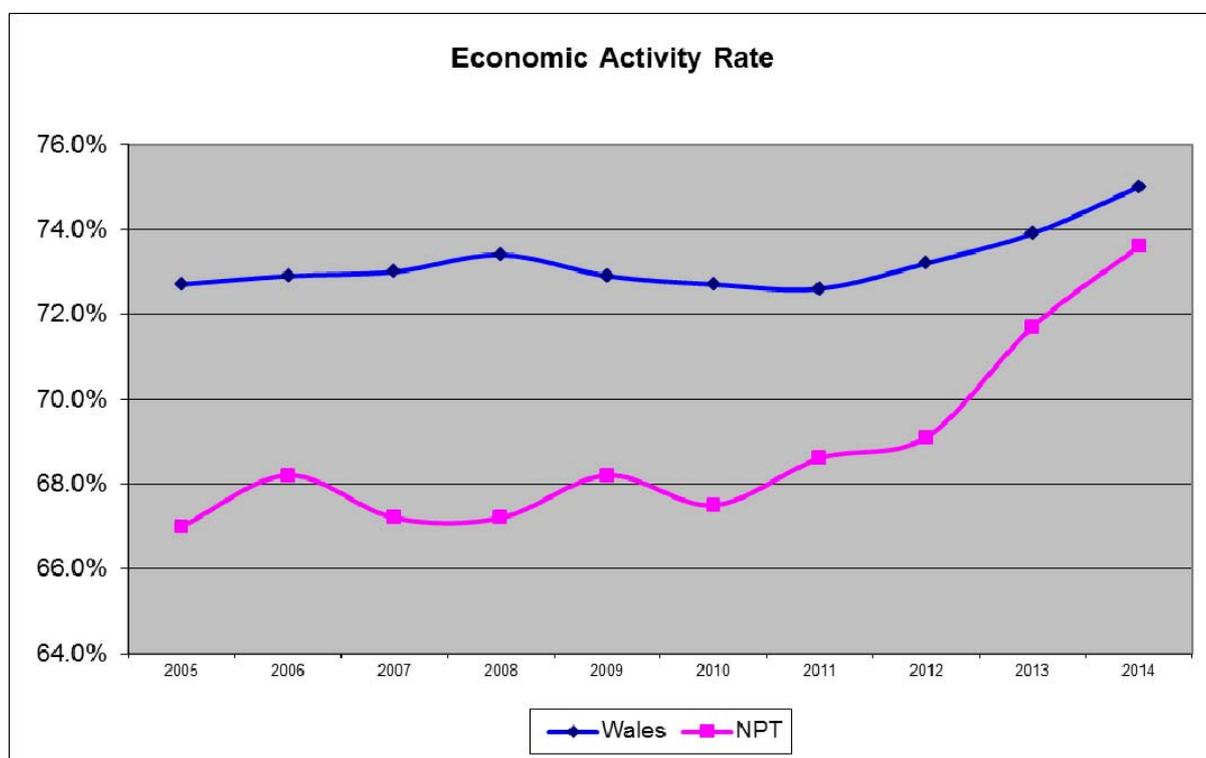
## 2.7 Working Age Population and rates

2.7.1 The working age population at 2026 is calculated using the economic activity rate most likely to be achieved by then. The economic activity rate has been increasing over the last ten years, as shown in the table below, which demonstrates the increase in economic activity rates from 67% in 2005 up to 73.6% in 2014.

Table 2.3: Change in economic activity rate 2005-2014

|              | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------|------|------|------|------|------|------|------|------|------|------|
|              | %    | %    | %    | %    | %    | %    | %    | %    | %    | %    |
| <b>Wales</b> | 72.7 | 72.9 | 73.0 | 73.4 | 72.9 | 72.7 | 72.6 | 73.2 | 73.9 | 75.0 |
| <b>NPT</b>   | 67.0 | 68.2 | 67.2 | 67.2 | 68.2 | 67.5 | 68.6 | 69.1 | 71.7 | 73.6 |

Source: ONS (2014) Local Labour Force Survey/ Annual Population Survey



2.7.2 It is therefore necessary to use a different rate from the previous model which used 73% as this has already been exceeded. Given the aspirational strategy within the plan and the importance of not constraining the labour supply it is realistic to assume that this rate will be higher. The choice of 76% is used because the rate of improvement has been significant and faster than the growth for Wales as a whole, as shown by the chart above. If past rates continue and are extrapolated on to 2026 there is likely to be convergence with the Welsh average before the end of the plan period and exceeding it by 2026. It will be important to continuously monitor this factor and consider whether this level is realistic and going to be reached by 2026.

