

Cornwall Council

Housing Requirement for Cornwall

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1 Introduction

1.1 Background

- 1.1.1** Cornwall Council is committed to bringing Cornwall out of recession, focusing on the low carbon economy, improving the resilience and self sufficiency of communities and achieving a balanced housing market that meets local needs. These priorities are translated directly into the Local Development Framework and the work that is being done to develop the Local Plan Strategy. The Council's objective within this overall goal is to set a level of development and distribute this *"to improve our communities through quality building, using housing development to meet local need and drive the regeneration and sustainability of communities, promoting smaller settlements to be centres of employment and services"*.
- 1.1.2** The Council's previous Preferred Approach Core Strategy document states at paragraph 1.17 *"development is necessary, first and foremost, to meet the needs of Cornwall's communities for homes, businesses, jobs, and access to our daily needs. We must plan positively for these. We must also ensure the delivery of the infrastructure required and support a major improvement in the economy's performance and productivity and to improve our economic prospects for the future"*. This report fits within this context and will be used to inform the setting of the housing provision for Cornwall as part of an integrated Local Plan.
- 1.1.3** The Government is committed to abolishing Regional Strategies, although this is still to be done, and decisions about the amount and distribution of development will now be determined at the local level. It is still the case, as set out in the National Planning Policy Framework (the Framework) that an evidence base should be used to ensure that the full requirements for market and affordable housing are met. Paragraph 47 of the Framework states that *"Local Plans should meet the full, objectively assessed needs for market and affordable housing"*. Paragraph 173 also states that *"Plans should be deliverable"*.
- 1.1.4** The role of this study is to use the demographic evidence that exists and examine the broad economic potential in terms of likely job growth projections across the economic sectors in Cornwall to understand what the housing requirement might be. This will then be tested against what might be achieved in terms of deliverability and market capacity in order to assist the Council in setting the housing provision to be included in the Local Plan. This report will use existing evidence prepared for and by the Council in respect of population, household projections and migration assumptions. This will be updated to include the latest information relating to migration and natural change from the Mid-Year Estimates, and also reconfigured to ensure a five year trend is used. It will translate a number of economic projections into households taking account of existing unemployment levels and the economically active population as well as household size change.

1.1.5 The report establishes a baseline position for 2011 using the Census and this is used in all the scenarios. The plan period is 2010 – 2030 and as such it is necessary to include the requirement for the additional year 2010 – 2011. This is done using the Structure Plan and pro rata requirement of 1,900 for the year. Consequently all scenarios will need this to be added to provide figures for the whole plan period. The report draws on a variety of statistical information and other background reports as well as discussions with developers to assess the level of growth and makes recommendations on what the evidence is suggesting the right level of housing should be for the area.

1.1.6 It should be noted that the figures are rounded to the nearest 100 and may not sum. Discrepancies may therefore occur between sums of the component data and totals. In the same way there may also be discrepancies between percentages calculated prior to rounding and those calculated from the rounded figures. This report has been prepared using up to date evidence as at the end of September 2012. It is time sensitive and will need to be monitored and updated as new information becomes available. It takes account of the First Release 2011 census data which has been released in July 2012, and uses this as baseline information which sets the population and households at 2011. It is noted that there is some debate about these figures compared to the rolled forward Mid-Year Estimates. It will be necessary to continually update the figures as more become available. In due course there will be revised household projections as a result of the 2011 Census which may show reduced levels of growth because of the differences between the previous estimates and recent Census releases.

1.2 Approach

1.2.1 The requirement for this work arises from the need to test the implications of the different levels of population arising from the need to update the demographic information and the publication of recent economic projections. This sets out the possible housing requirement. It also considers the level of development that can be accommodated across Cornwall in terms of capacity of the market to delivery sites.

1.2.2 There is no ‘established methodology’ for this task, rather it is a matter of taking into account all that should be considered, using the best evidence available, in order to contribute to informed discussions amongst decision-takers, and to explain the process and choice to all interested parties. It is important to link the current work with the considerable demographic work that has already been done by the Council, but also as far as possible to follow the same approach as the housing requirement study undertaken for Plymouth and completed in May 2012. With the move towards locally generated housing figures there is a the need to address cross boundary relationships, as the Planning Framework requires, and while this is relatively insignificant issue for the greater part of the Cornwall, there may be a relationship with Plymouth in terms of the distribution of the housing provision at least. Whilst not within the remit of this work, the Council will need to be able to demonstrate that this relationship has been addressed.

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

- Evidence of current and future levels of need and demand for housing;

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- The published population and household data from Cornwall's PopGroup modelling and Community Intelligence team local projections, benchmarked against the Government's latest published projections and mid-year estimates and updated to include more recent components of change;
- The recent economic projections produced by Cambridge Econometrics (March 2012), and previous 2011 projections produced by Experian for the South West Observatory as well as the previously published labour supply scenario as set out in the Employment Land Review;
- Local and sub-regional evidence of the availability of suitable land for housing using Strategic Housing Land Availability Assessments (SHLAA); and
- The need to ensure sites are deliverable through a robust assessment of market capacity.

1.2.4 The essence of the approach used in this study is to come at the issue of Local Plan Housing Provision from three different positions and to derive a range of figures that provides the best 'fit' with each approach, as well as giving a clear rationale for the range of figures that might be used in providing for the growth of Cornwall and ultimately provide the flexibility required of a plan as part of the soundness test.

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

- Consideration of the requirement using a demographic projection based approach – meaning the numerical consequences of accepting likely trends in birth and death rates and particularly in net migration levels and applying trends to these. This element draws upon Cornwall Council's existing work and updated to take account of more recent components of change in terms of migration and natural change. **Chapter 2;**
- Consideration of the requirement using a purpose based approach – looking at the reasons for making provision for housing in relation to economic development and the likely economic growth across Cornwall. **Chapter 3;** and
- Consideration of the likely deliverability using a delivery based approach – looking at the capacity of the area to provide housing from a housing market delivery perspective. **Chapter 4.**

1.2.6 The sections that follow take each approach in turn.

1.2.7 It should be noted that the scenarios tested here do not represent all possible scenarios and the Council have considered numerous others and may want to continue to examine further scenarios such as an affordable housing led strategy. These would all provide different housing figures and add to the evidence of the requirement that may exist. It is then for the Local Plan to consider all this evidence and make a policy decision about what target is appropriate given all the circumstances and objectives that are sought.

- 1.2.8** The last section of the report **Chapter 5** provides overall conclusions on what the findings of the report might mean for the Council in making and justifying decisions about the level of housing provision to be made in the Local Plan and sets out key recommendations.

2 Requirement According to Demographic Factors

2.1 Demographic Projections

2.1.1 A key determinant of the housing requirement and how these are likely to change in future is the demographic profile of the population and particularly the assumptions that are used in relation to migration and natural change, on which projections are based. Cornwall Council have produced considerable information and commissioned research which considers in detail the population and household projections. This report does not repeat what has been done elsewhere but examines additional data to inform the range of potential housing figures.

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

2.1.3 A summary table is produced which summarises the sources of data currently available for both population and household projections, together with a calculation of private household population and also the household size statistics.

Table 2.1: Cornwall Population and Household Projections

	2011 Census	2030 (based on 2008 ONS sub national projections and DCLG household projections)	2030 (based on 2010 local projections (PopGroup) Cornwall Council)
Population	532,300	630,200	615,800
Households	230,400	295,000	288,400
Private households population (8,800 in communal establishment from Census)	523,400	619,500	605,600
Household size	2.27	2.1	2.1

2.1.4 The 2008 based population projections suggest that the population of Cornwall could grow to 630,300 in 2030, a rise of 97,900 from March 2011. At the time of the 2001 census 1.7% of the population of Cornwall was made up of people living in communal establishments. Assuming this proportion stays more or less constant, the private household population would be 619,500 in 2030. It should be noted that the 2011 Census demonstrates that this has now dropped to 1.65% which represents 8,800 people. Given the static situation over the last ten years it is not considered appropriate to include an allowance for an increase in those in communal establishments. However, this should be monitored to identify whether the increasing elderly population and any significant changes in lifestyle lead to a rise in communal establishments.

- 2.1.5** The average household size in 2001 was 2.28 according to the Census. The 2008 based projections expected this to be maintained until at least 2008 and then to decline to 2.23 by 2013 and 2.16 by 2026. The table shows that the projections expect the average household size to be 2.1 in 2030. The Census shows that in 2011 the average household size is 2.27 and this is discussed in more detail at [paragraph 2.2.2](#).
- 2.1.6** The ONS 2010 based population projections were published in March 2012, and these are not used because they have not been translated into household projections. This will be done later in the year and will need to be benchmarked against the Census figures. The 2010 population projections use a revised migration methodology and show a reduction in projected population by 2030 of 14,200 people, compared with the 2008 based projections. Many assume that the consequent household projections are likely to be lower, however, this is not necessarily a straight forward relationship, although it is likely given the reduced population shown by the Census figures compared to what had been expected.
- 2.1.7** The Department of Communities and Local Government (DCLG) 2008 based household projections calculate that the number of households will rise from 237,000 in 2010 to 295,000 in 2030. This is a housing requirement of 58,000 additional dwellings over the plan period. These are useful known projections which can be used as a control against the other projections, and are not specifically included here because it provides no further information to be tested nor does it extend any possible range of figures.
- 2.1.8** However, the important point to remember is that population and household projections are only future predictions. They do not attempt to predict the impact of future policies or other factors neither are they an assessment of housing need. They are an indication of the likely increase in households given the continuation of recent demographic trends. What actually happens can be influenced by future Council policy related to housing and employment development. Future Council policy is likely to vary any forecast within the overall context of population change trends.
- 2.1.9** It should also be noted that the table above illuminates considerable variation in the 2008 and 2010 based population projections to 2030, illustrating the potential variation in population forecasting. As noted above the 2008 projections show a much high level of population than the 2010 based projections. While the 2010 based population projections have not yet been translated into households, the locally based translation set out in [Table 2.1](#) demonstrates that this is likely to lead to a reduction of 7,500 households compared with those projected in the 2008 based household projections.
- 2.1.10** An analysis of the components of change which make up the population growth each year has been undertaken and updated to include 2010 information. [Table 2.2](#) below identifies that the population growth is determined by the level of migration. This is because natural change is negative, although the trend demonstrates that this is getting less severe as birth rates and death rates are getting closer together.

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Table 2.2: Components of Population Change in Cornwall (ONS mid-year estimates 2001 - 2010)

Year	Net Migration Rate per Annum	Natural Change	Total Change
Mid 2001 – mid 2002	7,000	-1,400	5,600
Mid 2002 – mid 2003	6,200	-1,500	4,900
Mid 2003 – mid 2004	4,800	-1,300	3,500
Mid 2004 – mid 2005	5,200	-1,200	4,000
Mid 2005 – mid 2006	4,600	-800	3,800
Mid 2006 – mid 2007	5,300	-700	4,600
Mid 2007 – mid 2008	3,300	-500	2,800
Mid 2008 – mid 2009	2,500	-600	1,900
Mid 2009 – mid 2010	4,500	-300	4,200

2.1.11 The total change column shows the resulting population growth that has occurred in Cornwall since 2001. The average growth rate for the whole period is 3,920 people per annum. This will form the basis of the long term trend growth rate to be tested as Scenario D1. It is different from the Council's previous medium trend scenario because it uses 2010 Mid-Year estimate data and a 9 year average growth trend rather than a 5 year average migration trend added to projections of births and deaths. Using a long term trend is far more robust and allows short term trends to be evened out. **Table 2.3** below considers the longer term components of change which have contributed to the population growth between 1991 and 2001. It shows that migration steadily increased over the period and that an average growth rate of 3,250 was achieved. This demonstrates that despite the variation in the components of change between 1991 and 2001 both the ten year periods have had similar average levels of growth. This provides additional justification for using long term average growth rates which reflect a more accurate economic cycle.

Table 2.3: Components of Population Change in Cornwall (ONS mid-year Estimates 1991 – 2001)

Year	Net Migration Rate per Annum	Natural Change	Total Change
Mid 1991 – mid 1992	2,000	-500	1,500
Mid 1992 – mid 1993	2,300	-600	1,700
Mid 1993 – mid 1994	3,600	-900	2,700
Mid 1994 – mid 1995	4,100	-1,100	3,000
Mid 1995 – mid 1996	1,700	-1,300	400
Mid 1996 – mid 1997	5,200	-1,000	4,200
Mid 1997 – mid 1998	3,700	-800	2,900
Mid 1998 – mid 1999	5,600	-1,100	6,700
Mid 1999 – mid 2000	6,200	-1,400	4,800
Mid 2000 – mid 2001	6,100	-1,500	4,600

2.1.12 The Council previously used a high migration trend based scenario, which used data over four years from 2000. Our approach differs from this because it starts from 2001 data and uses a five year trend, making it more robust. Taking the first five years (2001 – 2006) which show very high migration rates and consequent total growth rates, the average rate is calculated as 4,360 people per annum. These rates will be used to calculate the high growth projections to 2030 as a basis of scenario D2 to be tested.

- 2.1.13** It is important to test these alternative population scenarios to explore what the effect on household requirements is likely to be. It is also useful to benchmark this against the 2008 based population projections used as a basis for scenario D3. This is not to be confused with the DCLG household projections which indicate a requirement of 58,000 over the plan period.
- 2.1.14** Cornwall Council have commissioned their own local projections using the PopGroup model which take account of locally specific trends in the components of change and are based on three levels of migration. This work undertaken by Community Intelligence Cornwall Council was based on 2008 information and uses different migration trend based data and sets out a low, medium and high projection. This has been recently rerun using the 2010 based population projections. While it recognises that there are concerns about the value of this data because the information behind it relates to the 2001 Census, it represents the most up to date information and is useful to test it as the basis of Scenario D4.
- 2.1.15** The ONS population projections draw heavily on trends over the past five years and are not therefore influenced by the fall in recent years associated with the recession. It is noted, therefore, that the projections for Cornwall assume a slightly higher level of net-migration across the plan period than would have been the case if they had reflected the average trends over a longer period. It is therefore considered appropriate to use both the updated average long term and high growth scenarios and compare this with the 2008 based population projections and 2010 local PopGroup projections.

2.2 Decreasing Household Size

- 2.2.1** Across Cornwall the household size is reducing (i.e. the number of people living in a property is declining). The 'Population and Household Change in Cornwall Core Strategy evidence base background paper Feb 2011' states that *"average household size in Cornwall in 1961 was 2.9 and had decreased to 2.3 by 2001. It was estimated to be 2.24 in 2006 and is predicted to continue to decrease to 2.08 by 2031"*. This figure of 2.08 came from the Council's 2008 PopGroup projections work at a sub Cornwall level. It is interesting to note that the 2010 based PopGroup and locally based projections, demonstrate a similar level of household size in 2030. **Table 2.1** demonstrates that the average household size is projected to be 2.1 using the 2008 based projections. This is calculated by dividing the estimated private household population at 2030 by the projected number of households. This household size compares with a projected England average of 2.19 and a South West average of 2.13. It should be noted that household size is linked to the age and structure of the population, there is an increasing trend towards single elderly households which is projected to reduce household size. However, across the Country the Census data is demonstrating that the decline in household size has not been as dramatic as projected and household formation rates and composition will be important to factor in revised household size change projections as they emerge.

