

**REGENERATION AND ECONOMIC DEVELOPMENT  
POLICY OVERVIEW AND SCRUTINY COMMITTEE**

**Friday, 1st April, 2011**

**10.00 am**

Council Chamber, Sessions House, County Hall,  
Maidstone







## AGENDA

### REGENERATION AND ECONOMIC DEVELOPMENT POLICY OVERVIEW AND SCRUTINY COMMITTEE

Friday, 1st April, 2011, at 10.00 am  
Council Chamber, Sessions House, County  
Hall, Maidstone

Ask for: Theresa Grayell  
Telephone 01622 694277

*Tea/Coffee will be available 30 minutes before the meeting*

#### Membership (12)

Conservative (11): Mr M C Dance (Chairman), Mr J R Bullock, MBE, Mr A R Chell, Mr K A Ferrin, MBE, Mr P J Homewood, Mrs J P Law, Mr K H Pugh, Mrs J A Rook, Mr K Smith, Mr M V Snelling Mrs E M Tweed

Liberal Democrat (1): Mr M B Robertson

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#### **UNRESTRICTED ITEMS**

*(During these items the meeting is likely to be open to the public)*

#### Item No

##### **A. COMMITTEE BUSINESS**

- A1 Introduction/Webcasting
- A2 Membership
- A3 Substitutes
- A4 Election of Vice-Chairman
- A5 Declarations of Members' Interest relating to items on today's Agenda
- A6 Minutes of the meeting held on 18 January 2011 ( 1 - 8)

## **B. ITEMS FOR CONSIDERATION**

- B1 Presentation - Broadband
- B2 Sandwich Economic Development Task Force - update report ( 9 - 36)
- B3 The Strategic Context for Future Public Sector Investment in Thanet ( 37 - 106)
- B4 Local Enterprise Partnership/Regional Growth Fund - update
- B5 Low Carbon Opportunities
- B6 Regeneration and Economic Development Business Growth Programme ( 107 - 112)
- B7 KCC's Performance Management Framework ( 113 - 116)
- B8 Financial Monitoring Report
- B9 Savings Monitoring Report

## **C. SELECT COMMITTEE WORK**

- C1 Update on Select Committee Work ( 117 - 118)

### **EXEMPT ITEMS**

*(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)*

Peter Sass  
Head of Democratic Services and Local Leadership  
(01622) 694002

**Thursday, 24 March 2011**

*Please note that any background documents referred to in the accompanying papers may be inspected by arrangement with the officer responsible for preparing the relevant report.*

**KENT COUNTY COUNCIL**

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**REGENERATION AND ECONOMIC DEVELOPMENT POLICY  
OVERVIEW AND SCRUTINY COMMITTEE**

MINUTES of a meeting of the Regeneration and Economic Development Policy Overview and Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Tuesday, 18 January 2011.

PRESENT: Mr M C Dance (Chairman), Mr I S Chittenden (Vice-Chairman), Mr P J Homewood, Mrs J P Law, Mr K H Pugh, Mrs J A Rook, Mr K Smith, Mr M V Snelling, Mrs E M Tweed, Mr J N Wedgbury (Substitute for Mr A R Chell) and Mr M J Whiting (Substitute for Mr J R Bullock, MBE)

ALSO PRESENT: Mr J A Kite and Mr K G Lynes

IN ATTENDANCE: Ms B Cooper (Director of Economic Development), Mr N Smith (Head of Development Investment) and Miss T Grayell (Democratic Services Officer)

**UNRESTRICTED ITEMS**

**53. Minutes of the meeting held on 17 November 2010**

*(Item A4)*

RESOLVED that, subject to the amendments to Minute 46 set out below, the Minutes of the meeting held on 17 November 2010 are correctly recorded and they be signed by the Chairman.

**Minute 46, paragraph 2:**

*third bullet point under 'ASHFORD' :*

- there was a difference of view locally over the value of 'Ashford's Future'. Some Members expressed the view that it is a good driving force and a big advantage for Ashford, which, if it were to be discontinued, would need to be replaced with something as dynamic. Other Members, however, did not share this view;

*first bullet point under 'CANTERBURY' :*

- since the visit, Herne Bay had benefitted from £26million of private investment and £4½million from the City Council for sports and other service provision;

There were no matters arising.

**54. Presentation - Draft Kent Forum Housing Strategy**

*(Item B1)*

*Mr B Horton, Strategic Housing Advisor, was in attendance for this item.*

1. Mr Horton introduced the report and presented a series of slides which set out the background, development and aims of the strategy. He explained that the strategy would be launched in March 2011 and would then develop, with partners, a detailed implementation plan. In response to Members' comments and questions, the following points were highlighted:-

- a) the strategy was welcomed as a way forward, but difference of opinion between planners and regeneration continues to be an issue in some areas;
- b) the strategy should place more emphasis on the importance of safety and quality building in new developments. This issue links very closely with the Designing Out Risk item later in the agenda, and the Kent Design Initiative sets out a framework for quality development. Both these issues would be emphasised at the strategy launch; and
- c) KCC is ready to be genuinely creative and innovative in working with its partners to continue Kent's good national reputation in this field.

2. RESOLVED that:-

- a) the information in the report and given in response to Members' comments and questions be noted, with thanks; and
- b) the draft Strategy be welcomed, with some Members expressing reservations about the issues mentioned in paragraph 1. b) above.

## **55. Presentation - Tourism and Progress of the Kent Contemporary Campaign (Item B2)**

*Mrs T Bruton, Head of Regeneration Projects, and Ms S Matthews-Marsh, Chief Executive of Visit Kent, were in attendance for this item.*

*Mr K Pugh declared an interest in this item as his wife chairs the Sheppey Tourism Alliance.*

1. Mrs Bruton introduced the report and set out KCC's role in supporting Kent Tourism, with private sector partners, and the financial contribution KCC made to it. She explained that tourism was the best performing sector of the UK economy, despite the current economic climate. Ms Matthews-Marsh thanked Members for the support, investment and leadership which KCC had provided, and the Cabinet Member for his support in championing tourism. She presented a series of slides which set out the background to the Kent Contemporary campaign, and the simplicity of its message, based on Kent being known as the Garden of England, which could be extended to 'Explore your garden', 'Relax in your garden', etc.

2. The Cabinet Member, Mr K G Lynes, praised the approach taken by the Kent Contemporary campaign, and its use of an award-winning photographer, whose views of Kent offered a new way to look at familiar landmarks. It also made innovative use of social networking media to allow Kent people to upload pictures of and stories about their favourite places on to the MyKent website. The predicted

financial outcomes of the campaign were expected to be good. A very detailed model was being used to calculate the average spend by each overnight visitor.

3. In discussion, and in response to Members' comments and questions, the following points were highlighted:-

- a) tourism activity and income had always made a good contribution to Kent's economic health, and Kent has a good tourism product. Kent Contemporary is a good project, and the information generated by it will be useful, but it would be helpful to have some example case studies of local businesses which have been helped by tourism income;
- b) in tourism, there are elements of competition, both within the UK and within Kent. Members commented that it would be helpful for future update reports to cover these issues and explain how they are dealt with;
- c) SouthEastern Trains have been happy to support a link between road and rail travel, allowing travellers to switch between the two on a flexible, transferable ticket. It is hoped that a 'Kent Rover' ticket might be available by summer 2011, which would be particularly useful during the 2012 Olympics;
- d) The 'Greet the World' campaign would allow Kent and Nord Pas de Calais to advertise and promote each other's tourism in a reciprocal arrangement;
- e) Members welcomed the impressive figures quoted in the report, such as the annual number of visitors (45 million) and the contribution this made to Kent's economy (£2.5 billion) and job creation (50,000 jobs). These figures had been measured using the Cambridge model, and include day visitors as well as those staying for a longer visit. 47% of hits on the Kent Contemporary website had come from London residents;
- f) Kent's investment in tourism had generated a 47:1 return, with which Members were similarly very impressed; and
- g) Kent residents are encouraged to visit other parts of their own county in the Big Day Out scheme, which in 2011 will run over a whole weekend rather than just a single day.

4. RESOLVED that:-

- a) the information set out in the report and given in response to Members' comments and questions be noted, with thanks; and
- b) further annual update reports, in the same format, be made to the POSC. The next one of these should address the issues outlined in paragraph 3. b) above.

## **56. Designing out Risk - Building in Safety**

*(Item B3)*

*Miss A Millington, Deputy Chief Executive, Kent and Medway Fire and Rescue Authority, and Mr S Griffiths, Assistant Director of Community Safety, Kent and Medway Fire and Rescue Authority, were in attendance for this item.*

*Mr J Wedgbury declared an interest as a serving firefighter, stationed in London.*

1. Miss Millington introduced the report, which had been requested as an update on work since the issue had first been considered by the POSC at its meeting in March 2010, and set out some key developments since then:-

- the number of fires in Kent's homes and businesses is reducing, but when a fire does occur, a business's insurance costs increase dramatically and it is often very difficult, particularly for small businesses, to recover and rebuild. Loss of businesses in this way has a big impact on the Kent economy;
- KMFRA had been disappointed by the Department for Communities and Local Government (DCLG) response to its work on Designing Out Risk, and is working hard to promote the initiative;
- KMFRA's work on Designing Out Risk is now included in the Kent Design Guide, which will be launched on 27 January 2011; and
- the ultimate aim of KMFRA's work on Designing Out Risk, in terms of regeneration, is to encourage people to see Kent as a safe place to live and work and set up business.

2. In discussion, and in response to comments and questions from Members, the following points were highlighted:-

- a) research on improving the quality of timber-framed buildings is ongoing, as this remains an economical way of providing plentiful, affordable housing. There is some re-thinking around primary materials and design to identify ways to resist and delay burn. This research is being undertaken by the DCLG and also in the USA, where many more timber-framed homes are built and the ability of such buildings to resist and survive fire has been a bigger problem for longer;
- b) KMFRA works extensively to control fire risk in buildings, during construction and in occupation. Its work with builders to address the issues is having a positive effect. However, once a building is occupied and owners start making alterations to the structure, the fire safety features start to be compromised;
- c) research has shown that if a high number of sprinklers are included at the construction stage, fewer internal fire doors are required, which in turn can make the building more user-friendly for people with restricted mobility;
- d) a lot of KMFRA's work in communities is based on reassuring people about the level of fire risk. Although arson attacks are quite rare, people's fear of them is a major issue to be addressed. This

community work is undertaken by using advocates from within the community, particularly in ethnic minority communities;

- e) the report was welcomed, but Members expressed a view that it could afford to be more forceful in its comments on timber-framed buildings;
- f) some of KMFRA's work as a consultee on building safety has a statutory basis, and some is aimed at avoiding operational difficulties in attending and fighting fires. KMFRA would always seek to achieve maximum possible engagement beyond its minimum statutory requirement. The Authority's fire safety department has a huge role in advising businesses on how to reduce fire risk in their premises;
- g) KMFRA has also had influence in highway improvements, eg in junction layouts, to help improve access for fire vehicles; and
- h) Members are keen to support KMFRA in promoting its work, and those on District Councils undertook to press their local Planning Committees to take full consideration of the issue.

3. RESOLVED that:-

- a) the report be welcomed, and the information given in it and in response to Members' comments and questions be noted, with thanks; and
- b) a further update report be brought to the POSC in one year's time.

**57. Feedback Report from REDPOSC District Visits**  
*(Item B4)*

*Mr D Hughes, Regeneration and Projects Manager, was in attendance for this item.*

1. Ms Cooper introduced the report, which had been requested by the POSC at its November meeting. It set out an action plan to take forward the regeneration priorities identified in the district visits. Many elements which arose from the visits were already covered in other documents currently emerging, such as Growth Without Gridlock, but funding and timing of work was still a major issue to be addressed. Ms Cooper answered questions of local detail from Members.

2. In discussion, and in response to Members' general comments and questions, the following points were highlighted:-

- a) KCC has a good working relationship with District Councils across the county and all are open to trying new ways of working together to make the most of the shared lack of funding;
- b) the criteria of the Regeneration Fund will be applied to identify which schemes qualify for funding;
- c) when considering projects, it is important to look at deliverability as well as priority;

- d) in the new KCC structure, strategy would come under one Director and delivery under another, and this will help transparency; and
- e) the report and the action plan had not yet been shared with District Councils, and the POSC would be kept up to date with any changes to the action plan arising from feedback from District Councils.

3. The Chairman reported that the Leader had requested an update report collating all the information arising from each district visit, to be sent to all Members of the County Council to appraise them of the regeneration priorities and issues in their electoral district. This report would be prepared by collating existing information. At the time of each visit, all local Members for the area concerned had been informed of the visit and invited to attend if they wished to.

4. RESOLVED that the information in the report and given in response to Members' comments and questions be noted, with thanks, and the next steps proposed in the report be endorsed.

## **58. Growth Without Gridlock - A Transport Delivery Plan for Kent** *(Item B5)*

*Mr P Crick, Interim Director of Integrated Strategy and Planning, was in attendance for this item.*

1. Mr Crick introduced the report and explained that Growth Without Gridlock had been launched on 1 December 2010 for consultation, and that this was Members' opportunity to comment on it and how it should be delivered. Members had each been sent the executive summary document which had been issued at the launch and which summarised the issues relevant to each district of Kent. More detail on each was available in the full Growth Without Gridlock document, which would be made available to Members upon request.

2. Mr Crick responded to Members' comments and questions on local detail. General points highlighted were as follows:-

- a) many towns in Kent suffer very badly from the effects of frequently-gridlocked traffic and would need help with traffic management to address the problems;
- b) although each district is addressed in the Growth Without Gridlock document, more detailed plans for local delivery in each area would be developed later;
- c) a landing charge would apply to foreign cars and coaches; and
- d) as a strategic document, Growth Without Gridlock will be addressing issues which are key to the new Local Enterprise Partnerships (LEPs), and meetings between KCC and its LEP partners and neighbours would need to tackle these issues thoroughly.

3. RESOLVED that Growth Without Gridlock be welcomed, and the proposed delivery programme, outlined in its executive summary, be agreed.

## **59. Supporting Community Infrastructure**

*(Item B6)*

1. Mr Smith introduced the report and responded to comments and questions of local detail from Members.
2. RESOLVED that the information set out in the report and given in response to Members' comments and questions be noted, with thanks, and the approach being taken in the Integrated Infrastructure and Finance Model be endorsed.

## **60. Financial Monitoring 2010/2011**

*(Item B7)*

*Mr D Shipton, Finance Strategy Manager, was in attendance for this and the following item.*

1. Mr Shipton introduced the report and explained that the Regeneration and Economic Development Unit budget had an ongoing underspend arising from the moratorium on recruitment.
2. RESOLVED that the information set out in the report be noted, with thanks.