2.7.3 It is important to note that this links with the assumptions about the working age population which is calculated from the 2011 Census as all persons age 16-64. This has not been split by gender and does not take into account the new and increasing retirement age. This is therefore a robust and cautious approach because no additional assumptions are

included for increased economic activity through delayed retirement and part time working in the elderly population. It is highly likely that the elderly population are going to be working longer, however this is difficult to estimate accurately and in the absence of any robust information about this it should be excluded and monitored to assess what impact this is having.

- 2.7.4 The proportion of working age population to total population at 2026 is projected to be 58.8% as set out in the Welsh Government's 2011 population projections. These 2011 based projections are the most recent set of data and therefore it is entirely appropriate to use these rather than the previous 2008 based information. These projections factor in the changing age structure and demonstrate that using the 10 year migration trend variant the total population at 2026 is expected to be 147,400. Of which the working age population (age16-64) is 86,600 which is 58.8% of the total population.

## 2.8 Non Household Population

- 2.8.1 The previous model used 2.2 which was the average constant rate as the most appropriate assumption for the level of non-household population. However, new evidence demonstrates that this is not likely to be achieved and that a more realistic approach should be used. The 2011 Census figures demonstrate that the private household population was 138,700 compared with a total population of 139,812. On this basis 1,112 people represent the non household population, which is 0.8% of the total population. Using the 2011 population projections 10-year migration variant, which is the most accurate and up to date information, it is possible to calculate the likely level of non-household population which is expected to be 0.96% in 2026. It is notoriously difficult to predict whether there will be an increase in the number of older people moving into care homes and nursing homes (non C3) or whether older people are choosing to live independently in their own homes with support, as set out in the Transforming Older Persons Strategy, which aims to support residents with providing care in their own home. Therefore, in the absence of more robust information, this is considered to be the most robust and cautious assumption to use.

## 2.9 Average Household Size

- 2.9.1 The previous 2012 model used a figure of 1.98 as the average household size at 2026 which came directly from the 2008 based population and household projections. It is noted that this should have been 1.97 as clarified by the Welsh Government in their representations. However, the likelihood of reaching either 1.97 or 1.98 is very doubtful and is no longer supported by the more recent 2011 based projections which identify a likely average household size for Neath Port Talbot as 2.25 at 2026. This was clearly set out in the Growth Strategy Supplementary Paper September 2014, which demonstrates that the average household size has dropped from 2.53 in 1991 to 2.3 in 2011 and 2.29 in 2013. The extrapolation of these figures in that report concluded that 2.25 was reasonable, however, it can be argued that this figure is influenced by the recent economic recession, with Welsh Government making representations to suggest this. It is considered that using this component of the 2011-based projections would not properly factor in the economic aspirations of the Plan's economic led strategy. On this basis, and in accordance with the Welsh Government's concerns, the average household size component has been revised and consequently a more optimistic figure used.
- 2.9.2 The halfway point between 1.97 and 2.25 is 2.13 as recommended by Welsh Government, and there is some sort of rationale for that figure in that it seeks to reflect both 2008 and 2011 household formation rates. This type of indexed or hybrid approach is popular in England because it acknowledges the difficulties of knowing exactly what rate to use, and it can be considered reasonable to use the average in the absence of better information. An approach which takes a more positive average household size would be consistent with the ambition for a more positive future which recognises that the County Borough is planning for