2.2.2 Changing household size is a sensitive issue and can make a big difference to the numbers of households required. The 2011 Census information confirms that the household size at 2011 is 2.27 (which is the total household population of 523,400 /230,400 the number of households with at least 1 usual resident). This is slightly higher than the projections which calculated pro rata would expect it to be 2.26 by 2011 and while the decline is perhaps less than expected it is in line with the projections. It will be important to see how the Census information is used to recalibrate the projections when the next sets of household projections are released. Household size is a product of the model used and relies on detailed assumptions relating to household formation rates, size and composition. However, there is no indication yet of exactly how the size of households has changed since 2001 and it is not possible to predict whether the trend towards smaller households is increasing or has slowed. In the absence of any more robust information the most appropriate approach to household size is to continue to use the 2008 based projections figure of 2.1 as an illustration of the number of households which could be generated by the population. However, we suggest that household formation rates, size and composition should be investigated further when the information is available to understand whether the trend towards smaller households is increasing or has slowed.

2.2.3 Using these projections it is useful to calculate what would happen to the existing private household population of Cornwall if it stayed at 2011 levels but the average household size reduced to projected levels. For illustrative purposes if there was no change in population, there will be approximately 18,800 additional homes required by 2030 to support the existing population’s shift towards smaller households. This is calculated from the existing private household population of 523,400 divided by the projected household size at 2030 which is 2.1, resulting in approximately 249,200 households (compared with the 230,400 currently). This increase of 18,800 dwellings solely takes account of the change in size of households in terms of the shift towards smaller households, and relates only to the existing population. In reality this calculation is more complex because it must take account of household formation rates and composition and relate this to the actual rather than theoretical population profile.

2.3 Projected and Actual Population

2.3.1 Even if the 2008 based population projections are considered robust and taken forward, it is noted there is a discrepancy between the population projections for 2009 and 2010 and the actual population change experienced by Cornwall for the same years. It is also useful to benchmark these with the 2011 Census data which shows that the population is substantially less than both the mid-year estimates and also the 2008 based projections. It is also less than the 2010 based projections which also projected the population at 2011 to be 541,000.

Table 2.4: Projected Population Growth Compared to Actual Estimated Population Growth (Source: MYE and ONS 2008 based projections)

Cornwall	Projected Population (2008 based projections)	Actual Population (MYE)	Difference
2009	533,400	531,100	-2,300
2010	537,500	535,300	-2,200
2011	541,800	532,300 (CESUS)	-9,500

2.3.2 For 2009 and 2010 the projections were in excess of 2,300 and 2,200 persons over the population calculated through the mid-year estimate. However, it is interesting to note that between mid 2009 and mid 2010 the latest estimates show that the actual population increased by 4,200 (due to a mix of net in-migration, and net natural change) which is almost exactly the same as the level of growth which was forecast, despite the starting point being more. However, the 2011 Census demonstrates that the actual population is 9,500 less than the projection, which is a 1.8% variance. The mid-year estimate in **Table 2.2** shows that Cornwall has experienced growth of 35,300 over the last 9 years. Of this amount natural change accounts for a loss of 6,900 people and migration a gain of 43,400 people. It is interesting to compare this with the Census data between 2001 and 2011 which demonstrates that the actual growth over this 10 years has been 33,186 (532,300 - 499,114).

2.3.3 The projections resulting from the Census are likely to reduce the levels of growth and it will be interesting to see how this is translated into the components of change within the Mid-Year Estimates. It is not yet possible to provide a credible alternative to the existing data sets and it is difficult to make an assumption which translates into robust lower growth rates to be carried forward. However, it is recommended that the new household projections are analysed as soon as they are released to assess what impact they will have on population and household formation as well as on average household size predictions.

2.4 Housing Requirements Based on Demographic Projections

2.4.1 It is proposed to test a number of alternative scenarios, to explore what the effect on household requirements would be. These are different to the scenarios that the Council have previously considered, because they update the figures to 2010, ensure a minimum five year trend is used and also take account of the more recent 2010 based population projections used in the local PopGroup model. The scenarios to be tested are:

- Long term population growth trend (2001 – 2010) projections (D1);
- High population growth trend (2001 – 2005) projections (D2);
- 2008 based ONS population projections (D3); and
- 2010 based local PopGroup projections (D4).

2.4.2 These all start from a consistent base date using the 2011 Census population. However, after that they all use different population projections to allow a range of possible scenarios to be compared. From the demographic evidence set out in these scenarios the future population for Cornwall could range from 606,800 through to 630,200. The table below sets out the detailed calculations. This would generate an illustrative housing requirement of between 53,800 and 64,700 homes respectively.

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Table 2.5: Population and Household Growth Associated with the Four Scenarios

	D1:Long Term Growth Trend (2001-10) (growth 3920 persons per year)	D2:High Growth Trend (2001 – 05) (growth 4360 persons per year)	D3:2008 Based Projections	D4:2010 Based (PopGroup) Projections
(a). Total population 2011 (Census)	532,300	532,300	532,300	532,300
(b). Total households 2011 (Census)	230,400	230,400	230,400	230,400
(c). Total population 2030	606,800	615,100	630,200	615,800
(d). Change 2011 – 2030	74,500	82,800	97,900	83,500
(e). Total projected private household population (c- 1.65%)	(10,000) 596,800	(10,100) 605,000	(10,400) 619,800	(10,200) 605,600
(f). Additional households 2011 – 2030 based on 2.1 persons per household (e/2.1 - b)	(284,200) 53,800	(288,100) 57,700	(295,100) 64,700	(288,400) 58,000

2.4.3 The table illustrates the level of households that are likely to be required according to a range of scenarios which are informed by a variety of demographic information. The objective is not to provide detailed projections, but rather to understand the likely housing requirement from a variety of sources. This demonstrates how different demographic assumptions can lead to a range of scenarios. These must all be treated with caution because there of the considerable uncertainty associated with the available demographic information, which will to some extent be resolved when the latest set of projections are released.

3 Requirement According to Economic Factors

3.1 Economic Projections

- 3.1.1** Economic changes are a key driver affecting housing demand and household formation rates. Therefore it is necessary to consider how the level of economic growth of Cornwall relates to the possible level of housing provision.
- 3.1.2** This work does not provide a detailed understanding of the sectors to identify likely sectoral growth predictions in order to estimate economic potential. Rather it uses a range of published data as a basis for a number of employment led scenarios and tests these based on reasonable assumption about the prospects for employment (in terms of the number of jobs) in Cornwall in the future.
- 3.1.3** The projections work that has been used to develop the scenarios to be tested has included the most recent available for Cornwall prepared by Cambridge Econometrics and also the South West Observatory projections by Experian. These use different methods, assumptions and base data and although are not consistent it is useful to use them to inform scenarios to be tested. As an alternative the labour supply scenario contained in the Employment Land Review is used to provide a reality check on the projections.
- 3.1.4** It should be noted at the outset that all three projections are based on very different assumptions, base dates and baseline information, and use information from a variety of sources. It is therefore important to treat them with some caution and to recognise they are different and purely used to illustrate the likely implications of each one in terms of the economically active population and the number of houses that would be required as a result. We recommend at paragraph 5.1.36 that a more detailed economic potential study is undertaken to further consider the specific sectors and the likely growth opportunities that exist. It should also be noted that economic growth is not an entirely independent matter, but will be influenced by the strategy and policies of the Council, amongst others.
- 3.1.5** Our assessment has also taken account of a number of studies, strategies and presentations including:
- Cornwall Employment Land Review Final Report (NLP November 2010);
 - The Cornwall and Isle of Scilly Local Enterprise Partnership Growth Strategy (2012 – 2020);
 - Cornwall and the Isles of Scilly LEP: Economic Strategy and Business Plan (SQW April 2012);
 - Economy Topic Paper (Cornwall Council January 2012);
 - Cornwall GVA 2009 Analysis (Cornwall Council Environment, Planning and Economy 31 December 2011); and

- Economic Ambition A Cornwall Council White Paper (2010).

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

3.2 Sectoral Trends in Employment 1998 – 2010

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

Agriculture, Forestry, Fisheries

3.2.2 Employment in this sector declined from 1998-2003, then increased from 2003 to 2008, almost back to the same level as 1998. This may reflect changes in statistical coverage. It is unlikely that employment in any of these activities was actually increasing; the actual trend 1998-2008 was -2.9%.

Mining, Manufacturing, Utilities

3.2.3 There was a steady decline each year so the actual trend is probably reliable, with a loss of almost a third of all employees (32.3%) over the 1998-2008 period. However, there was a noticeable slowing down in the rate of decline towards the end of the period, with the annual rate of loss dropping from around 169,000 jobs a year up to 2004, to around 90,000 jobs a year from 2004-2008.

Construction

3.2.4 Employment statistics are notoriously unreliable in this sector, and this is reflected in the employment figures which fluctuate from year to year. However, there has been an increasing trend which is reasonable given the buoyancy of the housing and property sectors up to 2008. The actual trend to 2008 was +14.5%. In 2009 we know construction employment shrank rapidly as the property market went into a decline.

Distribution

3.2.5 Employment growth continued until 2004 since when there has been something of a decline. It may be that the great UK retailing investment boom is almost reaching its conclusion. The actual trend to 2008 was +1.9%.

Hotels and Restaurants

3.2.6 The hospitality sector has seen consistent employment growth over the past decade, fuelled in part by increased tourism spend (domestic and overseas), and lifestyle changes towards more frequent day trips, holidays and short breaks, and much more eating out, particularly in the larger urban areas. The result was trend growth to 2008 of +15.3%.

Transport, Storage, and Communication

- 3.2.7** This is a very mixed sector, with traditional activities like road and rail transport and the post office mixed in with telecommunications and mobile phones. Overall the sector has seen fairly consistent employment growth over the 1998-2008 period; actual trend growth to 2008 was +9.6%.

Financial Services

- 3.2.8** This was a great driver of employment growth in the 1980's and early 1990's, but this resulted in an unsustainably large sector within which corporate mismanagement led to the financial collapse of 2008/9. Between 1998 and 2008 there was very little employment growth in this sector; trend growth to 2008 was +3.0%. Despite some high-profile bankruptcies, most of the institutions in trouble in this sector were rescued by Government in 2009 to stave off systemic collapse. As a result, employment has declined post 2008, but not by as much as might have been the case.

Business Services

- 3.2.9** Employment growth in this sector has been consistent and very significant over the period 1998 to 2008, driven by a number of factors including outsourcing by large companies, the property boom, real international competitiveness, and Government and private sector demand for external consultancy and advice. Trend employment growth to 2008 was +37.9%.

Public Administration and Defence

- 3.2.10** Employment data for this sector is inadequate as defence personnel may be excluded. However, the broad trend is clear enough, with employment more or less static up to 2002, then increasing significantly as the brakes were taken off Government spending. Trend growth to 2008 was +5.5%. The Comprehensive Spending Review announced significant cuts in public administration budgets. For instance, local authorities will see their budgets cut by 28% over the next 4 years, while defence budgets are cut by 8% over the same period. Employment in this sector, nationally, is now expected to decline, although there are a number of different views about the likely extent of this decline. On the basis of past attempts to cut Government employment, it would appear that a rapid decline is unlikely; more likely is a slow decline followed by a longer period of little or no growth.

Education

- 3.2.11** A significant proportion of growing Government tax receipts over the 1998-2008 period were directed to additional investment in education, both in terms of capital investment in schools and in terms of additional teachers. As a result, employment in this sector grew by a third over this period (33.5%). Following the Comprehensive Spending Review, it is now clear that educational spending will be protected to some extent, although some job losses in this sector are still possible in the short term.

Health

- 3.2.12** Spending on health is driven by very dynamic demand factors – an ageing population, increased sophistication and cost of medical treatments, and higher consumer expectations of quality of service. Employment grew by almost a third (30.3%) between 1998 and 2008, although the rate of growth was beginning to slow down towards the end of this period. In the comprehensive spending review, the Government has made a commitment that NHS spending will be protected.

Other Services

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

Regional and Local Level

- 3.2.14** At the regional level, trends on the whole follow the national level, but with more dynamic outcomes in terms of employment growth. Overall, employment in the South West region grew by 14.9% during the decade, compared to 9.5% nationally.
- 3.2.15** In manufacturing, the slowdown in the rate of decline was more pronounced, with almost no net job loss regionally between 2004 and 2007. In financial services, there was employment growth up to 2002 followed by decline, with no net growth overall during this period. Business services growth was even more impressive regionally than nationally. Public services and defence employment also grew more rapidly at the regional level than nationally. The growth in employment in the education sector was very significant, at over 40%, compared to 33% nationally, while the growth in health sector employment (30%) was similar to the national performance. Other services employment also grew rather more rapidly at the regional level than nationally.
- 3.2.16** At the local level in Cornwall data shows that the performance of Cornwall deteriorated sharply in the 1980s and early 1990s, before improving from the mid 1990s. More recently as shown by the employment figures in **Appendix 1** growth has been steady and since 1998 there has been an increase of 40,800 jobs to 2007 when employment peaked at 199,700.
- 3.2.17** **Table 3.1** shows the total number of employee jobs within Cornwall between 1998 and 2008 using ABI employee data from Nomis. This illustrates that there has been growth of 24% and that 38,300 new jobs were created, but within this there has been considerable variation across the years. **Table 3.2** shows employment over the last few years using BRES data. This starts from a higher base than the ABI data because it uses a different methodology and includes an element for sole proprietors.

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Table 3.1: Number of Employee Jobs in Cornwall Annual Employment Survey ABI Data from Nomis 2012

Year	Total Number of Employee Jobs	Change from Previous Year
1998	158,900	
1999	153,100	-5,800
2000	162,900	9,800
2001	172,300	9,400
2002	181,300	9,000
2003	183,300	2,000
2004	181,200	-2,100
2005	186,100	4,900
2006	196,700	10,600
2007	199,700	3,000
2008	197,200	-2,500

Table 3.2: Numbers in Employment in Cornwall BRES Data from Nomis 2012

Year	Total Number of Employee Jobs and Sole Proprietors	Change from Previous Year
2008	204,400	
2009	206,900	2,300
2010	205,500	-1,400

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

3.2.19 It is interesting to consider the Cambridge Econometrics data which shows slightly higher employment levels (due to assumptions relating to self-employment) and a much larger decline in employment over the last two years. This reflects the belief that the economy in Cornwall has contracted more severely in comparison with the performance of the UK and regional economy and is likely to take longer to recover.

Table 3.3: Cambridge Econometrics Projections 2012

Year	Total Number of Employee Jobs	Change from Previous Year
1998	200,600	
2008	241,800	41,200
2010	225,400	-16,400
2011	218,600	-6,800

3.2.20 The Consultants SQW work for the Local Economic Partnership identifies that GVA was £6.59bn in 2007 and NUTS2 data shows that it was over £7bn in 2009. It confirms that across Cornwall growth has primarily been in the financial and business services sectors, hotels and catering and distribution. However, since 2007 there has been a loss of jobs especially in transport, construction and mining, manufacturing and utilities. This considerable decline is predicted by the 2012 Cambridge Econometrics projections to fall by 27,000 jobs between 2007 and 2012, and only return to pre-recession levels by 2024. This projection will be discussed further below and used as a basis of a scenario E1 to be tested.

Housing Requirement for Cornwall

3.2.21 According to Consultants SQW assessment growth within Cornwall is predicted to be in the following sectors:

- Distribution;
- Education;
- Construction;
- Land Transport Banking and Finance; and
- Professional and other business services.