## **61. Draft Revenue and Capital Budgets 2011/12 and Medium Term Financial Plan 2011- 2013**

*(Item B8)*

*The Chairman secured the Committee's agreement to consider this item as urgent business, as the papers could not be placed in the public domain with the required five clear days' notice, due to the late publication of the draft budget.*

1. Mr Shipton introduced the report and responded to comments and questions from Members. The issues highlighted were as follows:-
  - a) the budget document which would be considered by the County Council in February would be presented in portfolio order, to aid the traditional debate, as well as the A to Z order of services currently used for the draft budget book. For the Regeneration & Economic Development Portfolio, the proposed spending on project activities is shown on page 74 of the A to Z, and strategic staff costs are shown on page 81 as part of the CED Directorate Management & Support. At this stage in the restructure proposals, it is not appropriate to identify budgets for individual units as this could only be presented for the old structures. It is intended that the final budget book will show budgets for new unit structures. The year-on-year change for the Regeneration and Economic Development Portfolio is shown on page 95. Members at some earlier POSC meetings had commented that the A to Z budget book format was difficult to follow;
  - b) the report which had been prepared for the POSC contained more detail than included in the draft budget book, and provided detail of the staff costs included under the CED heading, to reconcile the total proposed budget for the portfolio of £5.224m for 2011/12. Most of the

reduction compared to the budget of £6.361m for 2010/11 will arise from re-prioritisation of project activity; and

- c) the Cyclopark project listed in the report under the Revenue budget is being progressed under the headings of two portfolios; Regeneration will show the revenue costs and Environment, Highways and Waste the capital project.

2. The Chairman invited the Cabinet Member, Mr Lynes, to comment on the portfolio's budget. Mr Lynes said the budget for his portfolio was small in comparison to those of other portfolios, and entirely project-driven. Projects which are valued by the KCC and its partners will continue, always working to find new ways to achieve their aims. He explained the method used to calculate the budget; taking all lines back to zero and adding in funding based on agreed priorities. The Regeneration unit would seek to save on FTE posts, and if it proved possible to make more savings than planned, he would seek to be allowed to put those savings into the Regeneration Fund. He reminded Members that the Regeneration Fund had supported projects across portfolios other than his own, and as such was a practical example of cross-directorate working.

- 3. RESOLVED that the information given in the report and in response to Members' comments and questions be noted, with thanks.

## **62. Update on Major Projects, including Core Monitoring** *(Item B9)*

1. Ms Cooper introduced the report and responded to comments and questions about specific projects. General points highlighted were as follows:-

- a) there are many potential links between Regeneration and Communities, and these should be highlighted and acknowledged as project work moves forward. This link would provide a way to measure the outcomes of effective regeneration work;
- b) DTZ will shortly produce a report on the benefits of regeneration work in Thanet, in terms of job creation and reduced benefit dependency, and that report will be sent to Members when available. The POSC could also have a future agenda item on the findings of the DTZ report; and
- c) in choosing which regeneration projects to support, KCC needs always to be astute in choosing projects which would best contribute to the county's economy, and be ready to highlight this contribution.

- 2. RESOLVED that the information set out in the report and given in response to Members' comments and questions be noted, with thanks.

## **63. Update on Select Committee Work** *(Item C1)*

RESOLVED that the information set out in the report be noted, with thanks.

**By:** Kevin Lynes  
Cabinet Member for Regeneration and Economic Development

David Cockburn  
Executive Director, Strategy, Economic Development and ICT

**To:** Regeneration and Economic Development Policy Overview  
and Scrutiny Committee - 1<sup>st</sup> April 2011

**Subject:** Sandwich Economic Development Task Force – update report

**Classification:** Unrestricted

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**Summary:**

For 60 years, Pfizer and its talented workforce have made a major contribution to the national economy and to economic growth in Kent. Groundbreaking new drugs have been developed and many lives saved as a result of the world-class research and highly-skilled scientists based at Sandwich.

So Pfizer's announcement to exit the site as a result of changes in the global pharmaceutical industry presents a major challenge. David Willetts and Vince Cable acted quickly to establish a Task Force to develop proposals for new employment in East Kent and stimulate new business on the Pfizer site. This summary sets out the Task Force's initial recommendations and highlights the work ahead.

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## **1. Introduction**

- 1.1** Pfizer announced on 1 February that it will exit its research and development facility at Sandwich by the end of 2012. This will affect 2,400 staff directly employed at the site and will result in significant additional indirect job losses through contractors and the supply chain supporting Pfizer's activity.
- 1.2** The Government established a Task Force under the chairmanship of Paul Carter shortly after the exit announcement to scope the actions that we must take to support the future of the local economy. This report summarises the Task Force's initial findings and sets out the recommendations set out in its 30 day report attached at Annex 1.
- 1.3** Pfizer's decision to exit reflects global changes in the pharmaceuticals industry. The potential for job losses is significant, especially given that they coincide with substantial redundancies in the public sector. The Pfizer workforce is also highly productive and skilled – so retaining the knowledge base for the East Kent economy and for the country is

essential.

## 2. The transition phases

**2.1** The Task Force has identified that the transition will broadly take place in five phases, moving from an immediate focus on preserving jobs and activity on the site through to the longer term delivery of wider opportunities for East Kent:

- **Phase 1:** Pfizer's efforts to attract contract research organisations (CROs) to the site will hopefully result in the transfer of assets and staff. Pfizer is currently in detailed negotiations with a number of CROs, which could provide a positive basis around which further economic activity and job opportunities can be generated.
- **Phase 2:** Building on a CRO core, further opportunities to attract venture capital investment in new business start-ups.
- **Phase 3:** Over the medium term, a range of options for additional R&D and other high-tech activity (for example in food sciences, aviation and environmental technology) at Sandwich, Manston and the East Kent Assisted Area;
- **Phase 4:** Looking beyond Pfizer's exit in 2012, consideration of longer term ownership and management options for the future of the site and links with neighbouring locations to provide a core of other high-value activity
- **Phase 5:** Delivery of a longer term strategy for the future of East Kent.

## 3. Progress to date

**3.1** The Task Force has made significant progress in four weeks. As well as developing the proposals set out in the 30 day report, the Task Force has:

- Visited and investigated examples of former R&D facilities which have found new futures after major industrial restructuring;
- Drawn together venture capital experts to advise us on the right incentives to stimulate business investment;
- Co-ordinated collaboration between Pfizer and Locate in Kent in promoting the site;
- Initiated a coordinated approach to support for the existing workforce and contractors affected;
- Commissioned, via Kent County Council a full assessment of the impact of Pfizer's exit, in the context of wider public sector job losses in the East Kent economy and a longer term strategy for growth.

#### 4. Solutions and recommendations

- 4.1 The Task Force is clear that it must act speedily and maintain momentum. It has therefore focused its future activity on three major solutions that support each phase of the transition process.
- 4.2 Firstly, action must be taken quickly to support the staff, contractors and communities directly affected by Pfizer's exit. Pfizer is already supporting its staff through the transition with a comprehensive outplacement service that includes training events and advice to help employees develop business proposals. A Skills Sub group has been set up comprising Pfizer, Skills Funding Agency, Job Centre Plus, BIS, University of Kent, Cogent (the sector skills council) to co-ordinate support that can be offered, and to align EU, national and other funding for Pfizer staff and contractors and wider communities. More detailed recommendations will be included in the second report to Government.
- 4.3 Secondly, the Task Force recommended that the Government designates the Sandwich, Manston and key sites within the East Kent Assisted Area a **Research, Innovation and Technology Zone (RITZ)**. This would bring together a range of potential incentives backed by Government and by local partners, including:
- Full exemption from business rates on empty properties
  - Capital incentives for further business growth
  - National Insurance contributions holiday for business start-ups
  - Support to business to secure R&D tax credits
  - A full R&D business support package Incentives to attract equity investment, similar to the Business Expansion Scheme of the early 1990s
  - Streamlined regulatory and planning processes
  - Promotion and marketing of business and investment opportunities

As a result of the budget announcement the Task Force will formally bid for an Enterprise Zone. Kent County Council has commissioned further work to quantify costs and benefits and this work will be undertaken over the coming month.

- 4.4 Thirdly, the Task Force asked for these incentives to be supplemented by investment in critical infrastructure, jobs and skills to support substantial economic growth. The Task Force recommended that an **East Kent Recovery and Growth Package** be identified, to add value to the RITZ, building on Assisted Area status. In particular, the development of High

Speed rail access to Manston and a reduction in journey times to Thanet and Dover will have a significant impact on the potential of the Sandwich site and the wider local economy: a proposal to the Regional Growth Fund has already been prepared and discussions with Network Rail have been highly positive. The Task Force has discussed this with the Secretary of State for Transport and Ministers at BIS and CLG and we recommend that Government supports **Regional Growth Funding** for East Kent.

## 5. Moving Forward

**5.1** Over the coming weeks, the Task Force will focus on establishing the costs, benefits and viability of its proposals, working with Government and Pfizer on the long term options for the Sandwich site, its knowledge base and the East Kent economy. In particular, the Task Force will:

- Complete the work to understand the impacts of Pfizer's exit and wider economic change in East Kent, incorporating the outcomes in the next report to Government;
- Via the Skills Sub-Group, continue to seek ways of aligning national, local and European programmes and funds and investigate the potential for additional resources.
- Co-ordinate the contribution of the higher education sector to support the retention and expansion of the East Kent knowledge base;
- Build on the current work between Locate in Kent and Pfizer to co-ordinate a marketing strategy for the area, establishing a closer understanding of the product and its unique selling points;
- Investigate the full costs and benefits of the proposed Research, Innovation and Technology Zone and prepare a bid to Government;
- Develop an integrated approach to the wider economic growth of East Kent, to support the Recovery and Growth Package, building on the work achieved to date in advancing proposals for significant transport improvements focused on the enhancement of high speed rail.

## Recommendations

The Committee is recommended to:

- Note the contents and proposals contained within the Task Force's first report to HM Government at Annex 1
- Note the next steps as outlined in paragraph 5.1.

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**Background Documents:**

Annex 1: Towards Recovery and Growth: First Report of the Sandwich Economic Development Task Force to HM Government – March 2011.

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# **TOWARDS RECOVERY AND GROWTH**

**First report of the Sandwich Economic  
Development Task Force to HM Government**

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**March 2011**

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# Foreword

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**By Paul Carter, Chairman of the Sandwich Economic Development Task Force and Leader of Kent County Council**

Over the last 60 years Pfizer and its talented workforce have made a major contribution to the national economy and to economic growth in Kent. Groundbreaking new drugs have been developed and many lives saved as a direct result of the world-class research and highly-skilled scientists based in Sandwich.

Pfizer's announcement to exit the Sandwich site as a result of changes in the pharmaceutical market worldwide now presents a major challenge. But we will leave no stone unturned in stimulating new business at the Pfizer site and growing wider employment in East Kent.

Since the Task Force was established by Secretary of State Vince Cable and Science Minister David Willetts, we have worked closely with Pfizer as the company seeks new business opportunities that could utilise the site. We have developed exciting proposals to incentivise business start ups and high-tech firms to locate in a new Research, Innovation and Technology Zone covering Sandwich, Manston and key sites in the East Kent Assisted Area.

We have begun to learn lessons from successful science and technology parks worldwide, speaking and meeting with those who have taken risks to develop them and reaped new rewards from their industry and endeavour. These include Fusion in Runcorn, where new scientific businesses employ more skilled people now than did industrial giant ICI ten years ago. We continue to seek and assess new ideas and opportunities.

We have listened to venture capitalists who have told us what they need to set an environment conducive to new business, including better transport links. Our proposals to bring high speed rail from London to East Kent would cut journey times to the capital to less than an hour, linking up with a growing Manston Airport, accelerating inward investment and new business growth throughout East Kent.

And we're working with Pfizer to provide the very best support to attract interest in the site worldwide and to help staff to take advantage of targeted training and support, investigating the availability of European funding to make this happen. Fast action to retain these top class skills will be vital to enable the site to flourish and grow.

In the Sandwich Economic Development Task Force we have assembled a unique combination of skills and experience from business, finance, universities, politics and local government. Critical experts are on hand to hone and strengthen our propositions.

The exit of Pfizer from the Sandwich site presents a significant challenge. But it is one to which we must rise if we are to continue our drive for local growth and national prosperity.

**Paul Carter**  
**Leader, Kent County Council**  
**Chairman, Sandwich Economic Development Task Force**

# Executive Summary

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This report updates Government on the progress made by the Sandwich Economic Development Task Force. It sets out our initial recommendations for action to support economic growth following Pfizer's decision to exit the Sandwich site and the impact of wider public sector and other job losses in East Kent.

Chapter 1 outlines the challenges and opportunities we face. Chapter 2 sets out our solutions and recommendations, including action to support the current workforce and contractors; the creation of a Research, Innovation and Technology Zone combining a range of tax and other incentives for Sandwich, Manston and key sites within the East Kent Assisted Area; and a wider East Kent Recovery and Growth Package to support economic development. Chapter 3 summarises our recommendations and proposed next steps and sets out the key issues that need to be addressed.

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## Introduction

1. Pfizer announced on 1 February that it will exit its research and development facility at Sandwich by the end of 2012. This will affect 2,400 staff directly employed at the site and will result in significant additional indirect job losses through contractors and the supply chain supporting Pfizer's activity. We therefore need to move swiftly to retain this critical knowledge base and to develop new business opportunities for East Kent.
2. The Government established a Task Force under the chairmanship of Paul Carter, Leader of Kent County Council shortly after the exit announcement to scope the actions that we must take to support the future of the local economy. This report details the Task Force's initial findings and sets out its preliminary recommendations.
3. Pfizer's decision to exit reflects global changes in the pharmaceuticals industry. The potential for job losses is significant, especially given that they coincide with substantial redundancies in the public sector. The Pfizer workforce is also highly productive and skilled – so retaining the knowledge base for the East Kent economy and for the country is essential.

## The opportunities of transition

4. The loss of a significant private sector employer presents major challenges. Yet Pfizer's exit is an opportunity to take advantage of the changes in the global pharma industry to build a new economic future – capitalising on the potential for new employment in smaller, research-intensive enterprises as well as other high-tech businesses.
5. The Task Force has identified that ideally, the transition will take place in five phases, moving from an immediate focus on preserving jobs and activity on the site through to the longer term delivery of wider opportunities for East Kent:
  - **Phase 1:** Pfizer's efforts to attract contract research organisations (CROs) to the site will hopefully result in the transfer of some assets and staff. Pfizer is currently in detailed and commercially confidential negotiations with a number of CROs, which

could provide a positive basis around which further economic activity and job opportunities can be generated.

- **Phase 2:** Building on a CRO core, further opportunities to attract venture capital investment in new business start-ups. Pfizer is currently reviewing a number of proposals and considering spin-out opportunities for some of its assets.
- **Phase 3:** Over the medium term, a range of options for additional R&D and other high-tech activity (for example in food sciences, aviation and environmental technology) at Sandwich, Manston and the East Kent Assisted Area;
- **Phase 4:** Looking beyond Pfizer's exit in 2012, consideration of longer term ownership and management options for the future of the site and links with neighbouring locations to provide a core of other high-value activity
- **Phase 5:** Delivery of a longer term strategy for the future of East Kent.

#### **What we have done so far**

6. The Task Force has made significant progress in four weeks. As well as developing the proposals set out in this document, we have:
  - Visited and investigated examples of former R&D facilities which have found new futures after major industrial restructuring;
  - Drawn together venture capital experts to advise us on the right incentives to stimulate business investment;
  - Co-ordinated collaboration between Pfizer and Locate in Kent in promoting the site;
  - Initiated a coordinated approach to support for the existing workforce and contractors affected;
  - Commissioned, via Kent County Council a full assessment of the impact of Pfizer's exit, in the context of wider changes to the East Kent economy and a longer term strategy for growth.