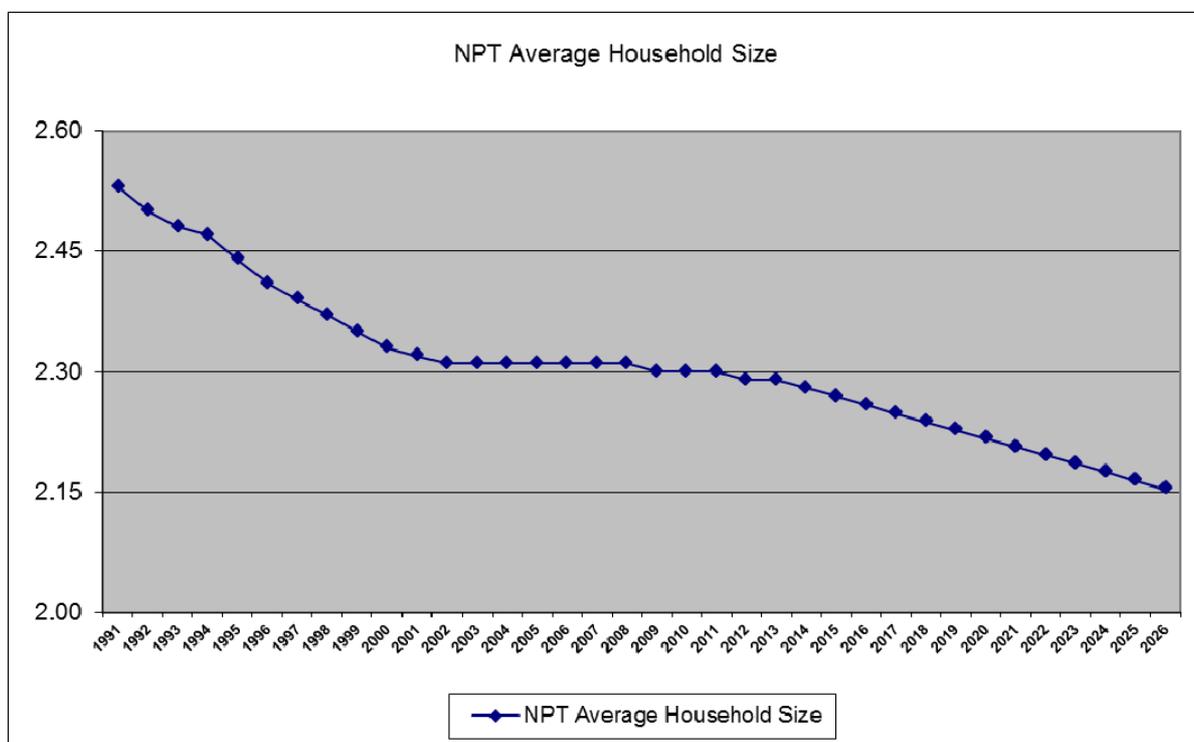
growth rather than planning for the recessionary trend to continue. This would also recognise that there is likely to have been constrained household formation rates due to the recession.

2.9.3 The average household size within Neath Port Talbot has decreased by 0.24 over the last 22 years from 2.53 in 1991 to 2.29 in 2013. The table below shows the average household size for a selection of years from 1991 to 2013 which takes into account the full economic cycle of boom and recession.

Table 2.4: Change in average household size 1991-2013

| Year                   | 1991 | 1996 | 2001 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------|------|------|------|------|------|------|------|------|------|------|------|
| Average Household size | 2.53 | 2.41 | 2.32 | 2.31 | 2.31 | 2.31 | 2.30 | 2.30 | 2.30 | 2.29 | 2.29 |

Source: Welsh Government (2013) Household Estimates for Wales



2.9.4 This information can be used to make a more robust calculation of what average household size to use. Past rates demonstrate the annual average decrease that has occurred and this rate is used to extrapolate this downward trend over the plan period, resulting in a conclusion that the average household size is likely to decrease by a further 0.14 by 2026. This would give an average household size of 2.15 at 2026. This provides an evidence based figure which includes the boom and bust periods as the trend extends over 22 years and takes account of the need to move to a more aspirational figure than that contained within the most recent projections. It factors in both the need to take a more optimistic approach as set out in the LDP strategy and the importance of remedying the lack of household formation, but balances this with a realistic approach which recognises the long term nature of improving household formation rates, and the fact that this takes time to deliver.

It will be important to regularly monitor the average household size as this is an exceptionally sensitive variable. It is suggested that as further population and household information is released in the future this is tested against the objective and likely projected decrease to assess the rate at which this is being achieved.

## 2.10 Demographic Led Housing Requirement

2.10.1 In addition to the employment led housing requirement it is necessary to consider the demographic led housing requirement. It is considered that the 2011 population projections 10-year migration variant is the most robust projection which should be tested because it is the most ambitious and also the most consistent with the LDP strategy. This projects that the total population for Neath Port Talbot will be 147,409.