3.2.22 The Cornwall GVA analysis report 2011 sets out the most recent GVA figures. In 2009, with per capita GVA at £13,129, Cornwall had the second lowest per capita GVA across the South West. In terms of GVA the main sectors in 2009 were 'Wholesale and retail trade' (14.5%), 'Health and social work' (10.4%), 'Real estate, renting and business activities' (9.8%), and 'Manufacturing' (9.3%) and 'Construction' (8.9%). The report concludes that *"pre-recession growth rates have been impressive, although Cornwall started from a low base"*. More recently growth rates have fallen back from their early peak. However, it is not known how much of the increase in growth rates can be attributed to Objective One status and how much to other factors.

3.2.23 The Cornwall Employment Land Review (ELR) November 2010, produced by Consultants NLP identifies that while there has been strong growth, structural issues remain. It states that, *"the last decade has been one of significant economic growth with high rates of job and company formation and with unemployment having fallen to significantly below the regional and national rates"*. This is demonstrated by the 3.3% unemployment rate recorded in 2006. It is clear that the Cornish economy has expanded at a much faster rate since 2000 than the South West or nationally. This growth can be attributed to increases in retail, real estate and other business services as well as the wholesale, retail and repair of motor vehicles between 2000 and 2005. These are, however, sectors now badly hit by recession. This is confirmed by the high unemployment rate in 2010/11 which according to the Annual Population Survey was 9.2% of the working age population.

3.2.24 Sector profiles in the Economy Topic Paper echo the data given in ABI and BRES employment figures in **Appendix 1**. The 2008 figures show that the largest sector in Cornwall and the Isles of Scilly is public administration, education and health which accounts for 28.6%. This is comparable to 28.5% in the South West region and slightly above the England average of 26.3%.

3.2.25 The Topic Paper identifies the key issues to be tackled in terms of the economy to include:

- Low wages;
- Seasonal dependence on low-skilled jobs;
- Relatively low proportion of businesses are knowledge-based; and

- High proportion of part time employment.

3.2.26 In terms of the relationship with Plymouth the ELR recognises that *“Plymouth is the only adjoining area which is likely to have any significant impact on the County’s commercial property market, with the other adjoining districts lacking significant centres of population and employment sites. The 100+ ha of land which is allocated for employment development in Plymouth could potentially divert some demand from parts of east Cornwall such as Saltash. However, access to the large Plymouth economy supports demand for commercial space in parts of South East Cornwall, particularly Saltash.”* The report estimated there to be 206 ha of undeveloped employment land in the county, although much of this is on a small number of large sites. However, there are shortages in some travel to work areas and it will be important to manage carefully the surplus supply to ensure deliverability.

3.2.27 The ELR used four different methods to identify the most appropriate level of land requirement for Cornwall. The most reliable and robust approaches were the ‘Past Take Up’ and ‘Labour Supply’ scenarios which both identify a requirement of around 135 ha. They combine past trends (actual development rates) but are also forward-facing in taking account of the jobs required to match Cornwall’s future labour supply. As part of this work the employment growth was also projected which identified the likely increase of 46,920 jobs in all sectors including self-employed to 2026. This projection will be discussed further below and is used as a basis of a scenario E2 to be tested.

3.2.28 The EU Objective One and Convergence Programmes run to 2013, however, the Council is committed to securing post 2013 transitional convergence funding. The current programme concentrates on the following priorities:

- Innovation, Research and Development - encouraging investment in R&D, spin-outs from Higher Education establishments, incubation business space and the growth of the environmental goods and services sector;
- Enterprise and Investment - increasing the proportion of business in high value activities particularly new start-ups, increasing productivity through export and investment business support and generally increasing business (re)investment;
- Transformational Infrastructure - turning Newquay Cornwall Airport into a successful civilian airport, improving digital infrastructure and improving/expanding CUC; and
- Unlocking the Economic Potential of Place - physical regeneration programmes, particularly in CPR and the ‘clay country’ surrounding St Austell.

3.2.29 In 2010, Cornwall Council published its ‘white paper’ which sets out its economic priorities for the next three years. The paper proposes a vision of *“a confident, resilient Cornwall that is a leader in innovative and low carbon technologies”*. This provides a statement of intent to guide the economic development of Cornwall.

- 3.2.30** In August 2011 the Cornwall and the Isles of Scilly's Local Enterprise Partnership (LEP) was awarded Enterprise Zone (EZ) status for Aerohub at Newquay Cornwall Airport (NCA). The EZ benefits area extends to: 55 Ha (135acres) in three development zones, which could accommodate over 2,000,000ft of hangar space, offices and manufacturing and 5,000 jobs. The LEP have now launched their growth strategy to 2020 which focuses on business growth, skills, knowledge and environment. It aims by 2020 to have exceeded the expected growth, in terms of GVA of the overall Cornwall and Isles of Scilly economy by an additional £338 million; per person employed this will be an additional £1,450 per annum. The economic development team estimate to deliver the GVA target in the LEP strategy would delivery around 15-16,000 jobs.
- 3.2.31** The Preferred Approach Core Strategy vision reflects the Future Cornwall (Sustainable Community Strategy 2010) vision and seeks to *"become a market leader in innovative business and low carbon technologies: increase productivity and raise quality across the economy to enhance and build a robust network of small and medium sized businesses to secure Cornwall's economic stability"*. It sets out a clear spatial strategy which recognises the diversity of the areas and the need for response which respects the different places.
- 3.2.32** It is important to remember that in Cornwall smaller towns and rural areas sometimes have complex patterns of employment with both large and small employers. Cornwall has a micro business economy with over two thirds of businesses employing four or fewer people. The small business nature of the economy means that individual places are not dominated by particular employers but by sectors. For example; Truro, Penzance, Falmouth and St. Austell have concentrations of retail sector. Falmouth is important for marine/engineering, Truro for public administration, Newquay for tourism, Liskeard for agriculture and Bodmin for manufacturing. There is far lower proportion of very big businesses compared with the rest of the UK.

3.3 Cornwall Economic Scenarios

- 3.3.1** It is useful to use and develop economic scenarios and to test the implications of the different anticipated levels of growth. These scenarios are based on the following employment projections prepared for Cornwall Council:
- Cambridge Econometrics projections March 2012 (E1);
 - Employment Land Review (ELR) Scenario 4 Labour Supply projections November 2010 by NLP (E2); and
 - SW Observatory projections August 2011 by Experian (E3).
- 3.3.2** All of these projections take some account of the impact of the recession and the effect this has had on employment growth, however, it should be noted that this is most apparent in the most recent projections produced by Cambridge Econometrics. The employment data in **Appendix 1** demonstrates the reduction in employment levels since 2007. This is also reflected in the recent projections produced by Cambridge Econometrics which identifies that the level of employment reduced by 24,200 between 2007 and 2011 to a level of 218,600 jobs. The Experian projections identify a fall of nearly 10,860 jobs in that same time period.

- 3.3.3** Both the Cambridge Econometrics and the Labour Supply projections include an element of self-employed within their figures. However, the assumptions are different and it is not clear exactly what methodology has been used and calculations applied. It is necessary to estimate the number of self-employed that should be added to the Experian projections. This will be detailed in the scenarios below.
- 3.3.4** The Economy Topic Paper (January 2012) recognises the very important contribution self-employment makes in the economy. It has grown year-on-year from 40,300 in 2005/6 to 45,100 in 2007/8, now representing 13.8% of the working age population. The Annual Population Survey 2010 – 2011 quantifies this as 44,900 out of 325,000 (see **Table 3.4**). This is compared with a relatively static UK figure over the period of 9.3%. It is also interesting to note that home working is more prevalent in Cornwall than anywhere else in the UK and that rates of home working have doubled in the last 10 years.
- 3.3.5** The economic activity rate for Cornwall has varied from between 73% in 2005-2006 and 76.6% in 2010-2011 (Annual Population Survey). This is in line with the economic activity rate for England which is 76.5% and is slightly lower than the South West rate of 78%. It is interesting to note that Cornwall has the highest economic inactivity rate in the South West at 23.4%. Given that this is in line with the national average there is no reason to adjust this over the plan period and the remainder of the report therefore assumes that it will be held constant. This is realistic because the proportion of the working age population is declining and while there are likely to be positive implications associated with the increased retirement age and people working longer hours which may provide additional capacity within the existing workforce to undertake new jobs, this assumes they have the skills required or can retrain. Getting people back into work is a worthy objective but it is difficult to achieve without series of targeted policies and initiatives with funding sources identified.
- 3.3.6** It is essential to understand the effect of unemployment rates on the economically active and employment growth and also on the number of households that will be required to fill the new projected jobs and the number of new homes required. In Cornwall there has been a considerable rise in unemployment levels over the last few years. The Annual Population Survey April 2010 – March 2011 identifies the unemployment rate (16-64) as 9.2% (accounting for 23,000 people), compared with 3.3% (7,700 people) in 2005/2006. Assumptions relating to unemployment are set out at **paragraph 3.4.6**.
- 3.3.7** The Economic Topic Paper states *“An analysis of jobs lost in Cornwall by occupation between December 2007 and December 2008 would suggest that the greatest losses were in elementary trade and administrative/services. It was also in some of these areas that the problem was far more serious than in relation to the British average, including some skilled trades”*. This also illustrates that the number of people on Jobseekers Allowance (JSA) rose by 70% between January 2008 and January 2009, from just less than 4,700 to 8,200.

- 3.3.8** The prospects for employment growth are particularly uncertain at this point. The promised private sector recovery has not yet materialised and Government and public sector expenditure cuts have not yet finished having an effect on employment. Accuracy about employment growth will require regular monitoring and review to check assumptions and revisit sectoral growth. One difficulty of estimating forward over a long time period is the likely emergence of completely new activities. These are likely to include internet based services of all kinds and innovative technologies based on reducing dependence on non-renewable resources, as well as services designed to promote the transition to a low carbon economy. For example Cornwall has the ability to harness the power of our geothermal, solar, wave, and wind environment, and has attracted a high number of pioneering businesses to the region, creating an environmental cluster that is at the heart of the UK's growing green economy.
- 3.3.9** Where uncertainty is so acute, as at the present time, it is prudent to test different projections. These have been agreed with Cornwall Council to be a useful basis for which to develop scenarios which can translate into illustrative households.
- 3.3.10** The projections need to cover a 19 year period from the current position in 2011 to enable analysis on a consistent basis. This is fraught with difficulties because of the differences in data sources, base date and baseline information, but the most important factor in using these projections to develop scenarios is the use of the employment change figure over the 19 years and the use of consistent baseline information at 2011, which is the latest available and to provide consistency with the demographic information.
- 3.3.11** It is difficult to predict the exact level of employment as at 2011 because while the impact of the recession on employment growth will have been significant, as shown by reduced employment and rises in unemployment level, there is uncertainty about the exact levels of employment and self-employed, which can be seen from the different figures contained within the different sources of information. The release of more detailed Census information later in the year will provide a useful check on the number of employed and self-employed.
- 3.3.12** However, it is useful to understand the baseline information at 2011. The following information from the Annual Population Surveys provides a useful check on the data used in the projections. It also enables an estimate of self-employed to be added to the Experian projection.

Table 3.4: Cornwall Employees and Self- Employed from Annual Population Surveys 2006 – 2011 (April to March)

Year	Employees	Self Employed	Total	Self Employed as a Percentage of Employees
2006 - 2007	189,000	39,000	228,000	20%
2008 - 2009	177,100	46,600	223,700	26%
2009 - 2010	177,700	48,800	226,500	27%
2010 – 2011	179,400	44,900	224,300	25%

Scenario E1: Cambridge Econometrics Projections March 2012

3.3.13 The first scenario uses the Cambridge Econometrics projections March 2012 which in the short term shows employment continuing to decline and gradually moving back to the current position by 2017. There then follows a period of sustained growth. In terms of the sectors the projections identify a number of sectors which are likely to demonstrate strong growth relative to the UK. Those which have a high location quotient (strong concentration of industry employment compared with national average) include distribution, water transport, education and miscellaneous services. Those sectors with a lower level of employment than the average include non-metallic mineral products, water supply, construction, banking, finance, professional and other business services.

Table 3.5: Projections Cambridge Econometrics March 2012

	2011	%	2025	%	Change
Agriculture, Forestry and Fishing	6,800	3.1	6,100	2.5	-700
Mining, Manufacturing, Utilities	17,500	8	15,000	6.1	-2500
Construction	16,200	7.4	17,700	7.2	1,500
Distribution and retail	40,600	18.6	41,400	16.9	800
Hotels and restaurants	22,700	10.4	26,600	10.9	3,900
Transport and communication	9,000	4.1	9,800	4	800
Financial services	3,200	1.5	3,400	1.4	200
Business services	25,400	11.6	34,400	14.1	9,000
Public administration	10,600	4.8	10,300	4.2	300
Education	20,000	9.1	21,200	8.7	1,200
Health and social services	29,400	13.4	30,600	12.5	1,200
Other services	17,000	7.8	27,700	11.3	10,700
Total employment	218,600		244,200		25,600

Note: figures rounded and includes an element for self employed

3.3.14 This projection includes an element of self-employed and the projections only go to 2025. For this work it is necessary to extrapolate the projection to 2030. The most robust way of doing this is to use the 14 year average of 1,828 per year (2011 – 2025) and roll this forward for 5 years to 2030. Using this long term average gives 9,140 extra jobs which need to be added to the 25,600. This projects a total growth of **34,740 new jobs between 2011 and 2030**.

Scenario E2: Employment Land Review (ELR) Scenario 4 Labour Supply Projections November 2010 by NLP;

3.3.15 The second scenario uses the Employment Land Review Labour Supply projection. This is set out in table 8.7 on p99 of the ELR. It is a very different approach and provides a control against which to assess the other employment projections. It is a medium range projection which supports the past take up rate figures. This approach uses the ONS 2006 based population projections to identify the increase in the resident labour supply of economically active working age residents. These were then used to derive an estimate of the growth in the number of economically active, working people in Cornwall between 2009 to 2026. 2007 ABI data for Cornwall was then used to estimate the proportions of jobs in each main B class. This was adjusted for out and in commuting using 2001 Census data to provide an estimate of the proportion of people resident in Cornwall working outside the area and of the numbers of people commuting from outside Cornwall to work inside the area.

3.3.16 This is based on the 2006 ONS sub national projections and also 2001 travel to work information and is therefore dated so caution should be exercised in relying on its outputs. In addition, there is the potential for some circularity in that it uses population projections turned into labour supply and then factored into jobs, which is then turned back into population and ultimately into households. However, it does provide a useful check on both projections in terms of the likely availability of labour over the next 20 years. There is little detail about sectors or growth rates across the time periods associated with this projection however key information is set out below:

Table 3.6: Employment Land Review Labour Supply Projections

	Average annual change	Total Change to 2030
Manufacturing	306	5,814
Distribution	129	2,451
Business /Financial Services	400	7,600
Other jobs	1,924	36,556
Total	2,759	52,421

Note: Figures rounded and includes self employed

3.3.17 This projection includes self-employed and the annual growth rates have been extrapolated to 2030. This average of 2,759 provides a total of **52,421 jobs to 2030**.

Scenario E3: SW Observatory Projections August 2011 by Experian

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

3.3.19 These should be seen as aspirational projections and are included here to provide a level of consistency and comparison with the Plymouth Housing Requirement Study (May 2012) which tested the implications of these projections. They use a different methodology and an earlier base date than the more recent 2012 projections, and represent the optimistic growth that may be achieved.