#### **Solutions and recommendations**

7. While much has been achieved already, the Task Force is clear that we must maintain momentum. We have therefore focused our future activity on three major solutions that support each phase of the transition process.
8. Firstly, action must be taken quickly to support the staff, contractors and communities directly affected by Pfizer's exit. Pfizer is already supporting its staff through the transition with a comprehensive outplacement service that includes training events to help them develop business proposals. Work is in progress to co-ordinate this with the support that can be offered by other agencies, and to align EU, national and other funding to support enterprise development. We recommend a focused effort on support for training and enterprise, and we will bring forward more detailed recommendations in our second report to Government.
9. Secondly, we recommend that Government designates the Sandwich, Manston and key sites within the East Kent Assisted Area a **Research, Innovation and Technology Zone (RITZ)**. This would bring together a range of potential incentives backed by Government and by local partners, including:
  - Full exemption from business rates on empty properties
  - Capital incentives for further business growth

- National Insurance contributions holiday for business start-ups
  - Support to business to secure R&D tax credits
  - A full R&D business support package Incentives to attract equity investment, similar to the Business Expansion Scheme of the early 1990s
  - Streamlined regulatory and planning processes
  - Promotion and marketing of business and investment opportunities
10. We propose that Government formally identifies the RITZ designation based on these incentive measures. Kent County Council has commissioned further work to quantify costs and benefits which will take place over the coming month. We are also seeking the views of experts in venture capital to establish the priority incentives to drive forward business growth.
11. Thirdly, we need these incentives to be supplemented by investment in critical infrastructure, jobs and skills to support substantial economic growth. We therefore recommend the creation of an **East Kent Recovery and Growth Package**, to add value to the RITZ, building on Assisted Area status. In particular, the development of High Speed rail access to Manston and a reduction in journey times to Thanet and Dover will have a significant impact on the potential of the Sandwich site and the wider local economy: a proposal to the Regional Growth Fund has already been prepared and discussions with Network Rail have been highly positive. The Task Force has discussed this with the Secretary of State for Transport and Ministers at BIS and CLG and we recommend that Government supports **Regional Growth Funding** for East Kent (See page 15).

#### **Moving forward**

12. Over the coming weeks, we will focus on establishing the costs, benefits and viability of our proposals, working with Government and Pfizer on the long term options for the Sandwich site, its knowledge base and the East Kent economy. In particular, we will:
- Complete our work to understand the impacts of Pfizer's exit and wider economic change in East Kent, incorporating the outcomes in our next report to Government;
  - Establish a Skills and Employment Sub-Group to align national, local and European programmes and funds and investigate the potential for additional resources. The sub-group will hold its first meeting on 17 March;
  - Co-ordinate the contribution of the higher education sector to support the retention and expansion of the East Kent knowledge base;
  - Build on the current work between Locate in Kent and Pfizer to co-ordinate a marketing and inward investment strategy for the area, establishing a closer understanding of the product and its unique selling points;
  - Investigate the full costs and benefits of the proposed Research, Innovation and Technology Zone;
  - Develop an integrated approach to the wider economic growth of East Kent, to support the Recovery and Growth Package, building on the work achieved to date in advancing proposals for significant transport improvements focused on the enhancement of high speed rail.

### About us: The Sandwich Economic Development Task Force

The Government moved swiftly to establish a Task Force to deal with the challenges and opportunities presented by Pfizer's withdrawal. The Secretary of State charged the Task Force with producing a report after thirty days outlining our key recommendations.

The Sandwich Economic Development Task Force brings together Pfizer, local government leaders and industry experts. Chaired by Paul Carter, the Leader of Kent County Council, the membership of the Task Force by invitation includes:

- Ian Anderson, Pfizer
- Rob Bennett, BBP Regeneration
- Sir Brandon Gough, Locate in Kent
- Laura Sandys, MP
- Paul Watkins, Leader of Dover District Council
- Simon Walker, British Venture Capital Association
- Pam Alexander, SEEDA
- Prof Dame Julia Goodfellow, University of Kent
- David Smith, BIS

The Task Force is also advised by a wider group of experts in the life science, property and finance sectors.

The terms of reference for the Sandwich Economic Development Task Force have been set by the Secretary of State. They state that the Task Force should examine all the issues relevant to supporting local people and communities in dealing with the Pfizer's decision to exit the Sandwich site, including:

- Maximising the employment opportunities at the site and assistance for those individuals facing potential redundancy;
- Activities to encourage new partnerships to emerge between Pfizer, contract research organisations and companies that could relocate to or develop at the Sandwich site, building on the work that Pfizer is already doing;
- Longer term strategic partnering and site opportunities

Building on these, the primary **objectives** of the Task Force are to:

- Stimulate R&D and wider business opportunities to maintain and create employment in East Kent;
- Maximise public funding and partnerships to support and grow employment in East Kent;
- Communicate the potential of the Pfizer site;
- Provide support to current staff in seeking employment opportunities

The work of the Task Force has focused on ways to mitigate the effects of the Pfizer exit on the East Kent economy. However, given the importance of the pharmaceuticals and life science sector to the national economy, the Task Force will follow closely the Government's work in support of the national strategy for life sciences.

# 1. Challenges and opportunities

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**This section sets out the challenges that East Kent faces in dealing with Pfizer's exit – and the opportunities that we have to build on Pfizer's past investment. It outlines our understanding of Pfizer's exit proposals, provides a preliminary analysis of the economic impacts of closure in the context of developments elsewhere in the East Kent economy and sets out the key issues that need to be addressed.**

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## 1.1. Pfizer's importance and the decision to exit

- 1.1.1. Pfizer has had a presence in East Kent since the 1950s, currently employing around 2,400 people, all supporting research and development activity. The buildings on the site cover around 3 million sq ft, 2.3 million sq ft of which is purpose-built, high-quality R&D and office premises.
- 1.1.2. Pfizer's economic role is significant. Nationally, the company has been spending around £500 million on medicine research and development in the UK – much of it at Sandwich. Locally, Pfizer has been an important anchor for the East Kent economy, creating significant opportunities for small businesses, many of which benefit greatly from trade generated by Pfizer, and has over many years played an important part in community life.
- 1.1.3. Pfizer's decision to exit reflects longer term changes in the structure of the pharmaceutical industry, rather than local considerations. Globally, large pharmaceutical firms such as Pfizer, GSK and AstraZeneca are all exiting direct research and development activity. In recent years, this has affected large, high value facilities elsewhere in the UK (for example at Harlow and Loughborough) and throughout Western Europe and North America while big pharma spreads its risk, reducing the amount of R&D undertaken in-house.

## 1.2. A transition vision: Five phases of transformation

- 1.2.1. Pfizer's planned exit from the Sandwich site will be complete by the end of 2012. But managing the impact of the exit and developing a new economic future for East Kent will be a five to ten year journey. The Task Force recognises that there will ideally be five phases to the transition process:
- 1.2.2. **Phase 1:** In the immediate term, Pfizer is working actively to seek opportunities which can utilise the facilities and buildings. In particular, the company is in detailed commercially confidential negotiations with a number of contract research organisations (CROs), which may result in the transfer of assets, facilities, equipment and staff. Potentially, these CROs could employ a few hundred of the site's current staff. At the same time, Pfizer is already supporting staff through the transition

period, providing outplacement support to staff and providing training opportunities for colleagues to develop business proposals.

**Map 1: Pfizer in East Kent**



- 1.2.3. **Phase 2:** Building on employment and activity provided by a CRO core, efforts need to be made in the short-to-medium term to retain as much as possible of the intellectual capacity embedded in the existing workforce by attracting additional investment onto the Sandwich site focused in pharmaceutical, bioscience and related research and development.
- 1.2.4. **Phase 3:** Based on a core of R&D activity, further efforts need to be made over the medium term to attract a broader range of activity through new business start-ups and inward investment. These activities may extend beyond life sciences, potentially including for example aviation, food sciences and environmental technologies.
- 1.2.5. **Phase 4:** Looking beyond Pfizer's exit in 2012, consideration then needs to be given to longer term ownership and management options for the future of the site and links with neighbouring locations to provide a core of world-class high-value activity at the centre of the East Kent economy. This will be associated with wider opportunities for higher and further education investment in East Kent.
- 1.2.6. **Phase 5:** Finally, we hope that new solutions emerging from the Pfizer's exit will support the success of the wider East Kent economy – and will be impacted by investment and economic growth elsewhere in the area. Looking to the long term, we need to focus on a coherent strategy for the future of East Kent.

1.2.7. We have used these phases of activity to guide the recommendations for action that are set out in the next chapter. These phases overlap, as the chart below indicates:

	2011 H1	2011 H2	2012 H1	2012 H2	2013 H1	2013 H2	2014	2015+
Phase 1								
Phase 2								
Phase 3								
Phase 4								
Phase 5								

### 1.3. The impact of exit: the worst-case scenario

- 1.3.1. We believe that Pfizer’s exit from the Sandwich site could open up new opportunities. However, before we consider the potential upside, let’s look at the challenges we face.
- 1.3.2. Assuming all of the current staff are either made redundant or move to other sites in the UK, there would be the direct loss of around 2,400 jobs to the area. This will have a significant effect on the local economy through impacts on contractors, the wider supply chain and loss of consumer spending. Initial analysis using the Kent Economic Forecasting Model developed by Experian indicates that a further 1,600 jobs in the wider East Kent economy could be affected through these multiplier effects. The combined loss of 4,000 jobs is equivalent to 2.6% of all jobs in East Kent<sup>1</sup>.
- 1.3.3. Of course, the losses at Pfizer come at a time of significant forecast job losses elsewhere in the economy. In particular, East Kent is noticeably vulnerable to the consequences of cuts in public expenditure. Currently, 38,200 employees in East Kent work in the public sector, representing just over 22% of the workforce (compared with 20% nationally). Based on the forecasts issued by the Office for Budget Responsibility, we estimate that by 2015, around 2,920 jobs will be lost in the public sector in East Kent, leading to a further 1,000 indirect losses<sup>2</sup>. Combined, the impact of forecast public sector redundancies and the potential job losses at Pfizer could mean a loss of over £380 million to GVA, representing nearly 9% of total output for East Kent<sup>3</sup>.
- 1.3.4. In addition, the area is unusually vulnerable to a number of other major economic shocks, which are likely to disproportionately hit higher-value sectors of the economy. For example, the planned closure of Dungeness nuclear power station by 2018 will lead to further job losses, many of which will be highly-skilled technical roles in a fragile labour market.

<sup>1</sup> KCC Research & Intelligence/ KEFM

<sup>2</sup> KCC (January 2011), Public sector dependency and an assessment of the effects of public sector job cuts in Kent

<sup>3</sup> KCC Research & Intelligence/ KEFM

- 1.3.5. Apart from the potential loss of human capital that this scale of job losses represents, it would also have a substantial financial impact on Government. The cost of 1,000 people unemployed is around £8.8 million (not including lost tax take). Even assuming average proportions regain employment within six months, the cost to the Exchequer of combined job losses in East Kent will be highly significant.
- 1.3.6. The potential loss of employment at Pfizer and the threat of higher-value losses elsewhere are important in the context of East Kent's comparatively weak workforce skills base. For example, 26.6% of working age residents are qualified to degree level, compared with almost 30% nationally, and 32% in the South East<sup>4</sup>. The Pfizer exit therefore both compounds aggregate job losses in East Kent and threatens the area's knowledge base.
- 1.3.7. Our current evidence base demonstrates that Pfizer's exit is a significant shock to the local economy, especially in the current economic circumstances. However, more work needs to be done to establish the full local economic impact. Kent County Council has therefore commissioned DTZ to carry out a full economic impact assessment, to be completed by early April. The University of Kent and Kent County Council are discussing a longer-term evaluation of the impacts of Pfizer's exit on the East Kent economy, which will be important in helping Government and local partners to evaluate the success of their interventions over time.

#### **1.4. Seizing the potential**

- 1.4.1. While Pfizer's decision to exit the Sandwich site presents an economic challenge, it creates new opportunities. The Sandwich site is unique, offering an attractive stock of modern, high quality buildings associated with greatly improved road infrastructure, proximity to Manston and excellent European connections with the prospect of easy access to air and high-speed rail connections.

##### ***An excellent quality of life***

- 1.4.2. In addition, East Kent offers a comprehensive package for an excellent quality of life and is likely to prove attractive to existing staff as a place to stay. Residential prices remain competitive compared with the rest of the South East; Canterbury is a centre of culture of international significance; East Kent's heritage and coastline add to its quality environment and the area's schools, colleges and cluster of universities are of excellent standard. With improved rail infrastructure, Thanet and Dover will be as close to London as Oxford or Cambridge – and much closer to continental Europe. Much is already being done to further enhance the environment of East Kent as a place conducive to business and investment – for example, the Eurokent site just north of the Sandwich site is currently being planned to provide a high quality new community to the highest environmental standards. Pfizer's long-standing presence as a major employer has resulted in a specialist workforce and strong aspirations to science-oriented employment. For example, one school in Canterbury already produces 1% of the country's undergraduate physics students.

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<sup>4</sup> ONS, Annual Population Survey

- 1.4.3. Significant investment in infrastructure in recent years has greatly enhanced accessibility. In particular, the **East Kent Access** scheme has led to £117 million of largely public investment in improvements to the A256, which will leave greatly improved road access to benefit future occupiers.
- 1.4.4. Substantial work is underway to build on this investment. The Sandwich site lies just to the south of **Manston Airport** and the significant, development-ready **Manston Business Park**. Both the airport and the business park will benefit from well-advanced proposals to provide a parkway station on the High Speed 1 rail line – reducing the journey time to London to less than an hour, at relatively modest capital cost. The area also benefits from a number of other substantial employment sites, such as **Whitfield** and **Betteshanger** (both of which are well advanced in planning) and enjoys **Assisted Area** designation covering the whole of Thanet and part of Dover district.

#### Potential for success: Manston and Eurokent

Combined, the Manston and Eurokent business parks within Thanet Central Island have the potential to support 3,000 new jobs. In addition, the potential for new job creation through the development of Manston Airport is huge: the airport's master plan forecasts direct and indirect employment rising from 100 in 2011 to 2,800 in 2018 and 6,000 in 2033 in areas such as aviation technology and cargo services.

Neighbouring Eurokent has the potential to offer some 62,000 sq m of employment floorspace alongside a new, high-quality community of around 600 homes. Part of a joint public/ private venture involving Kent County Council and Thanet District Council, Eurokent provides a perfect fit with the revitalised and regenerated Sandwich estate.

- 1.4.5. Experience from elsewhere also suggests that former single-owner research and development facilities can have bright new futures after major industrial restructuring. The chairman and members of the Task Force have visited and investigated a number of major industrial sites to examine what might be possible at Sandwich. Clearly, no two sites face exactly the same circumstances, but we have been encouraged by the experiences of locations as diverse as Michigan in the United States and Runcorn in Cheshire.
- 1.4.6. The global pharmaceutical industry is diversifying risk and opening up opportunities for smaller firms. In East Kent, we already have a strong knowledge base within the sector and excellent infrastructure, educational and quality of life assets. The Task Force believes that Pfizer's exit from the Sandwich site gives us a unique opportunity to build on these to generate a new economic future.