2.10.2 The following demographic model uses the same assumptions for non-household population and average household size as set out above:

Table 2.5: Demographic led housing requirement 2011-2026

| Demographic model   |              | Sources and notes   |
|---|--------------|---|
| a. Population 2011  | 139,812      | 2011 Census   |
| b. Households 2011  | 60,393       | 2011 Census   |
| c. Total population 2026 (from projection)                              | 147,409      | 10 Year Migration Variant (2011 Based Population Projections)                         |
| d. Private households population 2026 (d= c – 0.96%)                    | 145,994      | Calculation based on projected level of non-household population                      |
| e. Total number of households 2026 (e = d ÷ 2.15 persons per household) | 67,904       | Calculation based on reduction in average household size                              |
| f. Number of additional homes 2026 (e-b)                                | <b>7,511</b> | Net additional household between 2011 and 2026 at 1:1 ratio                           |
| g. Population change 2011 – 2026 (c-a)                                  | 7,597        | Calculation to illustrate indicative population                                       |
| <b>Assumptions:</b>   |              |   |
| Non Household Population (assumed as a constant)                        | 0.96         | Revised calculation based on WG 2011 Population Projections 10 year migration variant |
| Average Household Size Reduction by 2026                                | 2.15         | Evidence provided from past trends extrapolated to 2026 (average yearly reduced rate) |

2.10.3 The assumptions used in this model on non-household population and average household size reduction are the same as in the economic model and are discussed in detail in the section 2.8 and 2.9 above.

## 3 Conclusion and Recommendations

### 3.1 Summary

- 3.1.1 The updated model at Table 2.1 sets out the employment led housing requirement which demonstrates that there is a need for 7,481 new homes between 2011 and 2026. Table 2.5 sets out the demographic led housing requirement which demonstrates there is a need for 7,511 new homes between 2011 and 2026.
- 3.1.2 These models are considered to be based on the most up to date and robust evidence available and to use assumptions which are consistent with this information and also with the objective of the LDP strategy which is to deliver an aspirational approach to economic development. The population figures within and generated from the models are very similar, which is consistent with the population used within the economic model which forms the basis of the job growth figure of 3,850. It is important to ensure that the population levels are consistent across all the models because it confirms that the LDP strategy is properly integrated between the economic objectives and the housing need associated with this level of growth.
- 3.1.3 The idea of considering both the employment led and demographic led housing requirements is to identify what population and labour supply is required to deliver the jobs and whether the demographic projections show that the population constrains this level of growth. This is not the case as the 10 year migration trend projections identifies a level of population growth over that required to deliver the jobs. Consequently, the employment led housing requirement of 7,481 should be considered the lowest level of need required to deliver 3,850 jobs and the demographic led housing requirement of 7,511 should be seen to fully represent the needs of the existing and future population at 2026.
- 3.1.4 The fact that both the models generate a population and housing requirement figure which corroborate each other provides valuable additional evidence that approximately 7,500 is about the right figure to plan for, both in terms of meeting the demographic needs that exist and also planning for an ambitious economic growth agenda going forward.

### 3.2 Recommendation

- 3.2.1 It is recommended that the housing need figure is set at approximately 7,500 new homes between 2011 and 2026. It should be noted that this figure does not include any additional flexibility allowance for vacancy or contingency.
- 3.2.2 Peter Brett Associates believe that the most effective way to ensure delivery and deal with contingency, choice and effective delivery is to provide an additional flexibility allowance (or buffer) on the supply side, which effectively brings forward the supply of sites but is not added onto the need. It is understood that the Council intend to recognise and retain the need of 7511, which becomes the target and will be monitored within the Annual Monitoring Report (AMR), but the flexibility and vacancies are added onto the supply side producing the housing provision. A certain level of vacant homes is necessary to ensure the housing market is dynamic and that it operates effectively. A 3% vacancy rate is considered reasonable and necessary for the smooth operation of the market and as long as these rates are not excessive there is no reason to include an additional element. However, we are aware that the Welsh Government are seeking to apply a standard nominal 10% allowance. We recognise that in a number of Examinations the 10% allowance has been considered appropriate to provide the required level of flexibility should sites in the Plan not be delivered as anticipated.
- 3.2.3 If a flexibility allowance is applied then this would provide more than adequate contingency against any of the assumptions used in the models not being achieved.