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3.3.20 Within these projections a considerable number of jobs are projected to come from the business services sector. This is because it reflects the UK and regional growth rather than being specific to the Cornwall economy. There is a considerable danger in the strong reliance on business services which in this scenario is projected to more than double. While some of the factors that have driven this growth are likely to continue, the growth rate is unlikely to reach pre-2008 levels during the next decade. This is because some of the drivers of business sector growth may be slowing down and also the number and size of businesses requiring services is also likely to slow down. However, there are a number of emerging activities in the IT sector and software development to set against this. Therefore while this scenario is useful as an aspirational target, a note of caution should be sounded in relation to the business services element of these figures.

Table 3.7: SWO Projections Experian 2011

	2011	2030	Change
Agriculture, Forestry and Fishing	19,500	19,400	-100
Mining, Manufacturing, Utilities	18,300	18,500	200
Construction	18,000	17,700	-300
Distribution and retail	34,700	44,500	9,800
Hotels and restaurants	15,200	22,500	7,300
Transport and communication	9,700	14,800	5,100
Financial services	2,100	4,000	1,900
Business services	21,500	41,400	19,900
Public administration	12,200	12,600	400
Education	13,500	15,700	2,200
Health and social services	27,300	41,400	14,100
Other services	11,400	13,200	1,800
Total employment	203,400	265,700	62,300

Note: Figures rounded (does NOT include self employed)

3.3.21 In this scenario it is important to make an allowance for self-employment to ensure that all the projections are as comparable as possible to each other. The most robust approach to do this is to understand the level of self-employment over the last few years and take an average rate of self employed as a percentage of employees. The Annual Population Survey identifies the number of self-employed and the rates in the **Table 3.4**. Using an average of 24% the number of self employed in 2030 can be expected to be 63,768. The number of self employed at 2011 is calculated as 24% of 203,400 (the number in **Table 3.7** which Experian calculate was employed in 2011). This equates to 48,816 and consequently, the growth in self-employed over the plan period is calculated by taking one away from the other as 14,952. This figures needs to be added to the employee jobs (62,300) to give a total of **77,252 jobs to 2030**.

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

Table 3.8: Growth Scenarios

Scenario	Employment Change 2011 – 2030	Jobs per Year
Scenario E1 - Cambridge Econometrics Projections (March 2012)	34,740	1,828
Scenario E2 - ELR Labour Supply projections (NLP 2010)	52,421	2,759
Scenario E3 SWO projections by Experian (August 2011)	77,252	4,066

3.4 Economic Led Housing Requirements

- 3.4.1** In order to support economic growth, a comparable level of homes will need to be provided to support population growth, or more specifically the growth of economically active residents. Using the change in jobs identified over the period 2011 – 2030 we can compare the economically generated housing requirements. New jobs creates new economically active people required to support these jobs and these new people would generally require accommodation, however, this is constrained by the levels of unemployment and also the economic activity rate..
- 3.4.2** The relationship between the housing requirement to economic growth and local jobs is an important one, particularly to ensure that there are sufficient workers to fill planned jobs, achieve regeneration and other objectives. However, in Cornwall which is such an attractive place and attracts people who are not economically active the link between homes and jobs cannot be the only or primary determinant of the housing requirement because there are demographic needs for housing created over and above those linked directly with job creation. This is factored into the calculation in **Tables 3.10** by considering the total population and the needs that will arise.
- 3.4.3** The recession provides an added complication because the Cambridge Econometrics forecasts demonstrate that employment peaked in 2007 with 242,800 jobs and that it will take until 2024 to get this back to this level of employment. It is also worth noting that the pre-recession unemployment rate was 3.3% and is currently exceptionally high. Seeking a reduction in the level of unemployment has direct implications for the number of new houses required, because the jobs created may well be filled by those already living in the area and are currently unemployed.
- 3.4.4** Latest Annual Population Survey (2010/11) results identify that 76.6% of the working age population are economically active. This equates to 248,900 people, which is 46.8% of the population of Cornwall using the Census population of 532,300. This is an economic activity rate of 2.14. If it is assumed that this economic activity rate could be maintained due to people working later in life, and by ensuring that the unemployment rate does not increase any further from 2010 levels (i.e. 9.2%¹), as well as maintaining the current level of economically inactive who do not want a job (75% of the 24% who are economically inactive) 1 job will be required per 2.14 people. A key issue here is the assumptions relating both economically active and also to unemployment and the effect this will have on household growth. The analysis assumes the unemployment rate will reduce down to 6% over the plan period and also that the economic activity rate remains constant. While these assumptions are considered robust, there is considerable uncertainty and it is essential that these issues are adequately monitored through the plan period.

The Annual Population Survey 2010/2011 identifies the unemployment rate (16-64) as 9.2% (23,000). Where the percentage unemployment reduces to 6%, this equates to a reduction in the number of unemployed and this is factored into table 3.10.

- 3.4.5** The employment led housing calculation assumes that the economic activity rate is held constant. It is recognised that this is not likely to be true, because it will follow a curve which responds to the cycles within the economy, and be influenced by the increasing age of the working population. However, there are a number of reasons why the assumption is considered credible. The 2011 Census results in **Table 3.11** recognises that the proportion of working age population is due to fall by 6% over the plan period which will have a significant and direct impact on the number of economically active people. However, this will to some extent be offset by the increasing retirement age and the number of elderly people working for longer as shown by the Annual Survey of Hours and Earnings. The number of over 65s working is likely to be an important factor in the economy over the next 20 years and could give some scope for flexibility within the existing population to take up new jobs. However, this has to be carefully examined in the context of the reducing proportion of working age population. Given the difficulty of predicting this balance reliably it is reasonable to assume that it will be held constant over the next 20 years. Additional support for this approach is given by the fact that the economic activity rate for Cornwall is very similar to both the South West and England rates. An assumed increase in the economic activity rate could only be justified if there were specific and financed initiatives to get the unemployed, or those on long term sickness benefits back into work. This links with the assumptions below about reducing unemployment rates. It is recommended that economic activity rates are monitored to provide a better understanding of how the reduction in working age population and increase in elderly working people is affecting the level and type of jobs.
- 3.4.6** In terms of unemployment rates, the assumption is made that unemployment will reduce from the exceptionally high level of 9.2% it is currently at and will return over the plan period to a more reasonable level of 6%. While there is a desire to get back to the 3.3% that was previously achieved, there will be a considerable time lag to achieve this and while it is a good objective it is difficult to predict when this will occur because in reality it is likely to be a curve which follows the economic cycle. It is therefore considered that a more reasonable assumption over the 20 years is for it to average out at 6%. It will be important to monitor whether the unemployment rate reduces, at what rate and over what time period.
- 3.4.7** If Cornwall Council was to strive for 1,828 jobs per annum, (a total of approx. 34,700 jobs by 2030), as illustrated by scenario E1 coupled with a reduction in the number of unemployed persons by 6,900, this would give rise to a population growth of 58,800 people, a total population of 594,100 (and private households population of 584,300 at the same proportion as at 2011 census, because of the difficulties of making reasonable assumptions about any future projected growth of communal establishments). Using 2.1 persons per household as an illustrative figure, this would give rise to 47,800 new households. This level of growth of economically active population can be compared with the level expected within the control scenario which projects forward the labour supply. Housing requirements associated with scenarios E1, E2 and E3 are set out in the **Tables 3.9** and **3.10** below. They illustrate the implications of the range of employment growth that could be achieved over the next 19 years to 2030.

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Table 3.9: Cornwall Baseline Data

a. Economically active 2011 (ONS Annual Population survey)	248,900
b. Population 2011 (Census)	532,300
c. Households 2011 (Census)	230,400

Table 3.10: Cornwall Economic Led Housing Requirement

	E1:Employment Led Scenario: (1,828 jobs per year)	E2:Labour Supply Scenario: (2,765 jobs per year)	E3:Employment Led Scenario: (4,066 jobs per year)
d. Net gain of jobs 2011 – 2030	34,700	52,400	77,300
e. Net increase in unemployment 2011 – 2030 assumes reduction to 6% (e = (a+d) x 0.06 – 23,000)	-6,000	-4,900	-3,400
f. Economically active 2030 (f = a + d + e)	277,600	296,500	322,800
g. Total population 2030 (g = f x 2.14 economic activity rate) see para 3.3.26	594,100	634,500	690,800
h. Private households population 2030 (h = g - 1.65%) see para 2.1.3	584,300	624,000	679,400
i. Total number of households 2030 (i = h ÷ 2.1 persons per household)	278,200	297,100	323,500
j. Number of additional homes 2030 (j = i – c)	47,800	66,700	93,100
k. Population change 2011 – 2030 (k = g - b)	58,800	102,200	158,500

Note: Figures rounded and may not sum

3.4.8 These scenarios all use the 2011 Census data as baseline information, however, they then use different sources of information which have been developed into scenarios to get an average number of annual jobs. These scenarios primarily illustrate the links between jobs and homes and the resulting population as well as the likely number of additional homes each scenario would require. They are not detailed projections and should be treated with caution due to the high levels of uncertainty in relation to job growth. They demonstrate the high and low growth possible, benchmarked against the likely labour supply projections and need to be carefully considered alongside the four demographic scenarios and the delivery information.

3.4.9 Scenario E1 is based on the most up to date employment projections which have been prepared taking into account the impact of the recession. The calculation demonstrates that it would cater for limited population change because it assumes that some jobs would be taken up by the existing economically active population who are currently unemployed. However, this is dependent on the types of jobs that have been lost and those that may be created over the plan period and whether these can be adequately filled by existing economically active unemployed.

3.4.10 Scenario E2 is useful as a control to test the other employment projections because it identifies the likely number of economically active in terms of a realistic labour supply and the jobs and consequently houses that would be required at this level. However, it is not an employment projection as such and has limitations because the methodology is based on 2006 population projections and 2001 Census information. Paragraph 3.3.16 sets out the assumptions in more detail.

3.4.11 Scenario E3 is tested because it provides a consistent approach for testing the same data source as Plymouth have recently done. This demonstrates a considerable number of jobs created well above the alternative employment projection and considerably exceeds the labour supply projection and it should therefore be considered aspirational. However, it is interesting to note that in Cornwall, unlike in Plymouth, the data produced by the demographic scenarios is not supporting this high level of growth. For example the most optimistic demographic 2008 based Scenario D3 identifies the need for 64,700 new homes which is a far lower household requirement than that generated from this employment scenario.

3.5 Making Comparison with the Population and Household Projections

3.5.1 Understanding the balance between the population structure and jobs is useful. APS figures for April 2010 – March 2011 show that there are about 224,300 jobs compared with 248,900 economically active people in Cornwall. This demonstrates that there is a fairly evenly balanced situation between the jobs and economically active, but this is influenced by the high numbers of economically inactive who do not want a job. A good indicator of an area's sustainability with regard to population and employment is the number of economically active and the corresponding employment density. Employment density is the simple ratio of jobs to the number of economically active people. In 2010 the employment density was 0.69 in Cornwall compared to 0.82 for the South West and 0.79 for Great Britain. The theoretical balance is '1' which may suggest that there is one job available for every resident. However, in reality, if settlements are to provide an appropriate range of jobs to meet the requirements of all the residents in terms of sectors and skill, then a ratio greater than 1:1 would be required to ensure that a large labour market is available to provide flexibility for the economy to grow. This issue is closely related to self-containment and travel to work patterns, however, because of the size of Cornwall and the number of separate travel to work areas that exist within it this is not relevant at the Local Authority level.

3.5.2 The population of Cornwall is aging and household size is reducing, this means that in the future the level of economically active population is likely to reduce. This in turn will affect the ratio of jobs to workers potentially resulting in fewer workers than jobs. However, this is to some extent likely to be offset by the increase in elderly population who are working for longer, through the increased retirement age and also the ability and need to continue working. The local PopGroup 2010 based projections for 2011 – 2030 show that the population in Cornwall is likely to grow by 75,300 people. **Table 3.11** below shows that the majority of this increase (75%) is projected to be 65 and over, with 18% of the growth in 0-19 years old, and only 7% growth in 20-64 years old. This demonstrates that there is a declining proportion of people of working age. Future population growth will generally be facilitated by new housing development although migration will result in a natural exchange of population within settlements. While this will influence demographic structure to a small extent, the national demographic trends of a reducing household size and an aging population are likely to be more influential. This is because the average household size assumption has a huge impact on the number of houses required for the population. The calculations are also very susceptible to variations in economic activity rate which is influenced by the decline in working age population, in migration, changes to retirement age and pensions which will increase the working age.

Table 3.11: Cornwall Age Structure 2011 and 2030 (2010 Based PopGroup Population Projections)

Age	2011	%	2030	%	Change
0-19	116,700	22	130,300	21	13,600
20-64	304,500	56	309,900	50	5,400
65-79	85,500	16	110,400	18	24,900
80+	33,800	6	65,100	11	31,300
Total	540,500	100	615,800	100	75,300

3.5.3 The 2011 Census information provides an important check on these projections, in terms of the baseline position. The Census demonstrates that there are 8,000 fewer people in Cornwall at 2011 than the 2010 population projections predicted for the same year. This is seen by comparing the total of 532,400 below with 540,500 as set out above. Despite this difference the current age structure of the population in both tables is very similar. The Census illustrates that the current age structure is as follows:

Table 3.12: Cornwall Age Structure 2011 (Census)

Age	2011 Census	%
0-19	115,300	21.7
20-64	301,800	56.7
65-79	83,100	15.6
80+	32,100	6
Total	532 400	

- 3.5.4** Further Census data is due to be released over the next year. This will provide more detailed information about the population and will be used to calibrate the population projections and inform the next set of household projections which are due in December at the earliest. The important issue identified by these tables is the expected change in proportion of the population in the different age groups. The decline in the proportion of working age population and increase in the very elderly is likely to have significant impacts on economic activity rates, household type and size and communal establishments. These will need to be regularly reviewed and monitored to ensure that assumptions used in terms of the economic activity rates and average household size are based on up to date information.

4 Deliverability

4.1 Introduction

4.1.1 In determining the housing targets or requirements for Cornwall, it is essential that there is confidence that the level of housing envisaged is likely to be delivered through both the planning and development processes. It is therefore critical to assess past and future market capacity in the different parts of the County, taking account of completions, the potential supply that is already in the system, and critically, the residual level of housing development anticipated to be met outside the current urban areas. This is addressed firstly through a consideration of the current housing market.

4.2 Housing Market Assessment

4.2.1 The analysis of the operation of the housing market in Cornwall has followed discussions with house builders currently operational in Cornwall, and local agents, to understand how market conditions may affect viability and deliverability of sites. This overview of the housing market is an essential element in understanding how and when, for instance, sites identified in the SHLAA might come forward.