## What's worked elsewhere? Case studies of success

### ***Michigan Life Science and Innovation Center***

When Pfizer closed its research and development facility in Ann Arbor, Michigan in 2007, 2,100 staff were affected. Four years later, the site is home to the Michigan Life Science and Innovation Center, a 57,000 sq ft incubator and science park led by the former head of the former Pfizer facility. As well as life science R&D companies, the centre is home to a range of support and business development organisations offering a concentration of resources for entrepreneurs.

### ***The Heath, Runcorn***

For many years an ICI R&D facility, a buy-out by the facilities management part of The Heath has created a multi-use business and technology park, which, ten years on, now employs 2,000 people within some 160 businesses – more than the ICI did before it exited, and largely in highly specialised roles. Competing with heavily-subsidised science parks elsewhere in the local area, The Heath is now developing solutions for other locations throughout the country.

## 1.5. Rising to the challenge; grasping the opportunity

1.5.1. Faced with the opportunities and challenges highlighted above, the Task Force considers that we need to address four major questions in responding to Pfizer's exit:

- How do we retain the **skills and knowledge** of the existing workforce in the short term, so that they are not lost to East Kent and the UK?
- How do we **build on the knowledge base** to ensure that it stays and expands over the longer term?
- How do we **support the wider East Kent economy** in building an environment conducive to business growth in the context of the loss of the area's largest private sector employer?
- What options are there for the **Sandwich site**, given its high-quality building stock and extensive footprint?

1.5.2. All these challenges are linked. However, given the globalised nature of the industry, the skills that Pfizer has built up over many years could quickly be lost to East Kent and to the country. The Government acted quickly to establish the Task Force, and we have moved swiftly to prepare our initial proposals. In particular, we have:

- Visited and investigated examples of former R&D facilities which have found new futures after major industrial restructuring;
- Drawn together venture capital experts to advise us on the right incentives to stimulate business investment;
- Initiated collaboration between Pfizer and Locate in Kent in promoting the site;
- Initiated a coordinated approach to Government-backed and other initiatives that could support the existing workforce and contractors affected;

- Agreed to a co-ordinated approach to higher education input into the retention and expansion of East Kent's knowledge base.

1.5.3. However, it is critical that we build on the momentum that we have achieved to date, retaining the knowledge base and enabling it to be developed into new economic opportunity. The next chapter sets out our proposals for further action and our recommendations to Government.

## 2. Solutions and recommendations

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This section sets out the Task Force’s proposed strategy in responding to the Pfizer’s exit of the Sandwich site. It recommends that Government considers a series of business incentive schemes for Sandwich and key sites within the East Kent Assisted Area, within the context of a wider recovery and growth package for East Kent. It outlines the options that are currently being costed and sets out the remaining work that the Task Force intends to undertake.

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### 2.1. Recommended approach and work in progress

*“We will tackle the barriers and bottlenecks that inhibit growth...”*  
Coalition Agreement, 2010

2.1.1. The Government has clearly outlined its positive approach to local growth, focusing strongly on supporting enterprise and removing the obstacles to business expansion. Building on this approach, the Task Force will:

- Focus action to support the existing workforce, contractors and communities affected by Pfizer’s exit;
- Co-ordinate action to promote the Sandwich site;
- Develop a full understanding of the impact of Pfizer’s exit on the local economy;
- Create a Research, Innovation and Technology Zone, creating a stimulation package for business growth and investment;
- Develop a wider East Kent Recovery and Growth Package, creating an environment for competitiveness

### 2.2. Support for the existing workforce and community

2.2.1. Pfizer is already offering support to staff in taking up new opportunities through a comprehensive outplacement service. The Task Force will work closely with Pfizer to better understand their support package and add value to these efforts by engaging appropriate Government agencies and public services. These agencies must also engage with contractors and others in the supply chain.

2.2.2. We will work with Jobcentre Plus, the Skills Funding Agency, Cogent (the sector skills council covering the pharmaceuticals sector), higher and further education and local government to add value to Pfizer’s efforts to support the workforce. It should be noted that many potential redundancies will be in non-scientific roles and we will work with Jobcentre Plus, DWP’s Rapid Response Service is used to provide a wider range of support to those faced with the threat of redundancy. A paper will be prepared for the next Task Force meeting on 22 March with emerging proposals.

- 2.2.3. To provide effective support for Pfizer’s staff and contractors, we will work to understand Pfizer’s supply chain impact and the skills available among the existing workforce, to support the Economic Impact Assessment which has now been commissioned.
- 2.2.4. There may in addition be European funding opportunities to support the workforce. In particular, there is £23 million still to be allocated in the South East from the **European Social Fund (ESF)**, offering potential support for adult training. Discussions are already underway with the Skills Funding Agency to access this. In addition, there may be opportunities to progress an application to the European Global Adjustment Fund, which should be investigated.
- 2.2.5. To take these actions forward, the Task Force has established a Skills and Employability Sub-Group to work with Pfizer to support training and enterprise development and access available external funding. This will meet for the first time shortly, bringing together further and higher education and support agencies.
- 2.2.6. Pfizer’s exit, combined with sharp cuts in public expenditure, will also have a wider community impact. We recommend that the community impact is considered within the Economic Impact Assessment and that efforts are made to secure European and other funding to support the transition of communities hardest hit by the economic transition.

**A leading role for higher education**

East Kent is fortunate in having one of the South East’s largest concentrations of higher education, with key strengths in science and technology. Building on the engagement that the universities of Kent and Greenwich already have with Pfizer and with businesses across East Kent, there is an opportunity to build a co-ordinated approach to enterprise development. The Task Force is working to maximise these opportunities.

**2.3. Promotion**

- 2.3.1. It will be essential to attract inward investment into the Sandwich site, making the most of the incentives recommended in the paragraphs below and East Kent’s improved infrastructure and quality of life. Joint work between Pfizer and Locate in Kent is already well under way. Building on this, the Task Force recommends that UK Trade and Investment (UKTI) develop an action plan over the short to medium term in conjunction with Locate in Kent and Pfizer to explore all avenues to promote East Kent, reporting back to the Task Force.

**2.4. Understanding the impact**

- 2.4.1. As set out earlier in this report, our preliminary analysis indicates that Pfizer’s exit, coupled with the significant public sector and other job losses anticipated in East Kent will have a major economic impact. However, we need to understand this further. Kent County Council has already commissioned a comprehensive economic

impact assessment, the outcomes of which will feed into the Task Force's next report to Government.

- 2.4.2. The economic impact assessment will be accompanied by an initial 'growth strategy' for East Kent, taking account of emerging growth sectors and the impact of new investment in infrastructure and skills. This will assist in informing our incentive and stimulus proposals set out in the paragraphs below.

## 2.5. The Research, Innovation and Technology Zone

- 2.5.1. Pfizer's exit presents a unique opportunity to retain high-value employment. The Research, Innovation and Technology Zone (RITZ) is a stimulation package which brings together Government incentives and coordinated local action to attract a concentration of high-value pharmaceutical (and potentially other scientific) R&D businesses from Phase 2 of the transition onwards. We suggest that the RITZ could include:

- Full exemption from business rates on empty properties
- Capital incentives for further business growth
- National Insurance contributions holiday for business start-ups
- Support to business to secure R&D tax credits
- A full R&D business support package bringing together access to finance and a coordinated higher education offer
- Incentives to attract equity investment, similar to the Business Expansion Scheme of the early 1990s
- Streamlined regulatory and planning processes

- 2.5.2. Taking each of these proposed measures in turn:

### *Zero business rates on empty property*

- 2.5.3. Pfizer plans to exit the Sandwich site by the end of 2012. This then prompts the question of who would take over the empty space and ensure that the facilities are maintained and marketed. We recommend that consideration is given to all potential options, including as a last resort a form of **public-private partnership** to own or manage the site, if all other opportunities have been exhausted.
- 2.5.4. In the shorter term, full **exemption from business rates** for all empty business premises on the site would significantly reduce the costs of maintaining the building stock on the site. This is an immediate priority, given that facilities of similar quality would be obviously expensive to reinstate.
- 2.5.5. Based on the current levels of business rates collected from Pfizer, the cost of full rates exemption over around half the site would be around **£2 million** per year.

#### *Capital incentives to promote further business investment*

- 2.5.6. We recommend that Government considers **tax allowances for capital expenditure** on premises across the RITZ area. This could provide a significant incentive both to investors in parts of the RITZ outside of the Sandwich site and to potential investors seeking to sub-divide or upgrade the existing facilities within the site.

#### *National Insurance holiday*

- 2.5.7. The Government has already granted a **National Insurance contributions holiday** to business starts outside the Greater South East. This measure could be easily extended to East Kent on a localised basis: the cost for 1,000 jobs created would be relatively small to the Exchequer (in the order of £600,000).

#### *R&D Business support package*

- 2.5.8. There is also potential to develop a **consolidated R&D business support package**. This could include:
- **Patent and technical assistance** to be offered through localised growth zone packages;
  - Support for small businesses in securing **R&D tax credits**, which can credit up to 175% of the costs of research;
  - Enhanced access to existing **University-funded innovation and business support** products, enabling a strong university link despite the absence of an HE presence on site. This could add value to the work that Pfizer is already doing in support of staff seeking to establish their own businesses;
  - Coordinated **'one stop'** service to manage liaison with public sector regulatory bodies (for example in relation to planning or environmental issues) and to help firms make best use of the incentives and support packages offered by the Zone
  - Unlocking of the **Grants for Business Investment (GBI)** scheme operated by BIS, which has been an important source of finance for firms investing in the East Kent Assisted Area, but which is currently suspended at national level.

#### *Incentives for equity investment*

- 2.5.9. We are also investigating the capacity of the venture capital industry to take up opportunities for spin-offs and management buy-outs and the potential for a package of **localised incentives to attract equity investment** in R&D and other high-tech start-ups. These could be taken forward along the lines of the former **Business Expansion Scheme**, which granted significant tax relief to new business starts in the early 1990s. One way of supporting this may be to give firms based within the RITZ 'fast-track' access to the assessment stage of the Business Growth Fund (a Government-backed equity fund to support small businesses in their first year of operation), potentially with a role for the coordination service described above<sup>5</sup>. This measure could operate at no additional cost, but may nevertheless be a positive incentive to business starts.

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<sup>5</sup> Centre for Cities (2011)

### Business Expansion Schemes

The Business Expansion Scheme (BES) provided equity finance for expanding companies and new investment opportunities for investors. Launched in 1983, the scheme allowed individual investors to claim tax relief on equity investments in unquoted new companies. The BES encouraged investors to take risks they would otherwise not have taken, and retain investments for the longer term. Potentially, a BES-style approach could support the development of high-risk (but potentially high-return) research-intensive businesses.

- 2.5.10. Alternatively, there may be scope for a focused, **local business capital fund** created using public investment matched by the private sector. Potentially, such investment could come from the Regional Growth Fund or the South East ERDF Competitiveness fund, some of which is currently managed by Finance South East, with funds recycled for continuing investment in the area and managed via a private financial institution.
- 2.5.11. As well as potential spin-outs from Pfizer itself, it will be essential to attract inward investment into the RITZ, making the most of the incentives provided through the Zone and East Kent's improved infrastructure and quality of life. The Task Force recommends that UK Trade and Investment (UKTI) develop an action plan over the short to medium term in conjunction with Locate in Kent, Pfizer and other key developers to explore all avenues to promote the opportunities of the proposed RITZ area internationally.

#### *Regulatory freedoms*

- 2.5.12. The Sandwich site has developed through a positive approach to planning over many years. However, streamlined approaches to planning within the context of a clear development plan could help to create a more positive environment for business growth, building on the positive approach that has been taken to date. We recommend that potential flexibilities within the proposed RITZ area are more fully investigated.

#### *Boundaries of the RITZ*

- 2.5.13. We recommend that a full analysis is undertaken regarding the **boundaries of the RITZ**, bearing in mind that while the costs to Treasury will increase as the RITZ expands, so will the benefits. We believe that there are two options for the RITZ's boundaries, either:
- **All major employment sites in the East Kent Assisted Area.** This would include the Sandwich site (including additional sites currently owned by Pfizer beyond the main site boundary); Thanet Central Island (encompassing Manston Business Park, Eurokent and Westwood); Betteshanger and Whitfield; or
  - **The core area** of the Sandwich site and Thanet Central Island.
- 2.5.14. The Task Force recommends that both options are considered in the light of the costs and benefits of the RITZ measures (including potential displacement effects within the Assisted Area), taking into account Government's national views on the

potential for Enterprise Zones and related measures. Map 2 illustrates the locations of the key sites within the Assisted Area.

**Map 2: Key site locations in the East Kent Assisted Area**



## 2.6. East Kent Recovery and Growth Package

2.6.1. The loss of Pfizer will have a wider impact on East Kent, especially given the area's vulnerability to public sector job losses in the short to medium term. Building on the development of the growth strategy described in para. 2.4.2, the Task Force recommends that we develop an East Kent Recovery and Growth Package to:

- a) **Reinforce the RITZ**, by including measures taken beyond the Sandwich site which could have a significant impact on the attractiveness of the RITZ; and
- b) **Encourage wider growth potential** by improving the environment for business growth and competitiveness.

2.6.2. The Recovery and Growth Package will require investments in transport infrastructure. A priority for East Kent is the delivery of a package of infrastructure

improvements associated with Manston. This includes **line speed enhancements to improve the operation of High Speed One**, the provision of a new station at Thanet Parkway to serve both Manston Airport and business park and the Sandwich site itself, immediate provision of HS1 services to Deal and Sandwich and associated local transport infrastructure. Potentially, Manston could deliver 5,000 jobs with the provision of additional infrastructure and the further development of the airport. The combined cost of the Manston package is £28.4 million, of which £10.8 million is currently sought from the Regional Growth Fund<sup>6</sup>.

- 2.6.3. In addition to these critical infrastructure improvements, efforts to promote the area's **skills** offer should be supported, for example through support for the investments proposed by the further and higher education sectors at Betteshanger and Canterbury.
- 2.6.4. The Recovery and Growth Package is still in its early stages of development. Although our work is currently primarily focused on the Sandwich site and the potential for the RITZ at this stage, the Task Force recommends an increasing focus on developing a wider sub-regional strategy over the coming weeks, with a view to developing a full package capable of securing Regional Growth funding in the next round.

#### State aid

The whole of Thanet and part of Dover is within an Assisted Area, removing the need for specific European Commission clearance for an incentive package. Within the Area, any enterprise may receive state aid up to 15% of project value. For medium-sized firms, this ceiling rises to 25%, and for small firms to 35%<sup>7</sup>. However, state aid regulations are complex, and the full implications of tax incentive measures (especially those not directly linked to capital expenditure) need to be investigated further.

Assisted Area status could be important in attracting investor interest in the RITZ, and it will be important that it will be retained in the forthcoming review of Assisted Areas.

<sup>6</sup> Regional Growth Fund application, January 2011

<sup>7</sup> European Commission (2006), State Aid N673/2006: UK Regional Aid map 2007-13

# 3. Moving forward

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The Task Force has made significant progress in identifying the key measures that need to be taken to promote economic growth in East Kent. However, much remains to be done. This section summarises our recommendations and next steps.