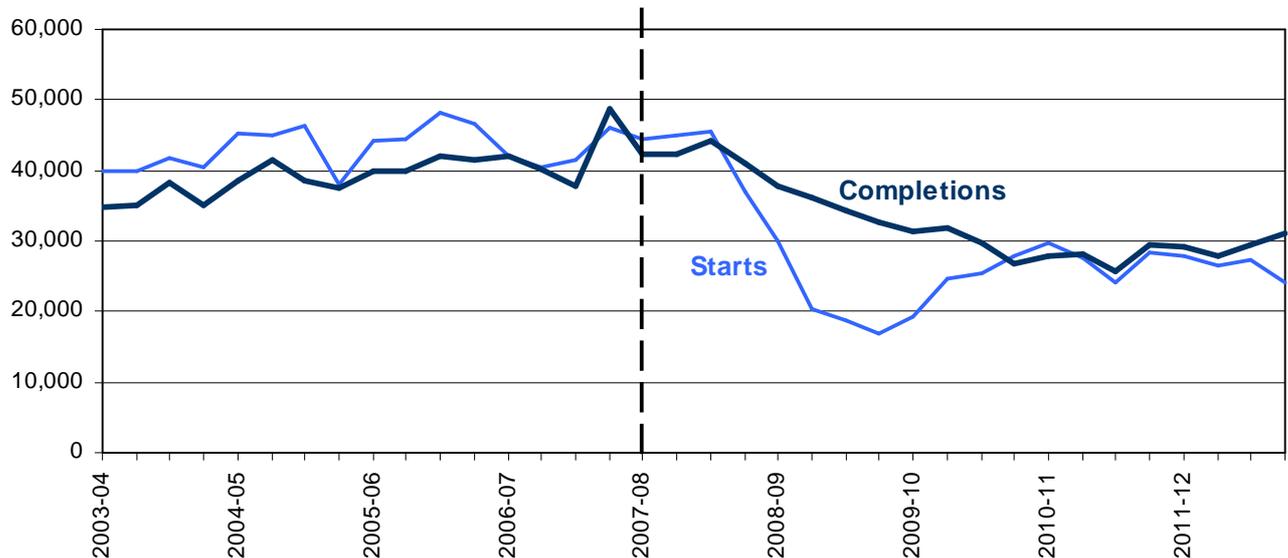
4.2.2 Those familiar with the UK housing market over the long-term appreciate that any analysis is a view at a particular time. The market will undoubtedly vary over the period considered by this appraisal, 2012 – 2030, but all reasonable efforts have been made to take a long-term view, taking account of the effects of demographics, net migration, and household formation on long-term demand. This is particularly relevant at the time of this appraisal as the country continues in a severe economic recession.

4.2.3 The recession in the UK was rooted in the events of September 2007 with the failure of Northern Rock resulting from irresponsible lending to a sub-prime market in the USA, resulting in the severely reduced availability of credit, which still persists in 2012. The amount of housebuilding in England and Wales in 2010/11 was 111,250 completions (*source DCLG Live Tables, August 2012*), the lowest since 1923, and has followed three years of comparatively very low completion levels.

4.2.4 The long-term national average annual completion rate varies between about 150,000 and 170,000 dwellings per annum (dpa), as illustrated in **Table 4.1**, and the Home Builders Federation recently estimated that to address the accumulated shortfall, 232,000 annual completions are required to 2030 to meet demand, twice the amount completed in 2010/11.

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Table 4.1: Trends in Starts and Completions, England, 12 Month Rolling Totals, DCLG March 2012



- 4.2.5** In simple terms, banks over-stretched their lending policies, often lending amounts well in excess of 100% of a property's value to people who did not have the financial means to repay the loan. Before nationalisation, Northern Rock offered a 'Together' mortgage that allowed customers to borrow up to 125% of the value of a property. In these circumstances there was a huge level of default, and such was the level of ill-advised lending that some banks failed, requiring the Government to provide the funding to support the banking system from collapse.
- 4.2.6** Government pressure on nationalised banks, and the banks' own revisions to lending policy, has resulted in a very different fiscal climate in 2012. For the past 3 years, most lenders have been requiring an average of a 20% deposit, and will not advance any more than 80% of a property's value.
- 4.2.7** Valuation procedures have also been tightened up, and income self-certification processes have been curtailed. All this has led to a significant drop in the ability of potential purchasers to borrow, and in the consequent ability of developers to sell. This has hit first-time buyers in particular, since this group is the most dependent upon loans to fund a high proportion of the purchase price.
- 4.2.8** In Cornwall, It is important to note that it is not a lack of demand *per se* that has reduced the completion rates from the 2007-peak, it is more a matter of demand suppression by limitations on money supply. Paradoxically, there may well be a long-term high demand in terms of housing requirement that exceeds supply.

- 4.2.9** On the land supply side, developers have been similarly restrained in borrowing money for land acquisition. The banks, operating their new risk-adverse strategy, require developers to demonstrate lower risks and higher profits, so lending for land purchase has inevitably decreased. This applies in particular for large strategic sites where high infrastructure investments are required well before any revenues are realised from completions.
- 4.2.10** The combination of the restricted ability of purchasers to borrow and buy properties, combined with the reduced ability of developers to purchase land, has led to a marked decrease in short-term demand for housing land, and a consequent dramatic fall in land values. This is an unprecedented set of economic circumstances that do not flow from a reduction in real long-term demand.
- 4.2.11** Due to all of these circumstances developers, agents and private housing developers confirm a significantly downturned local housing market in Cornwall. Developers are in particular wary of flats, volume sales of which were highly dependent upon the buy to let market that relies on short-term capital growth, and which were frequently financed by mortgage schemes that are no longer viable.
- 4.2.12** Economists and property experts predict that after a period of re-adjustment underlying demand will return to recent levels, albeit at re-structured prices, but no-one is venturing to predict how long recovery will take, particularly in the context of the double-dip recession in 2012.
- 4.2.13** In terms of house type demand, the market emphasises that there must be a balanced delivery of a mix of house types, and an avoidance of over-reliance on one type of dwelling, which creates over-supply and low demand problems. The market for flats remains low, and developers are unanimous in confirming that the current market in Cornwall is firmly for family housing, mostly 2, 3, and 4-bed units on 2 storeys. There is a limited market for flats, restricted to small schemes, and in up-market locations.
- 4.2.14** Because of these market difficulties, there is evidence that residential land values in Cornwall decreased by around 55% from 2007 to 2009, and since then have recovered to within about 20% of the 2007 peak, depending on individual and local circumstances. In 2007, land values had reached an unsupportable level partly due to intense competition, driving prices up because of a combination of low supply, high demand, and enthusiastic lending.
- 4.2.15** The most obvious change in the land market is that developers have less immediate reason to acquire sites, as well as having little finance available, so 2012/2013 is unlikely to see land prices increase significantly. A number of recent nationwide research reports corroborate this position. In June 2012 the Halifax House Price Index showed a 2.5% price fall from the previous quarter, and the Nationwide reported prices 2.6% lower than one year ago.

4.3 Future Prospects

- 4.3.1** With the UK economic recovery set to remain fairly modest, the improvement in employment and wages in Cornwall is likely to be slow going. This in turn suggests that first time buyers will be slow to return to the market, further reinforcing the view that the housing market will remain sluggish through 2012/13. The most likely outcome is that wages will outpace house price growth over many years, gradually improving affordability over time.
- 4.3.2** Over the longer-term, the supply side of the housing market in Cornwall also needs to respond if affordability is to improve on a sustained basis - the housing stock needs to grow at least as fast as the number of households. A near-term loosening of credit conditions would not solve the problem and could ultimately prove counterproductive.
- 4.3.3** The analysis of past rates of development has shown that in Cornwall there is a long-term annual market capacity or demand for about 2,200 dpa, underpinned by demographics, household formation, net migration, and future employment potential.
- 4.3.4** Completions over the past 36 years have averaged 2,264 dpa, and in common with many areas, there is unfulfilled demand that will underpin longer term demand over the Plan period to 2030, which can be met if the planning system releases sufficient land for development, and the lending institutions provide the mortgage finance.
- 4.3.5** The complicating factor in these unpredictable economic times is that achievable completion levels are limited by local Cornish market capacity, and by the inability to include a high proportion of the very significant first-time buyer market. The return of investment activity in the UK residential sector will be an early indicator of a change in market sentiment. Given that constraints on access to debt are likely to continue to suppress demand from the buy to let sector, equity investors are likely to be the first to respond to signals of an impending upturn.
- 4.3.6** Once the market does turn, first time buyers will re-enter the market, driven by the renewed affordability of owning over renting, with shared ownership schemes in high demand, for example, the Government's Homebuy scheme.
- 4.3.7** Starts on many sites in Cornwall are being delayed, as developers wait for signs of increased sales rates and evidence of monthly price increases, which is not the case in the Second Quarter of 2012. Volume developers who had started sites and then mothballed them, have now re-started development, with significant price reductions, but recovering sales rates.
- 4.3.8** Property experts still expect a flat 2012/13. The Government's rescue package may not have averted recession, but intervention and policy initiatives look set to ease liquidity slowly. This should gradually improve mortgage availability and increase residential market turnover towards levels more usually seen in a downturn, rather than the historic lows of 2008 - 2010. Interest rates have been at 0.5% since March 2009 and there no signs that the Bank of England's Monetary Committee will be increasing rates during 2012/13.

- 4.3.9** Whilst short-term demand in Cornwall has fallen, medium and long-term demand is still considered by the market to be relatively strong. This is underpinned by the acknowledged national housing shortage, arising from a continuing high level of new household formation, combined with record low levels of new housebuilding. In the medium term, the housing land market will continue to be comparatively strong for most house types, whilst housebuilders and private vendors will adjust prices to align with demand.
- 4.3.10** In the medium term, it is unlikely that many sites will remain unviable because of abnormal development costs or competing land uses, although some regeneration schemes, including some of the China Clay sites, will be delayed for some time. Deliverability of sites depends on landowners accepting these new economic circumstances, and in some circumstances will significantly delay development on large urban extensions, since many agents fear that some landowners have entrenched views of land values.
- 4.3.11** Most experts consider that within about 4/5 years, a recovery will be under way. In those circumstances, land values will start to recover, and, except in the very low value areas, most abnormal development costs and obligations packages will be able to be absorbed without falling below the value for alternative uses, such as general employment and warehousing land.
- 4.3.12** Whilst economic viability is currently a significant issue, over the medium/long term there is unlikely to be demand problems for the sites identified by the Council in its SHLAA, or for the potential urban extensions identified through the Town Frameworks. However, there is some note of caution surrounding the question of rates of completion in each sub-market, which is explored below.
- 4.3.13** The analysis of market capacity primarily concentrates on the main settlements and their ability to deliver the sites that are proposed within the Local Plan. The assumption used within this report is that housing will continue to be delivered outside the main settlements. This is based on past delivery rates and the views of developers who believe the rural areas generally have a strong market and spare capacity for development. Consequently while the analysis considers the CNA areas, the primary assessment is to the capacity of the main settlements.

4.4 Market Capacity

- 4.4.1** The capacity of the housing market is the total level of housing that can be built, and sold or rented by developers in a specified period. This takes account of the wider restrictions of the planning system that effectively constrain the market, in generally not allowing development in the open countryside, protecting the integrity of established employment and retail areas, protecting landscape, conservation and heritage assets, and directing major new residential and mixed-use development to land allocations on identified sites within and adjacent to Cornwall's main settlements.

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4.4.2 Past completions are primary evidence of market capacity as this indicates the exact level of housing built by developers. It is therefore a good indication of the minimum level of house completions that can be expected to be replicated in the future, given a similar approach to housing provision, and similar economic circumstances as in the past. It may be that the actual market capacity is higher than indicated by past rates which may have been affected by limited land release imposed by the planning system. The effects of economic cycles also need to be considered. The past rates of dwelling completion in Cornwall since 1976, averaging 2264 dpa, are set out below:

Table 4.2: Cornwall Housing Completions 1976 – 2012

Years	Annual Completion
1976-1977	2967
1977-1978	2026
1978-1979	2024
1979-1980	2359
1980-1981	2030
1981-1982	1692
1982-1983	1760
1983-1984	2494
1984-1985	2295
1985-1986	2830
1986-1987	2454
1987-1988	3066
1988-1989	3738
1989-1990	3244
1990-1991	2846
1991-1992	1813
1992-1993	1370
1993-1994	1269
1994-1995	1292
1995-1996	1335
1996-1997	1385
1997-1998	1718
1998-1999	2037
1999-2000	1821
2000-2001	2193
2001-2002	2485
2002-2003	2639
2003-2004	2183
2004-2005	2495
2005-2006	2084
2006-2007	2612
2007-08	3179
2008-09	2877
2009-10	2473

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Years	Annual Completion
2010-11	2060
2011-12	2375

Source Cornwall Council Monitoring, 2012

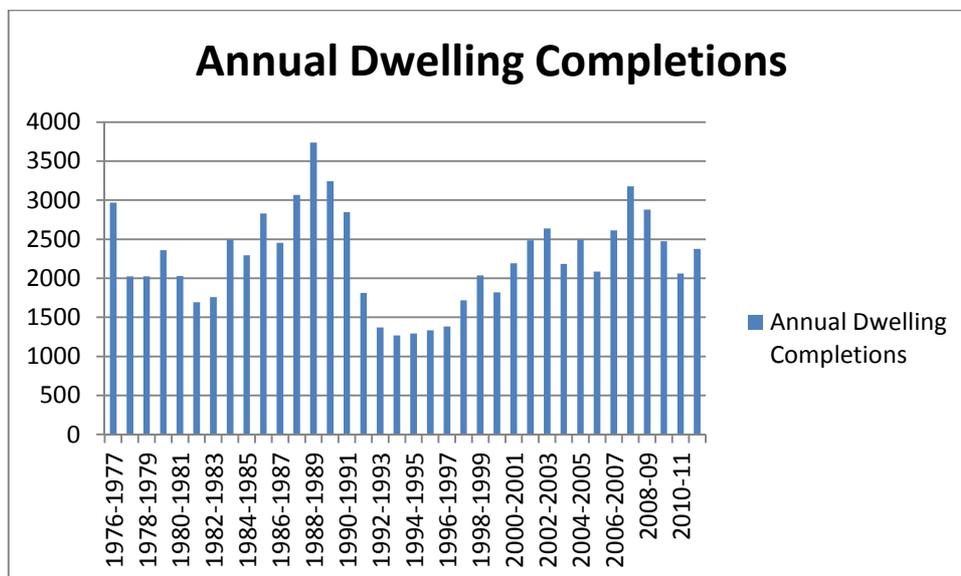
4.4.3 There have been considerable variations in Cornwall's annual dwelling completion rate over these 36 years, the highest being 3,738 dpa in 1988-89, and the lowest 1,269 dpa in 1993-94. These significant differences reflect not only cyclical market variations, but also changing approaches over the years to government policy in funding the delivery of affordable housing, and the effects of recessions and periods of economic buoyancy. This pattern illustrates that the housing market in Cornwall is capable of delivering consistent rates of completion, and reached 3,700 dpa at the peak of the market in the late 1980s. The variable completion rates are shown by the periods in **Table 4.3**, and the trajectory pattern is shown on **Figure 4.1** below, which shows a cyclical pattern of completions over the whole 36 year period.

Table 4.3: Dwelling Completions by Period, 1976-2012

Year Range	Total	Annual Average
1976-2012	81,520	2,264
2001-2012	27,462	2,497
1991-2012	43,695	1,968
1981-2012	70114	2,262
1986-2012	59,043	2,271

Source Cornwall Council Monitoring, 2012

Figure 4.1: Dwelling Completions Trend 1976 – 2012



4.4.4 This pattern of past completions shows the series of peaks and troughs which replicates itself about every 10 years, according to the national economic cycles. There was a peak in 1987-90 and in 2006-08. In 2011 the housing market was at the bottom of a very deep recession, and there is a reasonable argument for suggesting a future peak in about 2020, although, this could be delayed. It is worth noting from **Figure 4.1** that the 2012 completions shows an increased rate and the recent dip in completion levels is not as severe as was expected and certainly not as low as in 1981-83, or in 1991-97. The research paper Housing Growth Targets, on which the draft Local Plan bases its housing requirement target of 48,000 dwellings, refers to a consistent achievable average of 2,275 dpa over the past 25 years.