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## 3.1. Emerging Task Force recommendations and work in progress

3.1.1. We recommend that in the next few weeks, the Task Force:

- **Develops a full package of transitional support for the existing workforce and local community**, adding value to the support offered by Pfizer and developing a coordinated response. This should include aligning national and European funding sources and the efforts of national, local and higher education support services.
- **Develop a joint action plan between UKTI, Locate in Kent and Pfizer**, building on the current joint work between Pfizer and Locate in Kent.
- **Fully understands the impact of Pfizer's exit**, in the context of wider economic change, concluding a comprehensive economic impact assessment and growth strategy for East Kent.
- **Works with the higher education sector** to develop a coordinated approach to university support for business development. This will be led by the vice chancellor of the University of Kent.

3.1.2. We further recommend that Government works with us to:

- **Establish a Research, Innovation and Technology Zone** at Sandwich, Manston and key sites in the East Kent Assisted Area to stimulate business growth. This could include a number of measures, including:
  - Full exemption from business rates on empty properties
  - National Insurance contributions holiday for business start-ups
  - Support to business to secure R&D tax credits
  - A full R&D business support package
  - Incentives to attract equity investment, such as the Business Expansion Scheme
  - Streamlined regulatory processes
- **Create an East Kent Recovery and Growth Package**, including existing proposals to improve line speed on High Speed One, bringing Thanet and Dover to within an hour of London at minimal public cost.

### **3.2. Next steps**

- 3.2.1. The Task Force has made great progress in just one month. We will continue to work with Pfizer and with Government in refining our proposals, building on evidence of what has worked elsewhere and taking expert advice. The Task Force next meets on 22 March, when we will provide a further update, and we will follow this with a further report to Ministers in April.
- 3.2.2. We believe that there is a bright future for Sandwich, Manston and the Assisted Area – and for the whole of East Kent. At limited cost to the public purse, we now have the opportunity to build on a world-class concentration of skill and knowledge which could be just an hour from London. From the challenge of industrial change, we are on the cusp of an economic opportunity.

**By:** Kevin Lynes, Cabinet Member, Regeneration  
David Cockburn, Executive Director Strategy,  
Economic Development and ICT

**To:** Regeneration and Economic Development Policy  
Overview and Scrutiny Committee, 1<sup>st</sup> April 2011

**Subject:** The Strategic Context for future public sector  
investment in Thanet

**Classification:** Unrestricted

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**Summary:**

This report summarises the recently commissioned Thanet Strategic Context report and outlines the actions initiated to take forward the investment priorities identified within it.

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## **1. Introduction**

- 1.1** For many years, high levels of social disadvantage and a persistent economic decline have led to a general recognition that Thanet is Kent's first regeneration priority. Accordingly, the district has attracted government attention and considerable amounts of public sector funding. It has Assisted Area Status, has benefitted from two rounds of Objective 2 ERDF funding and received significant SRB and Townscape Heritage Initiative support. Geographical peripherality was recognised as a major constraint and, in consequence, several tranches of investment have brought significant improvements to the road and rail infrastructure that serves the district. In addition, exceptional public sector investment has been directed at schools, strategic infrastructure, land and property, and a variety of major regeneration projects, including Turner Contemporary.
- 1.2** Many individuals, families, community groups and companies have benefited from public funding directed towards the district over the years. However, despite all of this, using almost all accepted indices, Thanet's overall position relative to Kent, the SE region and the UK as a whole stubbornly refuses to improve. Indeed, the likely impact of public sector spending cuts on an area with a high level of public sector dependency and the impending closure of Pfizer suggest that without further intervention the situation is likely to deteriorate further. Additional investment from public and private sources has been committed and proposals are coming forward for a range of capital and revenue investment to continue the process of regeneration in the district. However, before making still further commitments, it is important that the County Council and its

partners understand what has been the impact of past public sector regeneration initiatives, what outcomes might be expected from future investment from both public and private sector sources and where that investment might be most effective.

- 1.3** As a result, using a comprehensive set of information provided by officers from KCC, Thanet District Council (TDC), SEEDA and the Homes and Communities Agency (HCA), KCC commissioned DTZ to provide an initial appraisal of past, present and future investment in the district.

## **2. Background to the Thanet Strategic Context report**

### **2.1** The report produced by DTZ:

- documents both the major investments made over the past decade in Thanet and current committed investment plans;
- identifies the full range of interventions now planned in the district where there is currently no formal funding commitment;
- makes an assessment of the impact that past and planned investment has had or can be expected to have on the socio-economic characteristics of the district; and
- assesses how this change in district socio-economic profile would translate into reduced requirements for public expenditure and benefit payment (e.g. if unemployment were to fall) and increased government receipts (e.g. greater tax revenues from higher employment levels).

The outcomes are a detailed cost and benefit analysis with a clear indication of the areas where future investment should be concentrated

### **2.2** Key outcome indicators

The Government's top priority is to reduce the UK public sector deficit. It can therefore be expected to prioritise public sector investment that contributes to economic growth and, by stimulating growth, generates additional tax revenues and reduces public expenditure. In considering the value of public sector investment, it is therefore important to consider its impact upon a relatively small number of key indicators of socio-economic performance that can be linked to estimates of how changes in these variables feed into increased taxes, reduced benefit payments or reduced requirements for other public spending, e.g. provision of services.

The indicators adopted were therefore:

- the number of people in employment
- the number of people claiming Job Seekers Allowance
- the number of people claiming Incapacity Benefit or Employment Support Allowance
- the number of people claiming Housing Benefit
- property values
- crime rates
- average earnings
- Gross Value Added.

**2.3** While the main focus of this study is on economic, housing and crime outcomes, it is accepted that other measures may be of value in addressing progress towards strategic objectives, particularly in measuring the quality of life. Measures of educational attainment, life expectancy and health targets, and changes in the number of those requiring support from caring agencies were all considered but it was difficult to establish clear linkages between these and the economic and regeneration interventions under consideration.

### **3. Report Findings**

**3.1** The executive summary of the report, attached as Appendix 1, outlines the impacts of past, present and future public sector investment in Thanet. It shows that Thanet has benefited from a very substantial programme of public sector investment in the last 10 years, with £155m already invested in capital projects and a further £209m committed to projects currently underway.

**3.2** It estimates that the capital investment initiated over the last five years will deliver a net increase of 2060 jobs over and above the currently forecast levels for the period 2010-24. This would generate total additional tax revenues and cost/benefit savings of £27.2m p.a.

**3.3** This capital investment has laid the foundations for future growth, improving the district's accessibility, bringing forward a good range of business sites and improving the area's visitor potential. This has started to generate significant private sector investment e.g. Westwood Cross Shopping Centre, Manston Airport, Thanet Earth and Vattenfall, which could be expected to continue as other regeneration projects come to fruition.

### **4. Future Investment Priorities**

**4.1** While recognising that the public and private sector investment will become scarcer in the coming decade, the report concludes that the momentum for change needs to be maintained. Five interventions having positive impacts on tax revenues and cost savings are identified. They are:

- Improvements to HS1 line speeds and the creation of a Thanet Parkway Station;
- The promotion and development of Manston Airport;
- Commitment to the delivery of improved broadband coverage for the district;
- The delivery of the Cliftonville West/Margate Central Housing Intervention Strategy; and
- A concentration on improving the skills and employability of local people.

**4.2** Of these the two key public sector investment priorities are identified as:

- Improvements to HS1 line speeds and the creation of a Thanet Parkway Station, and
- The delivery of the Cliftonville West/Margate Central Housing Intervention Strategy

**4.3** In an addendum to the report, DTZ also express the belief that there is an immediate need to create a decision making and co-ordinating body for Thanet to take forward the range of key economic development and infrastructure activities that will make a fundamental difference to Thanet's competitive position. Such an economic development board would need to bring together key players from the public and private sectors to ensure that interventions and investments are prioritised and properly co-ordinated.

## **5. Meeting the challenge - an action plan for Thanet**

**5.1** In taking forward the priorities identified in the Thanet Strategic Context report, KCC has a strong direct involvement in following key strategic actions:

- Improvements in HS1 line speeds between Ashford and Ramsgate
- The establishment of a Thanet Parkway Station
- The delivery of the Cliftonville West/Margate Central Housing Intervention Strategy
- The finalisation and delivery of the Thanet Work and Skills plan
- Improved Broadband access
- Establishing district-wide partnership approach to regeneration and economic development
- The Margate Task Force

A summary matrix indicating the current position in relation to each

of these actions is attached as Appendix 2.

**5.2** In addition to the key projects identified above, KCC is engaged with partners to take forward activities relating to:

- The visitor economy
- The growth of the district's cultural economy, post the Turner Contemporary launch
- Promoting and maximising the potential of Manston Airport
- Margate town centre's regeneration – public realm, Dreamland, cultural quarter, further seafront development (Rendezvous/ Winter Gardens)
- Off-shore Wind Farm development linked to the Port of Ramsgate
- Site development (via East Kent Opportunities LLP)
- The No Use Empty initiative

## **6. Conclusions**

**6.1** Members are asked to:

- Note the conclusions and recommendations of the DTZ report;
- Note the actions being taken regarding the implementation of the recommendations; and

Consider receiving further reports on progress at future meetings.

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### **Background Documents:**

*Thanet Strategic Context – a report to Kent County Council and Thanet District Council from DTZ (November 2010)*

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## **Thanet Strategic Context**

A Report to:

Kent County Council and Thanet District Council

Final Report

November 2010

For further information about this report contact:  
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30<sup>th</sup> November 2010



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## Executive Summary

- 1 This report breaks new ground. The Government's top priority is to reduce the UK public sector deficit. The Government is therefore prioritising public sector investment that will contribute to economic growth, and by stimulating economic growth, generate additional tax revenues and reduce public expenditure.
- 2 This study has developed an approach to measuring the additional tax revenues and savings in public expenditure that would be generated by a programme of investment in strategic transport improvements, site development and visitor attractions in Thanet over the next 14 years and how this programme could be expected to achieve other important regeneration objectives.
- 3 The study estimates that the programme of intervention in Thanet commenced over the last 5 years would, with some additional investment, create an additional 2,060 jobs over the period 2010-24 over and above currently forecasted levels of job creation.
- 4 This programme would generate total additional tax revenues and cost savings of around £27.2 million p.a. made up of additional tax revenues, savings in benefit payments and localised savings associated with reduced crime levels. The report does not capture cost savings in terms of local service provision other than those flowing from the reduced cost of crime.
- 5 These additional revenues and cost savings are generated year by year. If these additional revenues and savings are claimed over a five year period then the total value of these additional revenues and savings would total £136 million. Over a 10 year period evaluation period the value of these additional revenues and savings would total £272 million.
- 6 This compares with around £222 million of investment spent or committed over the last decade in strategic infrastructure (roads), creating serviced land for employment purposes, and development of new visitor attractions, supported by a wide range of different public agencies, with both UK and EU resources.
- 7 The analysis provides a useful context for debate about further investment in Thanet to foster economic development, designed to capitalise on past investment and ensure that the economic development benefits translate into improved social outcomes for residents of Thanet and a more balanced and prosperous community.
- 8 This report has identified how, on every indicator of economic performance, Thanet performs less well than Kent as a whole. It also identifies the vulnerability of the Thanet economy in the current economic environment, because of its relatively high dependence on public sector jobs.
- 9 Experian's recently published 'economic resilience index', which measures how robust local economies are to economic change, identifies Thanet's weakness. Thanet is ranked 295<sup>th</sup> out of 324 authorities indicating that it is one of the least economically resilient authorities in the UK – though the analysis does not take account of the likely impact of recent investment.
- 10 This DTZ report identifies the reasons for Thanet's poor economic performance and the consequences this has had in terms of the social characteristics of the District, and in particular the high levels of social disadvantage to be found in many of Thanet's urban neighbourhoods.

- 11 The poor economic performance of the District is due to its relative inaccessibility in strategic terms. As a result the District has failed to attract the sort of business investment that has flowed into other areas. The economy is characterised by relatively low value economic activity, low earnings, and low skill levels.
- 12 A weak economy and low earnings has meant weak demand for housing and consequently low house prices within a regional context. This has set up a pattern of selective in-migration from other parts of the region and the UK. The area has attracted in-migration of older people of retirement age, the economically inactive and benefit dependent.
- 13 Thanet has benefitted from a very substantial programme of public sector investment over the past decade. Across a wide range of programmes some £155 million has been *invested* in capital projects; and a further £209 million of capital funding has been *committed* to projects under way. This expenditure covers economic, social and housing programmes.
- 14 This capital investment has laid the foundations for future growth. As a consequence of this investment the District has a good range of sites for business. The opening of the new rail service on HS1 has significantly improved the strategic accessibility of Thanet. Planned investment in Margate will transform the visitor economy.
- 15 This has started to generate significant private investment, as demonstrated by the development of a new sub-regional shopping centre at Westwood Cross, the growth and development of Manston airport, the establishment of Thanet Earth's horticultural business, and the development of businesses associated with the construction and servicing of the wind arrays in the Thames Estuary.
- 16 The opening of the Turner Contemporary in 2011, and of the Dreamland Heritage Theme Park in 2012, can be expected to provide impetus for further private sector investment in hotels and leisure facilities. These developments will also have a key role to play in raising the profile of the district, in bringing more visitors and in spreading the message about the quality of life that the District offers to its residents.
- 17 The momentum of change needs to be maintained, through what will be a decade when both private and public investment will be scarcer. There are three key interventions that require significant capital investment (both public and private) in the next decade and are fundamental to maintaining the impetus of positive change in Thanet. All are equally important – so the numbering does not indicate that priority 1 is of more important than priority 2 or 3.
- 18 **Priority 1: Rail Services to London:** Despite the significant reductions in travel time by train to London delivered by the new HS1 domestic service, Thanet still remains outside of the bounds of what would generally be regarded as an acceptable journey time of London for commuters. There is the potential to reduce journey times from a newly developed Thanet Parkway station at Manston Airport to London St Pancras to 1 hour.
- 19 If such a journey time to London can be delivered at reasonable cost, this would transform perceptions of Thanet as a place to live, to do business and visit. It would also boost the potential for growth at Manston Airport. In terms of economic development and regeneration the investment to deliver the Parkway station and the line speed improvements to the station from Ashford should be accorded the highest priority.
- 20 **Priority 2:** Linked to the promotion of enhanced rail services to Thanet, the public bodies responsible for economic development also need to support the case for **Manston International Airport** to play a key role in meeting the continuing growth in demand for air transport in the Greater South East. The scope for Manston to make a strategic contribution to

meeting this demand within its existing runway capacity needs to be made to the South East Airports Task Force established by the government, along with the case that this will contribute to a better balance of economic growth across the Greater South East.

- 21 **Priority 3: The Cliftonville West-Margate Central Housing Intervention Strategy.** The two wards of Cliftonville West and Margate Central are the most disadvantaged in Thanet, and amongst the most disadvantaged in England. The high levels of concentrated disadvantage place a huge burden on public funds. In the future, public funds for housing in Thanet should be directed to the regeneration of these neighbourhoods, with the aim of achieving a better balance of tenures, which will produce a more balanced and sustainable community.
- 22 Investment should be directed towards the development of a new intervention model that creates a mechanism to recycle funds through improvement and sale of properties; which can benefit from the value uplift associated with the positive impact of the intervention on values; and which has the potential, once proven, to draw in private finance. A model based on equity investment and public loan finance is proposed.
- 23 These three key interventions need to be supported by continuing skills development to ensure that, as jobs are created, local people have the relevant skills. It is also of great importance that the agencies responsible for economic development maintain a watching brief to ensure that business in Thanet is not disadvantaged by lack of suitable ICT connectivity.
- 24 Ultimately the achievement of the vision for Thanet as articulated in TDC's Thanet 2030 Vision has to be achieved by unlocking private investment from businesses, families and individuals. The aim is to create a virtuous circle by which a growing economy creates jobs, and attracts higher income, more skilled people to live in Thanet, and reverses the long established pattern of selective migration that has led to concentrated disadvantage. This will work to the benefit of all in creating a more prosperous and balanced community.
- 25 The study clearly demonstrates that investment in economic development in an economy with underused labour and land has substantial potential to pay for itself in terms of additional revenues and reduced costs to central and local government, while delivering major social benefits. Broader regeneration activities can be expected to reduce the burden on service providers for providing for large numbers of disadvantaged people.



## 1. Background and Purpose of this Report

Over the past 5 years significant public funding has been invested in Thanet, with the aim of improving the economic performance of the District and addressing high levels of social disadvantage found among those who live in Thanet. Further investment, from both public and private sources, has been committed; and proposals have been put forward for a range of further capital and revenue investment to continue the process of regeneration in the District as set out in TDC's Thanet 2030 Vision document.

The purpose of this report is:

- to document the major investments made over the past decade in Thanet, and current committed investment plans
- to identify the full range of interventions now planned in the District where there is currently no formal funding commitment
- to make an assessment of the impact that past and planned investment has had and can be expected to have on the socio-economic characteristics of the District
- to assess how this changing socio-economic profile of the District would translate into reduced requirements for public expenditure (e.g. were unemployment to fall below what it would otherwise have been) and increases in taxes (e.g. if more people are in work)

This report sets out the broad framework for this analysis, and provides an initial appraisal in the form of a cost and benefit analysis – the cost to the public purse of intervening and the benefit to the public purse of improved economic performance and positive social change. The initial analysis can provide a framework for more detailed analysis, if this is required.

The report has been prepared by DTZ, with input on past and planned investment provided by officers from Kent County Council, Thanet District Council and the Homes and Communities Agency.

## 2. The Key Outcome Indicators

At the outset it has been important to establish a small number of key indicators of socio-economic performance that can be linked to estimates of how changes in these variables feed into increased taxes, reduced benefit payments, or reduced requirements for other public spending (eg provision of services).

The indicators adopted to measure the overall socio-economic health of Thanet are set out below, along with a brief explanation of how change in that variable is likely to impact public spending or revenues:

- i The number of people in employment (including the self employed). If the absolute number of residents in work in Thanet increases this will increase tax revenues.
- ii The number of people claiming Job Seekers Allowance (JSA). If the number of JSA claimants falls this will reduce central government expenditure.
- iii The number of people claiming Incapacity Benefit or Employment Support Allowance. If the number of IB/ESA claimants falls this will reduce central government expenditure.
- iv The number of people claiming Housing Benefit. Reductions in the number of Housing Benefit claimants will reduce central government expenditure (though some of these savings may be offset if interventions raise rents as a result of increased property prices).
- v Property values. The focus in this study will be increases in residential property values. This will generate additional tax revenues from Stamp Duty, subject to any changes in the level of sales transactions.
- vi Crime rates. there are well established benchmarks of the public sector savings that are associated with reductions in crime; the focus in this study will be reductions in domestic burglary and violent crime.
- vii Average earnings. If average earnings increase then tax revenues from income tax and National Insurance contributions will increase.
- viii Gross value added. GVA provides a benchmark for assessing increases in revenues through payment of Corporation Tax, and business property taxes; as well as being a key indicator of economic wellbeing

These outcomes should encapsulate the main indicators that would change with the achievement of Thanet District Council's 2030 vision.

In assessing progress towards strategic objectives, a number of other measures may be of value, particularly in measuring quality of life. Other measures that were considered for inclusion but which have been excluded from the analysis include:

- Measures of educational attainment: in general it would be expected that better educational attainment (as measured by NVQ levels 2 and 3) will be reflected in enhanced earnings or employment. In subsequent work, if specific cost savings could be attributed to a reduction in the representation of particular groups of people that impose high costs on public services, for example young people not in education and training, consideration could be given to including them in the analysis.
- Life expectancy and health targets: The link between the sort of interventions examined in this study and life expectancy and health is likely to be indirect; for example increases in employment and earnings are likely to improve health, and, over the long term, life expectancy. The converse is true. If people are healthier they are more likely to be able to

work, and to command higher earnings. However there are no clear benchmarks that can be used to calibrate the benefits of good health in terms of public sector cost savings or increased taxes, arising from regeneration initiatives. If it is possible to establish a clear linkage between economic and regeneration interventions of the sort examined in this report and life expectancy, and if it is possible to value those improvements, then they could be included in the future analysis.

- Reductions in the population requiring support from Social Services and other caring agencies. Analysis has been undertaken of the costs of cases which place particularly big demands on the caring services. If the number of these high cost cases were to fall, this would result in significant savings in the delivery of public services. A more stable and balanced population in Thanet could be expected to reduce the demand on, and hence the cost of, public services at the local level. The extent to which this produces savings at county or national level depends on whether peoples' problems are being solved or people in need are being more evenly distributed across the County or region.

In this study the main focus is on economic, housing and crime outcomes. The focus on economic outcomes (jobs, earnings, GVA, unemployment) reflects the fact that improvements in these indicators are more likely to be additional at the county or regional level. If surplus labour is brought into use, then this genuinely reduces public expenditure on JSA and other benefits as well as generating additional tax revenues.

Housing and crime outcomes are likely to be in part the outcome of genuine beneficial changes in the circumstances of existing local residents. However they and other social improvements will also arise from reversing the pattern of selective migration (discussed in Section 4), that has been a major cause of the high and persistent level of deprivation of Thanet.

It is known that disadvantage is exacerbated if large numbers of people with multiple problems are concentrated into small areas; so disadvantage becomes less severe if it is dispersed. But to some extent, improvements in Thanet, and in particular the most deprived parts of Thanet, will very likely be associated with reductions in the in-migration of disadvantaged people, which will result in these people being more widely distributed across Kent and the country as a whole.

It is important that this is understood to be the reversing of a deep-seated pattern of selective migration which produces both concentrations of disadvantage (as in Thanet) and concentrations of affluence elsewhere in Kent and the South East. This pattern of development often results in sub-optimal economic and social outcomes, where the areas of affluence experience labour shortages (and rising wages), higher housing costs, even constrained economic growth; which coexists with underutilised labour resources and housing in areas of disadvantage. Dispersal of disadvantaged groups from those locations where they are concentrated is therefore a legitimate goal of public policy.

### 3. Where are we now? A Socio-Economic Profile of Thanet

It is not the purpose of this report to document in detail the socio-economic characteristics of Thanet. These are analysed in detail in other documents. But it is useful to briefly summarise the current position of Thanet in relation to the key indicators used, and compare them to the Kent and the South East region averages.

**GVA per Capita:** GVA per capita is a broad measure of the wealth of an area. Thanet's GVA per capita in 2009 is estimated at £11,000. This is some 35% lower than GVA per capita in Kent (£17,100) and 42% lower than in the South East of England (£19,000). A significant factor in Thanet's low GVA per capita is the large numbers of retired people living in the area but also below average productivity. Thanet does not have a markedly lower employment rate than Kent, though it is lower than in the South East.

**Persons in Work as a % of Population:** One reason why GVA per capita varies between areas is because they can have very different numbers of people in work relative to the population as a whole. In Thanet there are 310 people in work for every 1,000 people living in the area, compared to 390 in Kent and 450 in the South East.<sup>1</sup> The low proportion of people in work per '000 population in Thanet reflects the relatively large proportion of the population that is over retirement age, (13%), compared to 11% in Kent, and 10% in South East England.

**The Employment Rate:** The employment rate is a measure of the proportion of the population of working age who are actually in work. It is reduced by the number of those of working age who are students but not also employed; those people who are unemployed; and the number of people of working age who are economically inactive. The employment rate in Thanet is 73%, in Kent it is 74% and in the South East of England, 75%.

**The Economic Activity Rate:** The economic activity rate is the proportion of the population of working age who are in work, seeking work or in training. The economic activity rate in Thanet is 79%, in Kent it is 79% and in the South East of England, 80%.

**Unemployment (Claimant Count):** Given that the economic activity rate in Thanet is the same as in Kent, the lower employment rate in Thanet compared to Kent and the South East of England is largely the result of relatively high levels of unemployment. In July 2010 the proportion of working age population claiming Job Seekers Allowance in Thanet was 5.4% compared to 3.1% in Kent and 2.7% in South East England

**GVA per Employee (Productivity):** GVA per employee is a measure of productivity at the local level and calculated for the workplaces in a particular area. Productivity in Thanet in 2009 is estimated at £26,200, which compares to £36,800 in Kent and £39,900 in the South East of England. Low productivity in Thanet reflects the over-representation of low productivity sectors in the local economy.

**Resident Earnings:** The average earnings of those living in Thanet at 2009 were £422 per week. This compares to £520 per week for residents of Kent as a whole, and £537 per week

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<sup>1</sup> ABI 2008

for those living in the South East of England. Resident earnings of those living in Kent and the South East of England are boosted by the significant numbers of residents who work in London where they command higher salaries than they would were they to work where they live.

**Workplace Earnings:** The average earnings of those working in Thanet at 2009 were £374 per week. This compares to £479 per week for those working in Kent as a whole, and £514 per week for those working in the South East of England. The low workplace earnings of those working in Thanet reflect the relative low value added economic activities located in the district and the level of part time work.

**Housing Costs:** The average value of homes in Thanet is £165,000 compared to £218,000 in Kent and £254,000 in the South East of England. Average rents in Thanet are £661 pcm, compared to £888 pcm in Kent and £1,070 pcm in South East England. The affordability of owner occupation is an issue in Thanet as much as it is in other locations because, despite low property prices, incomes are low.

**Crime Rates:** Crimes rates in Thanet for 2009 were 82 per '000 of the population. This compares to 64 and 78 crimes per '000 of population in Kent and the South East of England respectively. Thanet has particularly high rates of 'violence against the person offences'.

**Benefit Dependency:** 21% of people of working-age in Thanet are claiming one or more key DWP benefits compared to 13% in Kent and 11% in the South East of England. The key benefits covered by this measure are bereavement benefit, carer's allowance, disability living allowance, ESA and incapacity benefit, severe disablement allowance, income support, jobseeker's allowance, and widow's benefit.

The Index of Multiple Deprivation captures many of the above indicators and a range of additional indicators to give a relative ranking on the level of disadvantage of the authority. Thanet is the most disadvantaged District in Kent as measured by the IMD. In the South East context it is the 2<sup>nd</sup> most deprived: only Hastings is more deprived.

Thanet's overall ranking in the Index of Multiple Deprivation is attributable in large measure to the intense deprivation to be found in five wards within the District; the wards of Central Margate and Cliftonville West in Margate, and the wards of Newington, Northwood and Eastcliff in Ramsgate.

## **4. How did we get here? The Process of Socio-Economic Change**

### **4.1 The Drivers of Economic Performance and Social Mix**

In a modern economy there are three fundamental drivers of economic performance at the local and sub-regional level. These factors are:

- Strategic accessibility
- Skills
- Quality of Life

These three factors shape the economic performance of an area. The social characteristics of an area are shaped by the economic drivers, but also, particularly in a large and well integrated region such as the Greater South East, by patterns of selective migration.

This section of the report shows how these drivers have defined the character of Thanet's economy and its resident population. The analysis starts to help shape thinking about what it is most important to do to reshape the character of Thanet.

### **4.2 Strategic Accessibility**

Strategic accessibility is a shorthand phrase to describe the ease of access of an area to the UK's major population centres, and international accessibility particularly for goods and business people, and to a lesser extent tourists.

Thanet has one advantage and two disadvantages in terms of its strategic positioning. Its advantage is that it is located in the UK's most prosperous city region – the London city region or Greater South East that covers all the South East and extends into the South West, the West and East Midlands and covers much of the East of England.

But Thanet has two disadvantages. First, in common with Kent as a whole, it has suffered from being the 'wrong' side of London. On a like for like basis, the economic performance of areas to the North and West of London is superior to those located at a similar distance (or journey time) from London, but located to the East and South.

The reason for this is that the weight of the UK's population is located to the north and west of London. Those economic activities that want access to the UK market as a whole, in terms of movement of people or goods, will want to be either in London or to the north or west of London.

Moreover, in general, road or rail routes going north or west from London tend to attract greater investment because of higher levels of usage. The relatively short distance for routes from London to the south and east, before they terminate at the coast, limits the catchment population. Standard cost benefit appraisals generate more favourable results on routes with higher volumes of movement.

Of course Kent has benefitted from significant transport infrastructure investment in recent years, associated with the importance of cross channel flows of goods and, to a lesser extent.

people. The importance of these links with continental Europe has led to the investment in the Channel Tunnel, the M20, and the High Speed 1 rail route. The completion of the M25 in 1986 and the M26 also significantly improved the strategic accessibility of Kent to the rest of the UK, and significantly to London's major airports.

Kent is still disadvantaged relatively compared to the North and West, in terms of journeys to the rest of the UK other than London. The big benefits of these improvements have been in terms of accessibility of all parts of Kent to London; though the standard of rail services until the start of the HS1 domestic services in 2010, have tended to be poorer on a like for like basis with services from towns the same distance from London located to the North and West of London.

Thanet has therefore benefitted in terms of its strategic accessibility from improvements associated with the introduction of the new domestic service on HS1. But it continues to be disadvantaged because it is at the 'end of the line'; or the end of the trunk road. There are numerous intervening opportunities for investment in Kent that have better strategic accessibility than Thanet. Thus, whilst strategic accessibility to Thanet has improved, its relative accessibility in terms of Kent has not.

This means that Thanet will tend to lose out on business investment which has fairly generic locational requirements – a large labour market, an attractive place to live, readily available business space – because other locations in Kent will tend to provide at least as good an alternative as Thanet, and better strategic accessibility.

But Thanet does have a number of unique assets. It must target those businesses for whom it is important to be close to those assets. These assets are:

- Manston International Airport: which is likely to attract businesses associated with international air freight activity, or are users of airfreight services
- The Port of Ramsgate: Ramsgate is ideally suited as an operational base for businesses involved in the construction and servicing of the wind arrays in the Thames Estuary.
- Pfizer's Global Research and Development Centre, located in Sandwich, just south of Thanet. Some 2,700 people are employed at this centre which is involved in leading pharmaceutical research.
- Thanet also has an important horticultural industry – and this has been a factor in attracting investment in the UK's largest complex of green houses, Thanet Earth. The business grows salad crops for the UK market and employs around 500 people.
- The architecture and cultural associations of many of the Thanet towns. The development of the Turner Contemporary and improvements in Margate Old Town seek to capitalise on this asset.

## 4.3 Skills

The skills profile of an area is typically a function of both the pattern of selective migration and a reflection of the employment profile of the area. If an area has a strong representation of technology based companies, the travel to work area in which those companies are located

will have a strong representation of higher level skills. Technology based companies often display strong growth – so they pull labour into the area in which they are located.

However it is also true, that if an area has a strong representation of higher level skills, then it is likely to be regarded favourably as a location for economic activities that require those higher level skills. Concentrations of high level skills therefore tend to be self reinforcing. This is the process that produces industry clusters such as those associated with the Thames Valley and Cambridge (Silicon Fen).