4.4.5 When the country emerges from the current downturn, with mortgage lending returning to normal conditions, there is no reason why the housing should not return to past levels of development. Indeed, there is a good prospect that there will be a surge in development leading to a peak because of the pent-up demand caused by a low level of completion over the past few years. This may be compounded by a Government committed to growth and economic delivery, including a much higher rate of housing development. The current and future state of the housing market is considered following an assessment of identified future housing supply.

4.5 Future Supply

4.5.1 The housing trajectory for Cornwall has been analysed by the Council's Monitoring section, by Community Network Areas (CNA), which reflect local housing markets with homogeneous characteristics. The focus of this section is on the capacity of the main settlements to deliver the housing identified for them. The components of the potential future housing supply over the 18 year period 2012 - 2030 is made up of a number of different elements of housing:

- Dwellings under construction;
- Small sites with planning permission;
- Large sites with planning permission;
- Large sites with a resolution to grant planning permission, awaiting S106 agreements;
- Committed or allocated sites without permission; and
- Other sites not yet allocated, for example, those identified in SHLAAs.

4.5.2 All the sites comprising the housing supply have been assessed for deliverability in the context of the capacity of the housing markets in each CNA, taking account of the location, characteristics of the site, and the likely dwelling type and mix. In most cases, all the identified sites are likely to be delivered within the plan period to 2030. However, there are some sites that may be delayed and these are likely to be in the regeneration areas of Camborne/Pool, and Hayle Harbour which is likely to deliver only 450 of the 1039 identified, as well as the site for over 500 units at Carlyon Bay, St Austell, which is estimated to complete about 325 units in the plan period.

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- 4.5.3** The inability of some sites to deliver all the capacity in the plan period will have the effect of either reducing the potential for dwelling provision in the CNA, or requiring a re-distribution of provision across CNAs. Alternatively the delivery mechanisms will have to be reassessed and measures will have to be put in place to create the conditions to support the regeneration of these sites
- 4.5.4** Discussions have taken place with many national and local developers, and agents operating in the housing market in Cornwall, as well as with Council officers responsible for the Town Frameworks, who are in regular contact with developers and agents. We have looked at past rates of development in each CNA, which is an indication of what level of future development could be expected. This has identified to what extent development is anticipated to change in the future, and where further evidence is required to demonstrate the achievability of such change.
- 4.5.5** These discussions have reached consensus conclusions about the capacity of the sub-area markets that correspond to the CNAs. In some cases the capacity of the housing markets, taking account of both open market and affordable sectors, is lower than that required to deliver the level of housing anticipated by the emerging Local Plan. **Table 4.4** shows total housing requirements by CNA main settlements, with consequential annual completion rates compared with past achieved rates, highlighting in yellow those CNAs where future rates are much increased. **Appendix 2** details the organisations we have had discussions with regarding the state and operation of the local housing market.

Table 4.4: Requirements by CNA Main Settlements

Community Network Area – Main Settlements	Total Housing Figure	Required Annual Rate	Past Annual Development Rate	Required Annual Rate as % of Past Annual Rate
Bodmin	3,000	150	85	176
Bude	900	45	80	56
Camborne, Pool & Redruth	5,000	250	215	116
Camelford	1,000	50	70	71
Caradon	1,000	50	60	83
Cornwall Gateway (Saltash-Torpoint)	1200	60	110	55
Falmouth & Penryn	3,500	175	125	140
Hayle & St Ives	2,800	140	120	117
Helston & the Lizard (inc rest of CAN)	2,000	100	115	87
Launceston	1,500	75	100	75
Liskeard & Looe	1,500	75	70	107
Newquay & St Columb	3,000	150	175	86

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Community Network Area – Main Settlements	Total Housing Figure	Required Annual Rate	Past Annual Development Rate	Required Annual Rate as % of Past Annual Rate
St Agnes & Perranporth	1,100	55	75	73
St Austell	2,500	125	185	68
St Blazey, Fowey & Lostwithiel	900	45	75	60
Truro & the Roseland	4,500	225	180	125
Wadebridge & Padstow (inc rest of CNA)	1,800	90	90	100
*Penzance	1,700	85	75	113
China Clay & Eco Community	3,200	160	0	

**note - Penzance past annual development rate estimated as 50% of West Penwith total*

- 4.5.6** The main settlements within the CNAs with a similar or lower future completion rate than has historically been the case does not need capacity analysis, as this is proven by past performance. However, each main settlement requiring a significantly increased completion rate (more than 110%), needs to be scrutinised in terms of market capacity to deliver.
- 4.5.7** Each CNA requirement is split between the main settlement, and the rest of the CNA, with the majority in most cases being directed to the main settlements, because these represent the most sustainable locations for growth, being most accessible to jobs, schools, services, and public transport. Most of the shortfall that is identified between existing supply and the Local Plan requirement is likely to be met on SHLAA sites, including major greenfield urban extensions. It is important to scrutinise the market capacity issues for each market area to ensure that these are built into the assessment of deliverability.
- 4.5.8** The rural areas make a significant contribution to the totals within each CNA. As explained above for the purposes of this assessment we have assumed that all development envisaged within the rural areas will be delivered. This is based on past performance collaborated with information from developers. There is more doubt about the market capacity of the main settlements and consequently the analysis focuses on the main settlements and their ability to deliver growth.

4.5.9 The annual completion capacity for each main settlement within the CNAs is set out in **Table 4.5** with a justification comment summarising the views of developers, agents, and Town Framework officers. Analysis is also included of the Eco Community of 5,000 units in the China Clay, St Austell & St Blazey area. This analysis includes assessment of urban extension sites and significant SHLAA sites. The analysis has not included detailed assessment of all the medium size SHLAA sites within the settlements because evidence has not been supplied to demonstrate that these are deliverable. However, it is recognised that the Council believe that these sites offer a potential source of sites that may suit smaller developers and which could provide an additional source of supply within the main settlements. While the Council have undertaken some further work in assessing the suitability of these sites for future development, there is currently insufficient evidence available in terms of their delivery to realistically estimate their likely contribution. It is therefore suggested that the Council may want to undertake further work to identify whether there are deliverable sites available from 2018. If the evidence of likely deliverability is robust it may be appropriate for the Council to consider including an allowance with suitable discount rates for these sites coming forward in the future.

Table 4.5: Annual Completion Capacity for Main Settlements with Significantly Increased Requirement

Main Settlement in Community Network Area	Annual Completion Capacity on Urban Extensions and significant SHLAA Sites	Market Comments
Bodmin	90	There is a reasonable, but limited market in Bodmin. Developers and agents consider that a developer's individual build rate on GUEs will be about 30 dpa, but there could be 3 developers at any one time on a UE.
Camborne, Pool & Redruth	90	Developers and agents consider that the build rate on greenfield urban extensions (GUEs) and regeneration sites will be no more than 30 dpa, and that there could be 3 UEs being developed at any one time. This is in addition to the large number of regeneration sites with a capacity of 1200 units that will not be completed until about 2025.
Falmouth & Penryn	100	Developers and agents consider that the build rate on GUEs will be about 40 dpa, and that there could be 2/3 UEs being developed at any one time.
Hayle-St Ives	70	Developers and agents consider that the build rate on GUEs will be about 40 dpa, and that there could be only be 1 UE being developed at any one time. The major regeneration site at Hayle Harbour will take up much of the market capacity at a rate of 30 dpa. St Ives has a high demand for tourist-related development, and about 30dpa in a GUE.
Liskeard	30	There is a limited market in Liskeard. Developers and agents consider that the build rate on GUEs will be about 30 dpa, and that there could be only 1 UE being developed at any one time.
Truro	140	This is the strongest housing market in Cornwall. Developers and agents consider that the developer's individual build rate on GUEs will be about 40 dpa, and on a large GUE there could be 3/4 developers at any one time. Alternatively there could be say 2 GUEs being developed simultaneously with 2/3 developers on each, each completing about 40 dpa.

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Main Settlement in Community Network Area	Annual Completion Capacity on Urban Extensions and significant SHLAA Sites	Market Comments
Penzance	50	There is a limited market in Penzance. Developers and agents consider that the build rate on GUEs will be about 50 dpa, from ½ developers, and that there could be only 1 UE being developed at any one time.
China Clay Eco Community	60	This proposal is for the regeneration of a number of worked out china clay pits in the rural areas east of St Austell around St Blazey. The capacity of the Eco Community in the CS is 5000 units by 2030, but the promoter of these sites, Eco-Bos, expects that approximately 2200 dwelling could be provided pre-2030 through the delivery of the Eco-community sites at West Carclaze & Baal, and Par Docks, with around 2800 dwellings to be provided through the delivery of the sites at Blackpool, Goonbarrow and Nanpean/Drinnick post Local Plan period beyond 2031. However, developers and agents take perhaps a more detached and pragmatic view of the capacity of the market, and estimate that the likely number of completions will be in the region of 60 dpa from 2015/16, providing 750 dwellings by 2030, as opposed to a build rate of 150 dpa estimated by Eco-Bos.

4.5.10 Much of the imperative behind both the level and distribution of housing growth in Cornwall arises from regeneration issues, such as the thinking behind the Eco-community. A number of priorities have been identified for the Local Plan. These form the basis of spatial strategy, and in summary these are to support:

- The regeneration of two former industrial heartlands (Camborne, Pool & Redruth and the St Austell & Clay Area);
- Improvements to the other main towns with levels of growth focussed on areas of greatest housing need and economic opportunity;
- Growth in smaller towns to meet needs; and
- Rural communities with more organic development.

4.5.11 The background preparation to the Local Plan also considered deliverability, including the effects of multiple landownership, planning constraints, the local property market, size and type of development, other competing developments, and availability of development finance. The recession continues to limit the deliverability of housing, and whilst an analysis of past development rates can give some indication of the capacity of the market to deliver, it is not a guarantee of future delivery.

- 4.5.12** The Local Plan also aims to ensure that housing development helps to deliver the primary objectives for affordable housing and the economy. In terms of the distribution of housing, the Plan considers how population and household growth is expected over the next twenty years, the level of affordable housing need in the area and the preferences those on the housing waiting list have given for specific areas. It also looked at where housing is needed to address an imbalance in the ratio of jobs to homes, and the level of competition there is in the local housing market.
- 4.5.13** However, it may be that the twin objectives of regeneration, and provision of affordable housing, has resulted in a re-direction of growth to areas where deliverability prospects are relatively low. It is very often the case that areas that have become run down because of industrial change are low income areas with the highest need for affordable housing. The aims of planning authorities are often to address these problems and Local Plans offer a key role in setting out a package of measures to address regeneration to deliver the step change required. However, plans must also be demonstrably deliverable, or there is little point in the policy.
- 4.5.14** In order to assess the extent of any gap between deliverable supply and emerging requirement, the level of requirement beyond currently identified supply needs to be set out for each CNA. The deliverable supply consists of completions between April 2010 and April 2012, plus outstanding planning permissions, sourced from the Council document Housing Target summary of 1st October 2012. In addition a windfall allowance is included for small sites of less than 10 dwellings. This is applied from completions data 2001 - 2010 to calculate an average yearly rate (with the exception of CPIR which only has 5 years information available). The average annual rate is multiplied by 12 to represent the years 2018 – 2030. The total is then discounted by 20% which is supported by recent monitoring information which shows that just over 80% of all small sites were delivered within 5 years. A rate is included for the main settlements where this is available; otherwise a proportional estimate is calculated for the rest of the CNA, from aggregated previous district wide totals. The windfall allowance in **Table 4.6** demonstrates that 4,751 units are expected to be delivered on small sites of less than 10 dwellings between 2018 – 2030.
- 4.5.15** **Table 4.6** below illustrates the Local Plan proposed numbers compared with the known supply and windfall allowance to demonstrate whether a shortfall exists within the CNAs. This is split between the main settlements and rest of the CNA's:

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Table 4.6: CNA Requirements, Supply and Shortfalls to 2030 to be identified on Specific Sites

Community Network Area		Submission Version September 2012 Proposed Numbers	SUPPLY - Current Commitments (Built and with Planning Permission)	Windfall Allowance for 12 years 2018-30 (80% of past 10 year rate)	Shortfall to be Found on Greenfield Urban Extensions and SHLAA Sites
West Penwith	Penzance/Newlyn	1,700	465	413	822
	(Rest of CNA)	850	485	0	365
Hayle & St Ives	Hayle - St Ives	2,800	1,812	211	777
	(Rest of CNA)	400	192	0	208
Helston & the Lizard	Helston	1,100	450	77	573
	(Rest of CNA)	800	512	0	288
Camborne, Pool & Redruth	CPIR	5,000	2,723	442	1,835
	(Rest of CNA)	500	365	0	135
Falmouth & Penryn	Falmouth/Penryn	3,500	809	230	2,461
	(Rest of CNA)	500	268	102	130
Truro & the Roseland	Truro/Threemilestone	4,500	2126	115	2,259
	(Rest of CNA)	1,000	403	102	495
St Agnes & Perranporth	CNA	1,100	329	102	669
Newquay & St Columb	Newquay	3,000	2,008	470	522
	(Rest of CNA)	600	198	117	285
St Austell	St Austell	2,500	1,554	192	754
	(Rest of CNA)	300	134	117	49
China Clay [plus Eco Community]	CNA	1,500	1,071	117	312
	[Eco Community]	1,700	0	0	1,700
St Blazey, Fowey & Lostwithiel [plus Eco Community]	CNA	900	351	117	432
	[Eco Community]	500	0	0	500
Wadebridge & Padstow	Wadebridge	800	253	38	509
	(Rest of CNA)	1,000	522	101	377
Bodmin	Bodmin	3,000	536	91	2,373
	(Rest of CNA)	200	44	101	55
Camelford	CNA	1,000	390	101	509
Bude	Bude/Stratton/Flexbury/Poughill	900	569	67	264

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Community Network Area		Submission Version September 2012 Proposed Numbers	SUPPLY - Current Commitments (Built and with Planning Permission)	Windfall Allowance for 12 years 2018-30 (80% of past 10 year rate)	Shortfall to be Found on Greenfield Urban Extensions and SHLAA Sites
	(Rest of CNA)	350	151	101	98
Launceston	Launceston	1,500	744	86	670
	(Rest of CNA)	400	238	101	61
Liskeard & Looe	Liskeard	1,500	320	101	1,079
	(Rest of CNA)	1,000	667	313	20
Caradon	CNA	1,000	466	313	221
Cornwall Gateway [Torpoint]	Saltash	900	150	0	750
	(Rest of CNA)	250	124	313	-187
	[Torpoint]	300	26	0	274
Total		48,850	21,4556	4,751	22,644

4.5.16 The shortfalls can be met from the SHLAA, which identifies a large number of sites with a capacity of at least 92,000 dwellings, on both brownfield regeneration sites, and on greenfield urban extensions. The inclusion of a site in a SHLAA is no indication that a site will come forward for development, so these are not included in the trajectory for market capacity testing. In the event there is a shortfall between housing requirement and currently identified supply, these sites will form a pool of potentially suitable sites from which to select sites to be allocated. As previously acknowledged there may be a potential yield that can be delivered in the main settlements from larger SHLAA sites that could help meet this shortfall. Robust evidence of their likely delivery will be required to include sites within calculations of supply either as specific sites or as part of an allowance.

4.5.17 The next task is to test the market capacity of each CNA where there are shortfalls between requirement and identified supply for the main settlements where the majority of growth is directed. The shortfalls are to be met from sites that are not yet recognised as development allocations, and to which there is no commitment.

4.5.18 The Local Plan process must first be completed, including this issue of arriving at the most appropriate housing requirement, which must allow for Council processes and formal approval, submission, public examination, an Inspector's Report, alterations, and adoption.

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4.5.19 The development sites required to meet the shortfall must then be considered in detail and allocated through formal and informal plans. Masterplanning and consultation must take place, followed by individual planning applications, in outline followed by reserved matters, and legal agreements must be entered into. Following this, conditions must be discharged, and primary infrastructure such as strategic highway improvements and drainage must be constructed. It would be no exaggeration to estimate the time for these processes at a minimum of 3/4 years.

4.5.20 It is reasonable to suppose therefore, that there will be no completions from most of the brownfield regeneration sites, and greenfield urban extensions, until about 2016/17. However, there are some likely exceptions at Falmouth, Truro, and the Tulgus urban extension at Camborne, Pool and Redruth. Of the total shortfall of 22,644 units to be met on uncommitted sites, 20,265 units (89%) will be in or adjacent to the main settlements, and in the Eco-Community. The remaining 11% is in the rural areas and these are assumed to come forward through a range of mechanisms the Council is using to bring forward affordable and market housing. **Table 4.7** identifies these deliverable capacity and shortfall by main settlement:

Table 4.7: Main Settlement Shortfalls to 2030, Annual Requirement from 2015/16, Compared with Deliverable Capacity

Main Settlement	Shortfall to be Found on Greenfield Urban Extensions and SHLAA Sites (A)	Annual Requirement 2016/17 - 2029/30 (A/14 years)	Annual Capacity in Main Settlements	Total Deliverable Capacity on Greenfield Urban Extensions and SHLAA Sites (14 years x annual capacity)	Shortfall in Delivery in Main Settlements
Penzance/Newlyn	822	59	50	700	122
Hayle - St Ives	777	56	70	980	-203
Helston	573	41	40	560	13
CPIR	1,835	131	90	1,260	575
Falmouth/Penryn	2,461	176	100	1,400	1,061
Truro/Threemilestone	2,259	161	140	1,960	299
St Agnes-Perranporth	669	48	50	700	-31
Newquay	522	37	70	980	-458
St Austell	754	54	50	700	54
China Clay	312	22	30	420	-108
[Eco Community]	1,700	121	60	840	860
St Blazey-Fowey-Lostwithiel	432	31	40	560	-128
[Eco Community]	500	36	30	420	80
Wadebridge& Padstow	509	36	60	840	-331
Bodmin	2,373	170	90	1,260	1,113
Camelford	509	36	35	490	19
Bude/Stratton/Flexbury/Poughill	264	19	35	490	-226
Launceston	670	48	40	560	110
Liskeard&Looe	1,079	77	40	560	519

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Main Settlement	Shortfall to be Found on Greenfield Urban Extensions and SHLAA Sites (A)	Annual Requirement 2016/17 - 2029/30 (A/14 years)	Annual Capacity in Main Settlements	Total Deliverable Capacity on Greenfield Urban Extensions and SHLAA Sites (14 years x annual capacity)	Shortfall in Delivery in Main Settlements
Caradon	221	16	25	350	-129
Saltash-Torpoint	1,024	73	120	1,680	-656
	20,265			17,710	2,555

4.5.21 Table 4.7 shows that in some of the CNA main settlements, the shortfall is too great to be made up in the context of market capacity. This is partly because there remains just 14 years of completions to achieve the required level of completions, and the market capacity is too low to achieve it.

4.6 Conclusions

4.6.1 The distribution of development has evolved as the Local Plan has been prepared. This has reflected the level of development land available and the likelihood of achieving development in these locations. The Local Plan strategy is seeking in part to direct development to areas of regeneration and in some cases this will be demanding. Justification is necessary to demonstrate with robust evidence how this level of delivery will be achieved where a likely shortfall has been identified. An alternative approach would be to reduce dwelling requirements in some of the CNA main settlements and increase them in areas of spare capacity. Table 4.8 uses the shortfalls identified for the main settlements as set out in Table 4.7 and demonstrates the extent of the reductions and increases that could be required in the main settlements within the Community Network Areas.

Table 4.8: Alternative CNA Requirements Taking Account of Market Capacity

Community Network Area (Main Settlements)	Shortfall in Delivery in Main Settlements	Current Local Plan CNA Requirements (main settlements)	Alternative CNA Requirements Taking Account of Market Capacity
Penzance/Newlyn	122	1,700	1,578
Hayle - St Ives	-203	2,800	3,003
Helston	13	1,100	1,087
CPIR	575	5,000	4,425
Falmouth/Penryn	1,061	3,500	2,439
Truro/Threemilestone	299	4,500	4,201
St Agnes-Perranporth	-31	1,100	1,131
Newquay	-458	3,000	3,458
St Austell	54	2,500	2,446

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Community Network Area (Main Settlements)	Shortfall in Delivery in Main Settlements	Current Local Plan CNA Requirements (main settlements)	Alternative CNA Requirements Taking Account of Market Capacity
China Clay	-108	1,500	1,608
[Eco Community]	860	1,700	840
St Blazey-Fowey-Lostwithiel	-128	900	1,028
[Eco Community]	80	500	420
Wadebridge& Padstow	-331	800	1,131
Bodmin	1,113	3,000	1,887
Camelford	19	1,000	981
Bude/Stratton/Flexbury/Poughill	-226	900	1,126
Launceston	110	1,500	1,390
Liskeard&Looe	519	1,500	981
Caradon	-129	1,000	1,129
Saltash-Torpoint	-656	1,200	18,56
	2,555	40,700	38,145

4.6.2 The capacity of the housing market, both now and in the foreseeable future, is limited by the reasons explored earlier. The Council has addressed this to some extent by adjusting the distribution, and this analysis demonstrates that there is a still a likely shortfall of 2,500 in terms of market delivery in the main settlements.

4.6.3 The Council must now consider ways to address this issue. There are a number of options. It should consider a lower overall housing provision in the Local Plan than the requirement that is indicated by other evidence such as population projections, household formation, net migration, and economic growth potential. It should consider a revised distribution of growth strategy. Alternatively if the Council wish to continue with the current regeneration strategy it will need to provide clear evidence of how it is to be achieved and what action is required to ensure the sites are deliverable in areas where there appears to be a limited market capacity.

4.6.4 There are main settlements in CNAs where a shortfall is identified and where if the strategy is to be maintained will require concerted action to achieve the level of delivery the Local Plan requires. These are:

- CPIR;
- Falmouth/Penryn;
- Eco Community;

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- Bodmin; and
- Liskeard and Looe.

4.6.5 Liskeard is one of the most challenging areas to deliver growth in, and a significant step change will be required to address the weak market. Bodmin is also a difficult area but it benefits from being a corporate priority area and specific intervention is necessary, and to a certain extent is occurring in the form of the new Council offices. Falmouth and CPIR benefit from a reasonable market and are receiving continued support with impetus being gained from the University and LEP investment which will need to be continued. The shortfall identified at the Eco Community reflects to some extent the differing opinions of the promoters of the site; Eco-bos and competing developers. In any assessment of such an ambitious regeneration project it is important to be mindful of the potential for over optimism by promoters and pessimism of competitors. Addressing these issues and meeting the challenges these areas pose is a key role of the Local Plan which provides a package of measures necessary to deliver the housing ambitions for these areas.

4.6.6 There are CNAs with spare capacity in and around their main settlements that is not being used up in the current Local Plan draft housing provisions. Increases could be made to reflect this spare capacity which would mean:

- Hayle-St. Ives 3,000 dwellings;
- Newquay 3,400 dwellings;
- Bude 1,100 dwellings; and
- Saltash-Torpoint 1,800 dwellings.

4.6.7 In the past 36 years since 1976, there have been many completions distributed across rural areas, both in the open countryside, and in smaller towns and the many villages. This has been a significant factor in achieving the average completion rate of about 2,260 dpa across Cornwall. Of the 48,850 dwellings currently identified in the Local Plan over 8,000 homes are allocated to the smaller settlements and rural areas within the Community Network Areas. If the Council wanted to achieve higher completion rates, one option in addition to the re-distribution suggested in **table 4.8** would be to direct more growth to the smaller settlements where there would be a significant unmet capacity and where there is a high potential to satisfy affordable housing requirements in rural areas across Cornwall.

- 4.6.8** In addition to addressing the challenging delivery issues posed in the areas listed in **paragraph 4.6.4**, it is necessary to consider whether the shortfall in the main settlements could be met by the SHLAA sites (of more than 10 dwellings) having a realistic prospect of delivery within the plan period. This would involve the Council taking forward the critical examination of sites for the Town Frameworks to identify not only that they are suitable in planning terms but also that they have developer interest and commitment. If sites are investigated and their delivery can be supported with evidence, it may be appropriate to either include them specifically in a trajectory or else make a suitable discounted allowance for them as part of the housing requirement. However, this will require robust evidence in terms of delivery information and also when considering past rates and sites must ensure that no double counting is present.

5 Conclusions and Recommendations

5.1 Summary

- 5.1.1** This report describes and uses two different approaches in order to identify what provision the development plan should make for Cornwall. First it addresses the expectation from the Planning Framework that the housing requirement be 'objectively assessed'. This is done in the report by considering demographic information, the expected starting point for an evidence-based assessment. The implications of different economic projections are also considered to determine how much housing would be needed to match possible levels of job growth.
- 5.1.2** Second, the report considers the ability of the area to provide housing in terms of market capacity, addressing the expectation from the Planning Framework that the plan be deliverable.
- 5.1.3** Bringing together these requirement and delivery figures provides a basis for the Council to establish a suitable level of housing provision in the Local Plan. The report considers the whole of Cornwall, which covers a large area with very different economies, environmental constraints and market attractiveness. The needs and opportunities within the different sub district areas will be an important input into the decision about the level of provision.
- 5.1.4** Various scenarios have been developed to test the potential future housing requirement from the most up to date demographic and economic information available. These include four demographic scenarios which use a range of average growth rates compared with the 2008 based ONS population projections and a locally based 2010 PopGroup projection. The three economic scenarios are based on the two available employment projections from different sources and tested against the labour supply projection and cover a wide range of potential future growth possibilities. These can be benchmarked against the 2008 based DCLG household projections for the plan period of 58,000 homes and other scenarios that the Council have previously explored.
- 5.1.5** The scenarios are based on the period 2011 – 2030 and need to be recalibrated to the plan period which runs from 2010 – 2030. It is proposed that the requirement for 2010 - 2011 is taken from the Structure Plan which covers that year. As such an additional 1,900 dwellings will need to be added to each scenario to provide comparable figures for the whole of the plan period.
- 5.1.6** **Table 5.1** sets out the housing requirement which arise from the different scenarios. These are discussed in detail below.

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Table 5.1: Housing Requirement 2010 – 2030

Scenario	Requirement 2011-2030	Requirement 2010-2011	Total Requirement
D1:Long Term Growth Trend (2001-10)	53,800	1,900	55,700
D2:High Growth Trend (2001 – 06)	57,700	1,900	59,600
D3:2008 Based Projections	64,700	1900	66,600
D4:2010 Based (PopGroup) Projections	58,000	1,900	59,900
E1:Cambridge Econometrics: (1,828, jobs per year)	47,800	1,900	49,700
E2:Labour Supply : (2,765 jobs per year)	66,700	1,900	68,600
E3:South West Observatory: (4,066 jobs per year)	93,100	1,900	95,000

Scenario D1: Long Term Growth Trend

- 5.1.7** Scenario D1 is based on the long term growth trend from between 2001 – 2010; this takes account of actual past rates of migration and natural change to provide an average growth rate of 3,920 persons per year. Long term trends are useful because they are inherently more robust than short term averages and factor in more of the economic cycle.

Scenario D2: High Growth Trend

- 5.1.8** Scenario D2 is based on a five year growth trend from between 2001 – 2006. It combines actual rates of migration and natural change into a single average growth figure of 4,360 persons per year. It is effectively a variation of the trend based information set out in Scenario D1 and provides a figure closest to the 2008 based DCLG household projections, primarily because it is based on similar data.

Scenario D3: 2008 Based Population Projections

- 5.1.9** Scenario D3 is based on the ONS 2008 based population projections. This represents the highest demographic projection because of the high population projected at 2030. Considerable doubt has been cast on these population figures by the 2010 based projections which expect a far lower population in the future, however, these have not been verified or used as a basis of household projections. It should be noted that considerable uncertainty surrounds the population projections in this scenario and scenario D4 below.

Scenario D4: 2010 Based PopGroup Projections

- 5.1.10** Scenario D4 is based on Cornwall Council's local projections using the PopGroup model based on the 2010 population projections. It provides the most up to date interpretation of local evidence, however, the projections are based primarily on the 2001 census information and as such have been criticised as being very out of date. The 2010 based population projections have not been used to formulate household projections, and the next set of household projections are not expected imminently.

Scenario E1: Cambridge Econometrics 2012 Employment Projections

- 5.1.11** Scenario E1 is based on the most recent employment projections produced for Cornwall Council. These project a total growth of 34,740 jobs to 2030 which has been translated into the likely number of households that would be required over that period. These projections take account of the recent recession and predict only gradual recovery. It should be noted that the projections are not based on detailed economic potential work and therefore it is not known whether they are unduly pessimistic.

Scenario E2: Labour Supply ELR 2010

- 5.1.12** Scenario E2 is based on a labour supply projection contained within the Employment Land Review undertaken by Consultants NLP in November 2010. This predicts the level of economically active working age residents that would be likely over the plan period. As such it uses a different methodology which is useful to benchmark the likely employment growth predictions against. However, it should be treated with caution because it is based primarily on 2001 Census data and 2006 based projections.

Scenario E3: South West Observatory 2011 Employment Projections

- 5.1.13** Scenario E3 is based on employment projections produced in August 2011 by Experian. This projects a total growth of 77,300 jobs over the plan period which is based on regional trend information imputed from UK forecast. They illustrate what might occur in Cornwall if the median Treasury forecast and existing relationships continues. They should be treated with caution because they do not take account of local economic potential and sectoral issues and are heavily reliant on high levels of growth in business services. As such they should be seen as aspirational and are included to provide consistency with Plymouth City Council housing requirement work.

5.2 Conclusions

- 5.2.1** The scenarios provide a useful illustration of the likely number of households that will be required across Cornwall to 2030. They add to the evidence base that the Council already has and increase the information on which a decision about the level of housing requirement can be based. The study has sought to use a variety of different sources of information to establish the likely and deliverable housing requirement to 2030. This is essential to ensure that the figure is corroborated from a number of different methods, and that it is robust. The full range illustrated in this report and set out in **Table 5.1** is between 49,700 and 95,000 households required over the plan period. However, Scenario E3 is highly aspirational and is not corroborated by any of the demographic scenarios and as such should be discounted.