Locations such as Thanet experience the reverse of this process. The area has a low skills base, compared to other locations in the Greater South East. This both reflects its existing employment base; and acts as a deterrent to the attraction of new employers who might require higher level skills, unless they are drawn to Thanet by some specific, unique, locational attribute.

In general it is very hard to change the skills profile of an area through skills development programmes – unless an area can do this significantly better than other areas. This largely reflects the fact that skills development programmes have been implemented on a national basis, with national funding. There is always the danger that those with higher level skills move out of the area to where jobs are more readily available.

In recent decades there have been two successful ways local areas have repositioned themselves in terms of the skills profile of their resident population. Where an area has a significant Higher Education presence, policies to retain graduates at the local level have met with considerable success in major cities, and more modest success in smaller cities. There is limited scope for Thanet to pursue such a strategy, although it has some potential to capitalise on its proximity to both the University of Kent at Canterbury, and Canterbury Christchurch University.

The alternative approach to repositioning an area in terms of skills has been to make the process of selective migration work in favour of the area, by attracting higher skilled people to live in the area. This tends to work best either in areas of high environmental quality, such as parts of the South West peninsula and the Highlands of Scotland; or in low costs areas with good accessibility to major conurbations. In the South East, Brighton would be a prime example of how a seaside city has repositioned itself. There are lessons here for Margate.

## 4.4 Quality of Life

As knowledge has progressively become the key source of competitive advantage in advanced economies and the service sector has grown to account for the majority of economic activity, business location has been increasingly freed from the traditional factors that used to determine business location. The key to success is the ability to recruit skilled staff, hence one reason why strategic accessibility is so important.

However the importance of being able to recruit and retain skilled staff has meant that the quality of life in a particular area has become a source of competitive advantage, if potential staff want to live in a particular area, then businesses may locate there. Equally, because smaller firms account for an increasing proportion of new jobs created, the personal preferences of the owners may often dictate where they choose to start or grow a business.

Also of importance is the fact that advanced communications technology has weakened the need for physical proximity to the place of work, particularly for some higher skilled employees; or the need for many types of business to be located physically close to clients. Staff can work remotely – as long as they are not too far from their place of work. Small businesses can service clients in major cities without having to be located there.

The implication of this is that people have greater choice in where they live relative to their place of work, though most still need good access. Likewise business owners are less constrained in where they may choose to live and set up or grow their businesses. For all these reasons the quality of life offer of an area is important to economic development.

How quality of life is defined will differ from individual to individual, from family to family. The cost and quality of homes; the quality of education in an area; the availability of leisure pursuits, quality of entertainment, access to sea or countryside, perceptions of crime; the availability of work for partners; a whole host of factors may come into play.

The clustering of people of similar interests, life stages, and outlooks is often the outworking of a myriad of individual choices made by those who like the same things, and whose presence in an area attracts others of like mind, and those who provide services to that particular demographic group. It is not the product of any strategy.

But the loosening of the ties of workplace and home, and of supplier-client relationships does allow areas to seek to develop a distinctive offer to particular demographic groups. This has the potential to change the demographic character of an area over a period of time. The phenomenon can be charted all over the country as neighbourhoods and towns change. It is such a process of change that partners in Thanet seek to embed.

## **4.5 Thanet: the Impact of Selective Migration**

The socio-economic characteristics of those who live in Thanet are the product of decades of selective migration patterns. The process that has been at work is described in outline below.

The urbanisation of Thanet started in the 19<sup>th</sup> Century and gathered pace as the towns of Margate, Broadstairs and Ramsgate became popular seaside resorts. The factors that made Thanet attractive to visitors – the seaside environment, and proximity to London – also made the District, in common with many seaside areas of the South East, a popular retirement destination.

In common with other parts of the South East, Thanet benefitted from the dispersal of manufacturing businesses from London; and the relocation of public sector jobs. However the decline of the tourist industry, which affected all the UK's traditional seaside resorts, has had a significant effect on Thanet. Moreover, since 1980, Thanet, like other areas across the UK, has experienced a decline in manufacturing jobs. But in Thanet's case these have not been replaced on a commensurate scale with new service sector jobs.

Thanet is therefore a relatively low wage economy, and employment growth for the past decade and longer has been weaker than in Kent as a whole, which has lagged growth in the South East. The District has quite a substantial stock of dwellings (62,500 homes), and there

has been extensive sub-division of older dwellings into smaller self contained flats. The combination of relatively weak demand, associated with slow employment growth and low wages, has helped to keep property prices low in a South East context.

These low property prices, when combined with the attraction of seaside living, have encouraged in-migration to the area; particularly of retired people, but also of those of working age who do not need to or cannot work. These factors account for the low proportion of working people relative to the population.

As a consequence of the high proportion of older households, above average unemployment compared to the South East, and the prevailing low wages of those in work, overall incomes in the area are low. This has an impact in terms of expenditure circulating in the local economy, as well as placing high demands on the health and care services. However, these characteristics are not uncommon in the smaller coastal towns of England.

More challenging is the fact that Thanet, because it is a relatively low cost location compared to the South East, has a very large private rented sector, which provides homes for many people on low incomes. This is reflected in the large numbers of private tenants receiving housing benefit.

The size of the Private Rented Sector reflects the attractive returns that landlords have historically been able to make because they have been able to acquire property cheaply; to convert large properties into smaller flats; and generally there has been demand for such property from benefit claimants who are themselves drawn by the attractions of living next to the sea. The fact that people in housing need can be housed relatively cheaply in Thanet has also led some public agencies to direct those people they have a responsibility for housing to Thanet.

It is the pattern of in-migration associated with the Private Rented Sector that is the major factor in the high levels of recorded disadvantage in Thanet. The problem is exacerbated by the fact that certain neighbourhoods in Thanet, notably Cliftonville West and Margate Central wards, private renting has become the dominant tenure. The result is that that people in considerable need are concentrated in particular small areas, often living in unsatisfactory housing.

## **4.6 The Implications for Strategy**

The analysis presented above makes it clear what needs to be done to achieve the aspirations of Thanet District Council set out in its 2030 Vision document. There is a need to reverse the pattern of selective migration to achieve a more balanced population profile in terms of household incomes and ages. This implies seeking to make Thanet a place where more people in work or who are able to create their own work want to live.

The key to achieving this is threefold:

- to enable those who decide to come to live in Thanet to be able to access jobs outside the District – by improving physical and electronic communications
- to make Thanet a highly desirable place for the target demographic group to live, so they want to live in the District



- to increase the number and variety of jobs in Thanet, with the particular requirement to support the creation of higher skill, higher wage jobs

Each of these elements are mutually supporting, but in practice it is easier to intervene to influence the first two, which will then improve the prospects of attracting job creating investment, or the people who will start the businesses that will create the sort of jobs the District needs.

## 5. Laying the Foundations for Change

Significant progress has been made in putting in place the building blocks to reverse the damaging process of selective migration that has characterised past decades. There has been a substantial programme of public sector led investment over the past decade to improve the competitive positioning of Thanet. In total some £364 million of capital investment has been spent or committed to major projects in Thanet during the past decade in connection with economic development and regeneration activities.

Figure 5.1 shows how this is broken down between different types of project. It should be noted that this is not a complete picture of all expenditure, but does capture the major projects that have had significant public sector investment. This includes funding from national organisations such as the Housing Corporation/HCA, the Arts Council for England, regional bodies such as SEEDA, European Funds, as well as expenditure by the local authorities, often drawing on funds secured from central government.

**Figure 5.1: Completed and Committed Development Projects**

Investment type	Spent		Committed	
	Capital (£ millions)	Revenue (Thousands)	Capital (£ millions)	Revenue (Thousands)
<b>Strategic Infrastructure</b>	<b>55</b>	<b>0</b>	<b>95</b>	<b>0</b>
<b>Land and property</b>	<b>36</b>	<b>0</b>	<b>3</b>	<b>220</b>
<b>Visitor economy</b>	<b>3</b>	<b>0</b>	<b>30</b>	<b>0</b>
<b>Education and Skills</b>	<b>2</b>	<b>4,800</b>	<b>80</b>	<b>0</b>
<b>Housing and Regeneration</b>	<b>49</b>	<b>0</b>	<b>2</b>	<b>0</b>
<b>Social</b>	<b>12</b>	<b>1,200</b>	<b>0</b>	<b>650</b>
<b>Total</b>	<b>155</b>	<b>6,000</b>	<b>209</b>	<b>870</b>

## 5.1 Improving Strategic Accessibility

The major step change in strategic accessibility has been delivered by investment in domestic rail services from London to Thanet, using the High Speed Rail route to St Pancras. Journey times from Ramsgate to London have been reduced by 35 minutes to 1 hour 24 minutes; and from Margate by around 20 minutes to 1 hour 30 minutes. (Note the investment associated with the new domestic HS1 services is not captured in this analysis).

These reductions in journey times are significant – but Thanet remains outside of core commuting distance of London. Other settlements with similar attributes to Thanet's towns, for example Folkestone and Dover, have significantly lower journey times to London. The issue about Thanet being at the end of the line still applies.

A number of other significant investments in the internal highway network of Thanet have been made in the last decade (see Figure 5.2). In total £150 million has been spent (£55 million) or committed (£95 million) to three major road schemes:

- The East Kent Access route – improving Thanet's connectivity south to the other East Kent coastal towns
- The EuroKent Link Road Scheme to replace an inadequate section of the existing A256 to create good access to the EuroKent business park site
- The Ramsgate Harbour Approach Road, which provides a new high quality access route into Ramsgate Harbour, replacing very inadequate access arrangements

**Figure 5.2: Completed and Committed Strategic Infrastructure Projects**

Investment type	Spent		Committed		Date	Outcome/Output
	Capital (£ millions)	Revenue (Thousands)	Capital (£ millions)	Revenue (Thousands)		
<b>Strategic Infrastructure</b>						
East Kent Access - Phase 1	20				2007	Reduce congestion on A299 and A256 strategic route Improved safety. Support existing economy of East Kent. Improve economic/transport synergy between Ramsgate port/Dover port and Kent International Airport. Support Pfizer – major economic power Improve the environment and safety for Cliffsend community. Take traffic away from Pegwell Bay – internationally designated site. - Reduced congestion Economic growth
East Kent Access - Phase 2			87		2010-2012	As above
Eurokent Link Road Phases 1 & 2	2				2000	Improvements to a particularly poor section of A256 – improved journey times and safety.reduce impact of traffic, pollution and severance on local community. support the economic position of Thanet by making further employment land available for development and the focus for economic activity in the Westwood cross area.
Eurokent Link Road Phases 3 & 4			8		2009	As above
Ramsgate Harbour Approach Road	33				2000	Remove port related traffic particularly HGV's from unsuitable residential/town centre roads. Reduce travel times and costs for business and individuals improve safety. Reduce impact of traffic on conservation area and listed buildings
<b>Total</b>	<b>55</b>	<b>0</b>	<b>95</b>	<b>0</b>		

## 5.2 Investing in Strategic Sites and Property

Significant investments have been made in making sites available for industrial and commercial development in Thanet; focusing on the two strategic allocations of employment land at EuroKent and the Manston Business Park (see Figure 5.3). Some £35 million has been invested, including European Funds, in ensuring that serviced sites are available for private sector investment. Some 16 hectares (40 acres) of land is available at EuroKent for mixed used development, with a capacity to accommodate 1,500 jobs when developed. Another 16 hectares (40 acres) of land is available at Manston Business Park, which could accommodate a further 1,500 jobs.

**Figure 5.3: Completed and Committed Land and Property Projects**

Investment type	Spent		Committed		Date	Outcome/Output
	Capital (£ millions)	Revenue (Thousands)	Capital (£ millions)	Revenue (Thousands)		
<b>Land and property</b>						
East Kent Opportunities LLP - Eurokent & Manston Park	10.6		2.5	220	2008-2018	Direct outputs = Eurokent : c40 acres of development for a mixture of residential, retail and commercial uses which may create circa 1,500 jobs for the region. Manston : c40 acres of developable land for B1, B2, B8 development which could similarly create upto 1500 jobs. Indirect outputs = Improvements in infrastructure and road communications. No estimate available for indirect jobs.
East Kent Spatial Development Plan	10				2006	Unlocked 114 hectares of development land, 119816 m2 business floor space created, 2,980 jobs
ERDF Objective 2 funding	15				2000-2006	Leverage ratio 1:2 (£) of public spend:private investment
<b>Total</b>	<b>35.6</b>	<b>0</b>	<b>2.5</b>	<b>220</b>		

### 5.3 Developing the Visitor Economy

Around £32 million has been committed to the development of the visitor economy in Thanet, with a particular focus on Margate (see Figure 5.4). The two flagship schemes to which funding has been committed are:

- The Turner Contemporary Gallery, which is being developed with investment of £17 million and is due for completion in 2011. This is expected to attract 130,000 visitors per annum, and create 35 direct jobs.
- The Dreamland Heritage Theme Park, comprises of investment of £12.4 million and is expected to open in 2012, and attract up to 700,000 visitors and directly create around 65 jobs.

These two schemes have the potential not only to change perceptions of Margate, and more generally Thanet, as a place to visit, but also to redefine perceptions of Thanet as a place to live. Put simply the two schemes will put Margate back on the map as a visitor and cultural destination. By bringing people, who would otherwise have never come to Margate, for a day or weekend visit, awareness of what Thanet has to offer as a place to live will be raised.

Two smaller capital investment schemes have been undertaken to improve the townscape of the Margate Old Town and Ramsgate Seafront costing £2.6 million.

**Figure 5.4: Completed and Committed Visitor Economy Projects**

Investment type	Spent		Committed		Date	Outcome/Output
	Capital (£ millions)	Revenue (Thousands)	Capital (£ millions)	Revenue (Thousands)		
<b>Visitor economy</b>						
Turner Contemporary			17		2011	35 full time employed staff; 5 jobs safeguarded, 18 jobs created as result of further training and business support per annum. Expected 130,000 visitors per annum
Dreamland			12		2010-2012	700,000 visitors per annum. 270 jobs (70 direct).
Margate Old Town Town Heritage Initiative	1				2010-2011	Direct outputs; Improvement of the Old Town and historic buildings Indirect outputs; Improved appearance of the Old Town has encouraged a significant number of new shops, bars and restaurants / cafes to open. This has therefore resulted in more jobs being created. Several new festivals have also been based in the Old Town – such as Dippers and Dunkers (in its second year), and the Margate Jazz Festival.
Ramsgate Seafront Townscape	2				2007-2012	Direct outputs; Improvement of the historic buildings and public realm within the scheme; Property owners to undertake additional repairs / improvements works to their buildings, whilst doing grant works; Re-use of empty buildings. Indirect outputs Improve appearance of Ramsgate and encourage other property owners to improve their buildings; Stimulate the business of local trades / contractors.
<b>Total</b>	<b>3</b>	<b>0</b>	<b>30</b>	<b>0</b>		

## 5.4 Education and Skills Development

Over the years there has also been investment targeted at raising the skills of the resident population of Thanet, most recently through the Thanet Works programme. In addition, there has been significant investment in new schools through the Building Schools for the Future programme. There has also been investment in training centres and programmes. The most significant elements of investment in education and skills development are set out below in Figure 5.5. There have been a number of smaller specialised programmes which have addressed specific issues that are not captured in this Figure.