- 5.2.2** This study concludes, based on current evidence and all the information discussed in this report that the range of 49,700 to 68,600 dwellings (between 2010 – 2030) is considered as a starting point for setting the housing requirement. Identifying a range for the housing requirement is not necessarily intended to focus on a middle figure, but rather to provide an indication of the uncertainty about the information and economic circumstances as well as achievement of policy objectives and delivery of the strategy. It provides a target range which should be monitored, it gives the necessary flexibility to respond to changing circumstances and offers a more common sense interpretation of the difficulty of forecasting over the plan period. In identifying exactly what is to be delivered the Council should decide which policy objectives it wishes to achieve, together with the distributional needs of the areas and how these can best be delivered through which housing requirement figure, using the different sources to provide corroboration and justification.
- 5.2.3** For example if delivering affordable housing and achieving significant economic growth are key objectives for Cornwall, then the higher end of the range should be pursued, providing the appropriate policy and action is designed and implemented to achieve this level of growth. However, it should also be mindful of its objectives for regeneration and reducing unemployment and how this translates into the reality of delivering housing in the areas it is directing them to, rather than perhaps where developers and the market is selling them. It is these policy implications and objectives together with distributional outcomes which must be considered against the objective measures of housing requirement as identified in this report.
- 5.2.4** This study has not considered a number of other factors which are pertinent to the setting of the housing requirement. These include understanding what the Strategic Housing Market Assessment (SHMA) says, which will probably identify a considerable need for affordable housing. A low housing requirement will impact on the ability to deliver the number of affordable housing as identified in the Future Cornwall Community Strategy which states that 1,000 new affordable homes will be delivered each year. This is a factor that should be weighed in the decision about what requirement to aim for and specifically this need to be consistent between the Council's wider priorities for affordable housing and what it is doing in terms of seeking to deliver them. The implication of providing 1,000 affordable homes a year is that it is likely to require a target of at least 3,500 homes (at a level of 35%) which would mean pursuing a higher housing provision of approx. 66,500 homes to 2030, which would be in line with scenario D3 and E2. It is also useful to understand the level of empty homes across Cornwall and whether this will reduce the housing requirement if there is a comprehensive and realistic strategy to bring them back into use.

- 5.2.5** The most recent economic growth projections take account of the economic downturn and scenario E1 provides a figure which is closest to the level of housing the Council is currently proposing. However, there are dangers too of pursuing too low a level of housing requirement. Setting a target too low could constrain the economy, increase house prices and worsen affordability. Economic development would be stifled if, for example in-migration of non-economically active people is greater than assumed, taking the place of needed workers. Suppressing housing provision below actual demand may mean that lower income residents in need of a home lose out to wealthier in-migrants. The lowest scenario E1 therefore needs to be balanced against what the demographic information is showing. If the Council wish to pursue a growing population and economic growth then they will need in-migration to increase the economically active population. It should be noted that there is no policy mechanism available to stop migration of both economically active and non-economically active migrants occurring.
- 5.2.6** It is important to understand all of the relevant up to date information which points to a range of objectively assessment housing requirement that may exist, according to the different scenarios, and which may be achievable. The decision to be made about what level of housing provision to make through the Local Plan needs to acknowledge what may be needed and possible and align this with the delivery of the Council's vision and objectives, and the role and function of settlements. The job now to be done is to ensure that the housing provision pursued by the Council fits with all its social, economic, environmental and distributional objectives and can be delivered.
- 5.2.7** In terms of market delivery, the majority of the current level of houses proposed in the Local Plan has been identified as being available and deliverable by the market. Long term completion rates show that around 2,264 dwellings have been delivered each year on average. Looking forward over 20 years, our investigations suggest that with the emerging spatial strategy of 48,850 dwellings proposed and foreseeable market conditions, the housebuilding industry could be expected to continue to deliver at a similar level, which would be likely to deliver all but 2,500 dwellings, which is considered to be the shortfall arising from allocations within or adjacent to the main settlements.
- 5.2.8** The figures derived from the different demographic and economic scenarios demonstrate a considerable range in what might be the objectively assessed housing requirement. The assessment of market capacity demonstrates that there is a gap between what is currently proposed and what appears to be deliverable. This gap is currently considered to be in the region of 2,500 dwellings and is a very real issue for the Council in deciding how to proceed, and certainly could be expected to exercise the Inspector undertaking the Independent Examination of the plan. One way of looking at this issue might be to acknowledge that there are some 'artificial' factors in play. That is, there is a demonstrable housing requirement, and there are development sites able to address that need, subject to sufficient coming together of the aspirations of the planning local authority and the development industry, but the delivery of housing is stalled by the inability of the potential buyers to borrow money in 'normal' ways. If this credit shortage were eased, the industry could set about meeting what will by then be a pent up requirement very effectively. The Council might therefore consider whether the gap between the requirement, however quantified, and delivery, might be presented as a timing issue rather than requiring a fundamental change.

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- 5.2.9** Alternatively it will be necessary to demonstrate how this gap is to be met either through reducing it, further redistribution or through further justification of how delivery will be achieved on sites.
- 5.2.10** It is important however to note that the work undertaken and described in this report in seeking to identify the housing requirement has not been 'spatial'. That is, we have not examined how the factors contributing to the requirement for further housing in Cornwall might vary according to different parts of Cornwall. Put simply, and for example, some parts of the area will be more successful in attracting or nurturing new business investment creating jobs and hence the desirability of a locally-housed workforce. Similarly, with migration a significant feature of the demographic requirement, whether some people choose to buy homes in Cornwall will depend on the availability of houses in suitably attractive locations (there is an issue of affordability arising from competition for the stock too).
- 5.2.11** We have noted earlier in the report that the planning authority has to satisfy an Inspector on cross boundary issues too, with the duty to cooperate and the form of the soundness test now set out in the Planning Framework, and whilst Cornwall is relatively free of neighbouring authorities, it is not entirely unaffected by cross boundary issues.
- 5.2.12** Spatial issues are inherent in the consideration of deliverability. Past completions are location-specific, and housebuilders and developers understand the prospects for housing provision based in their knowledge of the place.
- 5.2.13** There are tensions between the laudable intentions of directing development to help bring about regeneration and to achieve more sustainable patterns of development, and allowing development to come forward where the market is strongest. This suggests that the way forward for Cornwall Council may well be through demonstrating that the fit of the spatial strategy with the level of housing provision has been a two way process, with a bottom up element combining the suitability and deliverability of the chosen development locations alongside the top down element of the demographic and economic modelling. It is acknowledged that the Council has undertaken some redistribution of housing provision in developing and refining the Local Plan allocations. Further redistribution may be achievable in terms of market capacity but perhaps not desirable in terms of delivering the regeneration objectives for the Council. To achieve their strategy Cornwall Council will need to consider further how the sites are to be delivered and provide evidence and justification of how they can be achieved.
- 5.2.14** However the Council proceeds, it must be mindful that once the overall requirement is identified, and seen to be objectively assessed in the terms of the Planning Framework, if there isn't a demonstrable five year supply of available housing, developers are likely to put forward sites to address the supply through the application and appeal process.

5.3 A Note of Caution

- 5.3.1** This report and the figures in it come with a number of caveats. Firstly they are current at September 2012, with a baseline provided by the first release of the 2011 Census results. Consequently they represent a snapshot in time and will be superseded by newer figures and information as it becomes available. This will be the case in terms of economic performance and projections and also demographic information such as Mid-Year estimates, but particularly with the publication of more detailed Census releases. The current Census data shows that the population is 1.7% lower than the Mid-Year Estimates. However, the components of change are not yet finalised and there is further work to be done to test these figures. Consequently, there is currently no method available which uses these lower population figures which is robust and would gain general consensus. The benefit of using longer trend based growth is that it factors in more of the economic cycle.
- 5.3.2** There are some key assumptions in this work that need to be made clear. First, all projections are trend based and reflect the previous policy position. The economic projections factor in the recession to some extent, but they also project the growth associated with the boom years forward. All the projections for employment growth apply this trend to sectors rather than using a detailed local assessment of existing performance and future potential. They do not take account of future policy objectives associated with delivering planning outcomes. It is important to note that these can influence housing and employment provision and consequently the population and household delivery both in terms of how much development is delivered, where and of what type.
- 5.3.3** The work uses economic projections based on job growth, but it does not provide a study of economic potential based on detailed analysis of the sectors within Cornwall. It is suggested that this work could be done to complement the ELR and would be useful to compare with the projections/forecasts used in this report, and for monitoring purposes.
- 5.3.4** The ageing population will have some impact on the number of economically active, and while this will to some extent be offset by people working longer, it is most likely to be influential in terms of the structure of the population, the changing household size, composition and type of dwellings and also have implications for services in Cornwall.
- 5.3.5** The range of information used represents the most up to date robust evidence upon which a housing requirement can now be based. However, it is essential that this information is monitored and updated as further population and employment as well as delivery information becomes available.
- 5.3.6** Monitoring will be fundamental and it is suggested that this should be done on the basis of both jobs growth and population change. Job growth every year from BRES data can be compared against the average numbers included in the scenarios in **Table 3.10** to test how far the likely projections are being realised. The population can be monitored in terms of Mid-Year estimates to consider the components of change (**Table 2.3**) and tested against the assumptions set out in **Table 2.5**.

5.4 Recommendations

5.4.1 This report provides a significant range of possible housing requirements and illustrates a gap in terms of what might be delivered. Consequently it does not provide a very straightforward answer to the fundamental question that has to be addressed in the Local Plan. The report concludes with a number of recommendations.

5.4.2 Firstly the range of possible levels of housing provision that could be supported by the evidence provided from this report (and other work which the Council already has) has to be understood in terms of their integration and how they corroborate each other and must be related to the objectives the Council wishes to serve through the influence the Local Plan will have, and explicitly so. A decision should be made by the Council that weighs up all the different sources and sets a Local Plan figures which reflects the objectives to be achieved.

5.4.3 Secondly, there is a need to acknowledge any gap that is identified between the objectively assessed housing requirement, the assessment of market capacity and the housing numbers contained in the Local Plan strategy. It will be essential to demonstrate how the Council expect to meet the challenge of achieving delivery in settlements with a recognised shortfall. It may also be useful to explain how this gap will be addressed by undertaking further assessment of SHLAA sites and providing evidence to demonstrate the realistic prospect of delivery. If robust evidence exists it might be appropriate to include these sites in the trajectory or an allowance with suitable discount rates for these sites coming forward in the future.

5.4.4 Thirdly while there is a level of uncertainty in the demographic and economic scenarios this is not an excuse to do nothing. Setting a long term strategy for Cornwall in the Local Plan is a key part of achieving the Council's objectives. The new household projections will provide an up to date assessment of growth and will provide a check on assumptions, however these are not expected imminently. It is imperative that the figures and assumptions are monitored and reviewed regularly and feed into the models used to ensure that their implications are adequately assessed and if necessary changes made to the plan. Throughout the report key issues have been identified which require monitoring and include:

- Annual job growth, self-employment, unemployment rates and emergence of new sectors;
- Economic activity rates, impact of decline of proportion of working age population, the increase in working age and hours;
- Components of population change including migration, births and deaths;
- Household formation rates, household type, size and composition; and
- Proportion living in communal establishments.

- 5.4.5** The fourth recommendation is a point about the quality and suitability of the information the Council has on the economic potential of the area that it is able to feed into the process in the way that has been done so far in this report. We have only been able to use headline growth rates whereas this work on examining the housing requirement should be complimented by a proper assessment of economic potential within the local sectors specific to Cornwall to provide for more detailed and accurate forecasting. This would also provide an up to date context in which to plan for the economy and promote such economic growth as was deemed most desirable.
- 5.4.6** Fifth, the Council will need to work with Plymouth City Council in particular to establish the implications for the housing provision in relation to any cross boundary relationships.
- 5.4.7** Sixth, and most basic, we have noted the need to ensure the spatial strategy – which has housing provision as its most essential embedded element – reflects both the kind of top down work on the housing requirement set out in this report and bottom up work responding to an understanding of how the constituent parts of the County function. This means being able to show how the spatial strategy takes account of the settlements and categories of settlements in different parts of the County in terms of their population structure, community needs, economic profile, opportunities for growth and potential to deliver development. The relationship between different areas will be critical too. In this way the Council can present a coherent strategy which reconciles the requirement for housing with the delivery of housing, as well as integrating population change, economic development and infrastructure provision within a sustainable vision.

Appendix 1: Cornwall Employment Trends 1998 – 2010

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Cornwall Employment Trends 1998 – 2008, taken from Annual Business Inquiry Data

Industry	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agriculture, forestry and fishing	6,000	5,500	4,800	4,600	4,500	4,300	4,500	4,300	4,800	4,800	5,900
Mining, Manufacturing, Utilities	23,000	20,400	20,400	23,100	22,000	22,000	21,500	20,100	20,800	21,600	19,800
Construction	9,100	8,200	10,800	7,300	10,300	8,500	7,000	9,600	10,100	11,200	9,500
Distribution	32,100	32,400	32,800	34,400	35,400	40,300	37,200	37,400	36,300	36,500	37,700
Hotels and restaurants	16,600	14,600	16,900	20,300	20,900	21,400	20,600	18,900	23,200	23,400	23,200
Transport and communications	5,600	5,500	5,500	5,800	6,700	6,600	7,800	7,300	8,500	10,200	8,400
Financial and business services	12,900	15,500	12,000	14,300	21,000	22,400	21,200	20,100	22,600	21,700	22,900
Public services, admin and defence	20,600	20,200	29,200	31,100	28,300	26,200	28,400	30,300	29,700	29,300	29,400
Health and social work	25,700	23,200	21,900	23,500	22,300	22,400	23,700	27,200	29,300	28,900	28,000
Other service activities	7,300	7,600	8,400	8,000	10,100	9,000	9,200	10,900	11,300	12,100	12,200
Total Employees in Employment	158,900	153,100	162,900	172,300	181,300	183,300	181,200	186,100	196,700	199,700	197,200

Cornwall Employment Trends 2008 – 2010, taken from Business Register Employment Survey Data

Industry	2008	2009	2010
Agriculture, forestry & fishing (A)	800	300	800
Mining, quarrying & utilities (B,D and E)	3,100	2,600	2,300
Manufacturing (C)	18,400	18,200	17,500
Construction (F)	11,600	12,400	10,000
Motor trades (Part G)	4,300	4,300	4,300
Wholesale (Part G)	7,900	8,400	9,900
Retail (Part G)	27,200	29,700	27,400
Transport & storage (inc postal) (H)	7,700	9,100	9,100
Accommodation & food services (I)	24,500	28,300	29,300
Information & communication (J)	2,500	2,700	2,800
Financial & insurance (K)	2,600	3,000	2,800
Property (L)	3,900	3,100	2,900

Industry	2008	2009	2010
Professional, scientific & technical (M)	10,000	9,600	10,600
Business administration & support services (N)	9,700	8,600	7,800
Public administration & defence (O)	9,700	8,000	8,500
Education (P)	19,900	20,300	20,000
Health (Q)	27,900	26,900	27,300
Arts, entertainment, recreation & other services (R,S,T and U)	12,700	11,300	12,100
Total Employment (includes sole proprietors)	204,400	206,900	205,500

Appendix 2: Organisations Participating in Housing Market Consultation

Housing Requirement for Cornwall

Barratt

Linden/Rosemullion

Wainhomes

Persimmon

Taylor Wimpey

Galliford Try

Ian Hobson Designs

Savills

Duchy of Cornwall

Nathaniel Lichfield & Partners

Bovis

Goldring Yates

Percy Williams Ltd

Goundry Pearce

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