**Figure 5.5: Completed and Committed Skills Development Projects**

Investment type	Spent		Committed		Date	Outcome/Output
	Capital (£ millions)	Revenue (Thousands)	Capital (£ millions)	Revenue (Thousands)		
<b>Education and Skills</b>						
Thanet Skills Studio	2	100			2006	Direct outputs; 90 apprenticeships 344 jobs 160 progressing onto placement training or employment 406 new learners 937 achieving qualifications Indirect outputs; Improved employability, increased aspiration and better skilled workforce
Building Schools for the future			80		2010-2011	Direct outputs; Addresses building maintenance/suitability. Provides environments that are fit for purpose. Improving educational attainment. Increase use and access to ICT Kit to facilitate this. Increase teacher retention. Indirect outputs; As part of the Programme, a Construction Skills Academy has been established which is delivering Apprenticeships and work placements to the local Community. Over 150 have been provided as a result of the Programme across Thanet and Gravesham. 70% of the labour working on the project has come from Kent, with a significant proportion of contracts placed in Kent. Creation of iconic building/improved facilities for the local community.
Thanet Works		4700			2011	Direct outputs; 90 apprenticeships 344 jobs 160 progressing onto placement training or employment 406 new learners 937 achieving qualifications Indirect outputs; Improved employability, increased aspiration and better skilled workforce
<b>Total</b>	<b>2</b>	<b>4800</b>	<b>80</b>	<b>0</b>		

## 5.5 Housing and Regeneration

The major investments in housing and neighbourhood regeneration have been funded by the Housing Corporation and HCA (see Figure 5.6). In the last CSR period some £17 million was invested in affordable housing, the great majority involving new build development. In the previous CSR period (2005-08) some £14 million of Housing Corporation funding was invested in Thanet. Key worker housing has been provided at the Queen Elizabeth the Queen Mother Hospital. Information is awaited on Private Sector Housing Renewal Projects.

**Figure 5.6: Completed and Committed Housing and Regeneration Projects**

Investment type	Spent		Committed		Date	Outcome/Output
	Capital (£ millions)	Revenue (Thousands)	Capital (£ millions)	Revenue (Thousands)		
<b>Housing and Regeneration</b>						
English Heritage Grants	6				na	Increase tourism offer and wellbeing of local residents
Housing - QEQMHS	12				2010	220 homes delivered for medical staff
HCA investments			2		2005-2011	Delivered 174 housing starts, plus 433 completions in period 2008-11 for investment of £16.6 by HCA
Private Sector Housing Renewal including Empty Homes	0		0		0	Bringing back into use empty properties and environmental benefits.
<b>Total</b>	<b>49</b>	<b>0</b>	<b>2</b>	<b>0</b>		

## 5.6 Social and Community Development

There has also been a range of investments made in social and community development as shown in Figure 5.7.

**Figure 5.7: Completed and Committed Social Development Projects**

Investment type	Spent		Committed		Date	Outcome/Output
	Capital (£ millions)	Revenue (Thousands)	Capital (£ millions)	Revenue (Thousands)		
<b>Social</b>						
Safer Stronger Communities Fund	5				2006-2010	Various - To increase the capacity of local communities so that people are empowered to participate in local decision-making and able to influence service delivery
Thanet Children's Centres	6	250			2001-2010	Various - Creation of additional child care places. Direct employment of 77 staff (not including childcare) and there are over 175 volunteers supporting the 9 centres. Increased community cohesion and resident satisfaction.
Extended Schools		650		350		Educational attainment
Kent Poverty Innovation Pilot		200		200		Social inclusion
Aiming High for Disabled Children		100		100		Social inclusion
<b>Total</b>	<b>12</b>	<b>1200</b>	<b>0.0</b>	<b>650</b>		



## 5.7 Private Sector Investment

While the focus of this report is on public sector investment, it is private sector investment that creates jobs and wealth.

Recent private investment in Thanet includes the following projects:

- The Westwood Cross Shopping Centre opened in 2005. The development now comprises 44,000 m<sup>2</sup> of retail floorspace in 46 units, anchored by Marks and Spencer and Debenhams. An entertainment complex comprising a multiplex cinema and four restaurants opened in 2007 and a bingo hall in 2008. A further expansion of the shopping centre has been recently completed (2010).
- Thanet Earth is a greenhouse development based on the Isle of Thanet. It is the largest greenhouse complex in the UK and has been developed by private enterprise with a total investment in the region of £80 million. The development opened in March 2009. Up to 450 people work on site on any one day, with the majority being contract labour. The development employs around 90 people directly.
- Two major wind farms, the London Array and the Thanet wind farm are being built in the Thames Estuary to the north and east of Thanet. Both will be serviced from Ramsgate with the expectation that around 130 jobs will be linked to operations and maintenance at the Port of Ramsgate. It is expected that for every job created by operations and maintenance a further 2-3 jobs will result locally.

## 6. The Future Prospects for Thanet without Continued Intervention

### 6.1 Prospects for Thanet

The foundations for a more broadly based economy in Thanet have been laid. This is particularly the case with respect to the investments made in improving strategic highway linkages southwards to the Channel Tunnel and ports; the assembly and servicing of strategic employment sites; the development potential for Manston Airport; the improved rail service to London delivered by the new service on HS1; and the investments being made to develop the visitor economy.

However, with the downturn in the economy, and the aftermath of the financial crisis both output and employment growth will be slower than anticipated in 2007. Unemployment is likely to remain persistently higher than the levels experienced in the decade to 2010. Given the government's plans to reduce the UK budget deficit, there are going to be significant public sector job losses. Employment growth is going to depend on the private sector.

According to the SEEDA Thanet Economy Update published in June 2010, both GVA and employment growth are forecast to be lower in Thanet than in Kent and the South East of England. Thanet was less affected by the recession than Kent and the South East, but is expected to have a weaker recovery. This reflects the higher dependence on public sector jobs than in Kent and the South East, and lower dependence on financial and business service sectors.

The relative importance of public sector employment in Thanet is a risk factor. Public sector jobs account for 35% of jobs in Thanet compared to 25% in the South East as a whole. Sectoral forecasts at district level are not very reliable but the June 2010 forecasts prepared for SEEDA by Experian anticipate that 21 out of the 28 sectors examined are expected to grow more slowly in Thanet than in Kent and the South East over the short to medium term.

Experian forecasts suggest that employment losses will be greatest in the primary and manufacturing sectors. SEEDA has identified that Thanet has a degree of specialism in the advanced engineering and marine sector. Experian forecast that the Mechanical Engineering sector will grow faster in Thanet than in Kent or the South East. Employment is also expected to grow in the Health sector in Thanet, in part due to the presence of Pfizer's R&D headquarter at Sandwich.

It is relevant to note that Experian have recently published 'economic resilience index', which measures how robust local economies are to economic change. Thanet is ranked 295<sup>th</sup> out of 324 authorities indicating that it is one of the least economically resilient authorities in the UK – though the analysis does not take account of the likely impact of recent investment.

It is important to note that forecasting at local level is hazardous since it cannot take account of the particular circumstances of local businesses. There is also uncertainty about what the response of the UK manufacturing base will be to the 20% depreciation of £ sterling. Thanet

has quite a significant manufacturing base, so the depreciation of the £ could deliver benefits to local businesses and the local economy.

The establishment of Manston Airport and the associated availability of serviced land for industrial development, when combined with the reduction of UK costs as a result of the depreciation of the £, could attract foreign investment in new manufacturing facilities. Proximity to the Channel Tunnel and Channel Ports is an advantage for export orientated activity. The link to the growth of the offshore wind energy arrays may be another source of growth.

Past investment in strategic highways and in site assembly and services has positioned Thanet well to capitalise on these potential opportunities, but the scale of the opportunity and when it might materialise remains uncertain. It is DTZ's view that the foundations for improved economic performance are in place. Most of the investment in hard infrastructure has been undertaken.

The one exception to this conclusion is the improvement in strategic accessibility brought about by upgrading HS1 rail services to London; it is a necessary but not sufficient condition to the reversal of Thanet's economic issues – largely because still lengthy journey time and because other locations that have a shorter journey time to London than Thanet can offer much the same locational benefits as Thanet. Investment is needed in line improvements and the establishment of a Manston Parkway station to improve accessibility further.

Another major issue for Thanet is the potential for changes in public policy to work against the efforts to reduce disadvantage in the District. The anticipated reduction in public sector employment is one threat to Thanet. The other major threat is that, rather than reversing the long term pattern of selective migration of benefit dependent individuals to Thanet, proposed changes in Housing Benefit rules may encourage further in-migration of benefit claimants, as they are displaced from higher cost areas.

## 6.2 Economic Forecasts for Thanet

Economic forecasts prepared by the main forecasting houses, predict local economic performance on the basis of the sectoral mix of employment in an area and past trends. They are not good in assessing impacts that arise from a collection of major investments that collectively have the potential to reposition a local economy in the long term. Nor do they reflect potential changes in the competitive position of an area associated with changes in migration patterns.

For the purposes of this report it is necessary to have some idea of how GVA, employment and unemployment might change on the basis of the assumptions of '*continuation of past performance*'. DTZ has therefore sourced from Kent County Council Experian's June 2009 forecasts for the South East of England, Kent and Thanet.<sup>2</sup> Figures 6.1, 6.2 and 6.3 present these baseline forecasts for employment growth, unemployment and GVA for Thanet, Kent

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<sup>2</sup> SEEDA has access to more recent forecasts, but was not able to release these to DTZ because of their licence agreements. In DTZ's view this is not a material issue given the nature of the analysis presented in this report

and the South East over the period to 2014. The data for these baseline forecasts is contained in tables in Appendix 1.

Key points to note about these forecasts are that on the key indicators, while Kent and Thanet have performed better than the South East during the decade 2000-10 in terms of GVA and employment growth, in the coming decade it is expected that Kent will perform less well in the period 2010-14 they show that Kent is expected to experience lower GVA and employment growth and higher unemployment than the South East of England.

Starting from a low base, Thanet actually performed better than Kent in terms of GVA growth and employment growth in the period 2000-2010, and will maintain some of the gains in GVA and employment over the entire period 2000-24, but Kent is forecast to see stronger GVA and employment growth than Thanet in the period 2010-14. On unemployment Thanet has persistently performed worse than Kent over the past decade and this under performance is expected to continue over the next 15 years.

These forecasts merely reflect past performance and expectations about the performance of the current sectoral mix of the respective economies. Thus, a key reason for the expected underperformance of Kent and Thanet relative to the South East in the Experian forecasts over the next 15 years is that nationally the business services sector is still expected to be the major source of output and job growth.

It should be noted that following the deepest recession experienced by the UK since the 1930s, and the most significant global financial crisis since 1929, much greater uncertainty applies to all economic forecasts than in the period that came to be known as the 'Great Moderation'.

The forecasts for Thanet are therefore only an indication of what could happen. Four significant developments have the potential over the next decade to reshape the Thanet economy – none of which are, or could have been, reflected in the Experian forecasts:

- The scale of the planned developments at Manston, including growth of jobs at the airport and in connected businesses, and on the adjacent business parks
- The potential for growth of business and employment associated with the servicing of wind turbine arrays in the Thames Estuary
- The potential growth of visitor numbers to Thanet with the opening of the Turner Contemporary and Dreamland
- The linked, but as yet difficult to quantify, potential for growth of the creative industries sector and other small business sector associated with improving accessibility and appreciation of the quality of life Thanet has to offer.

Figure 6.1: Index of Actual and Forecast Employment Change

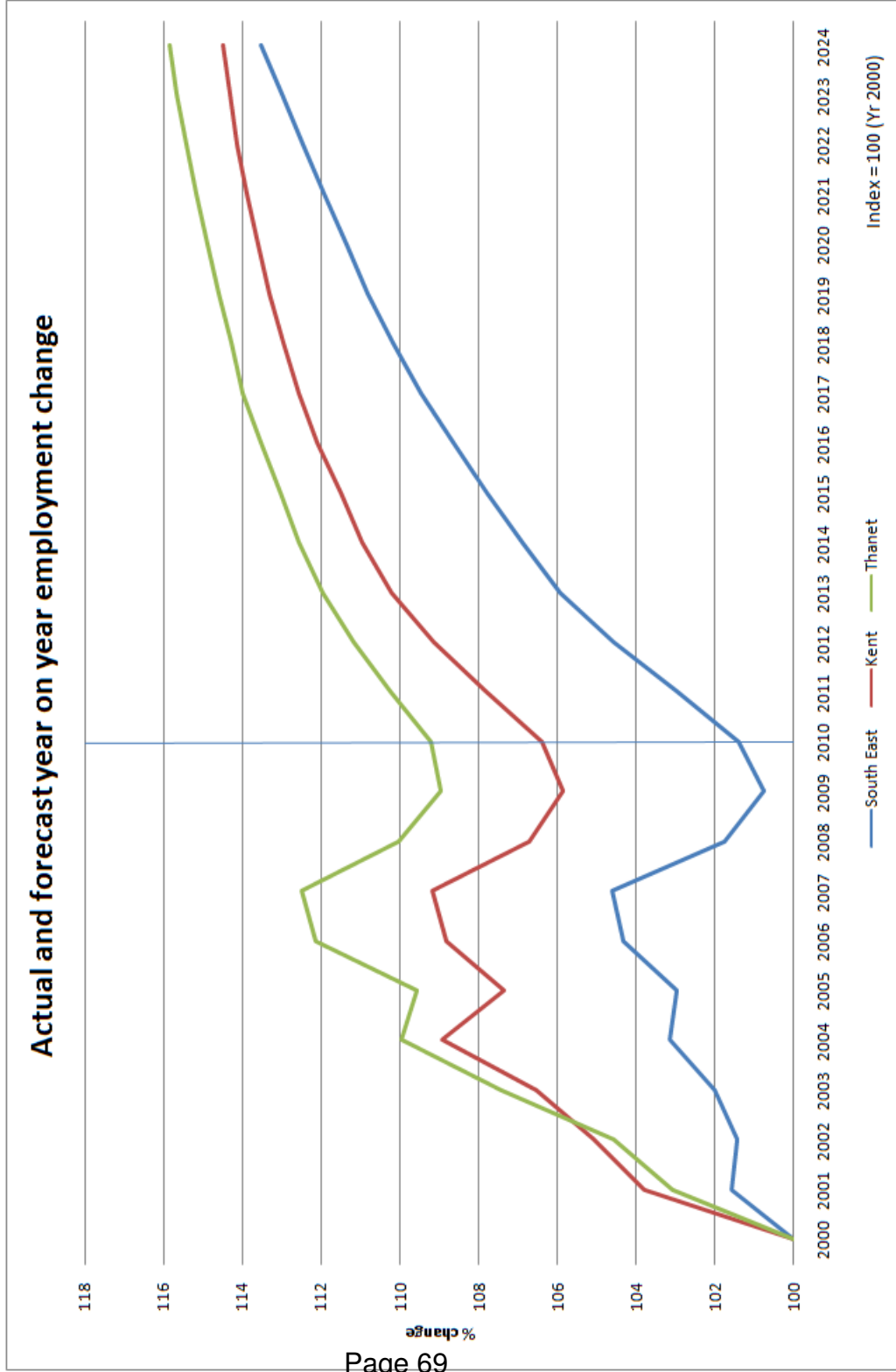


Figure 6.2: Index of Actual and Forecast Unemployment

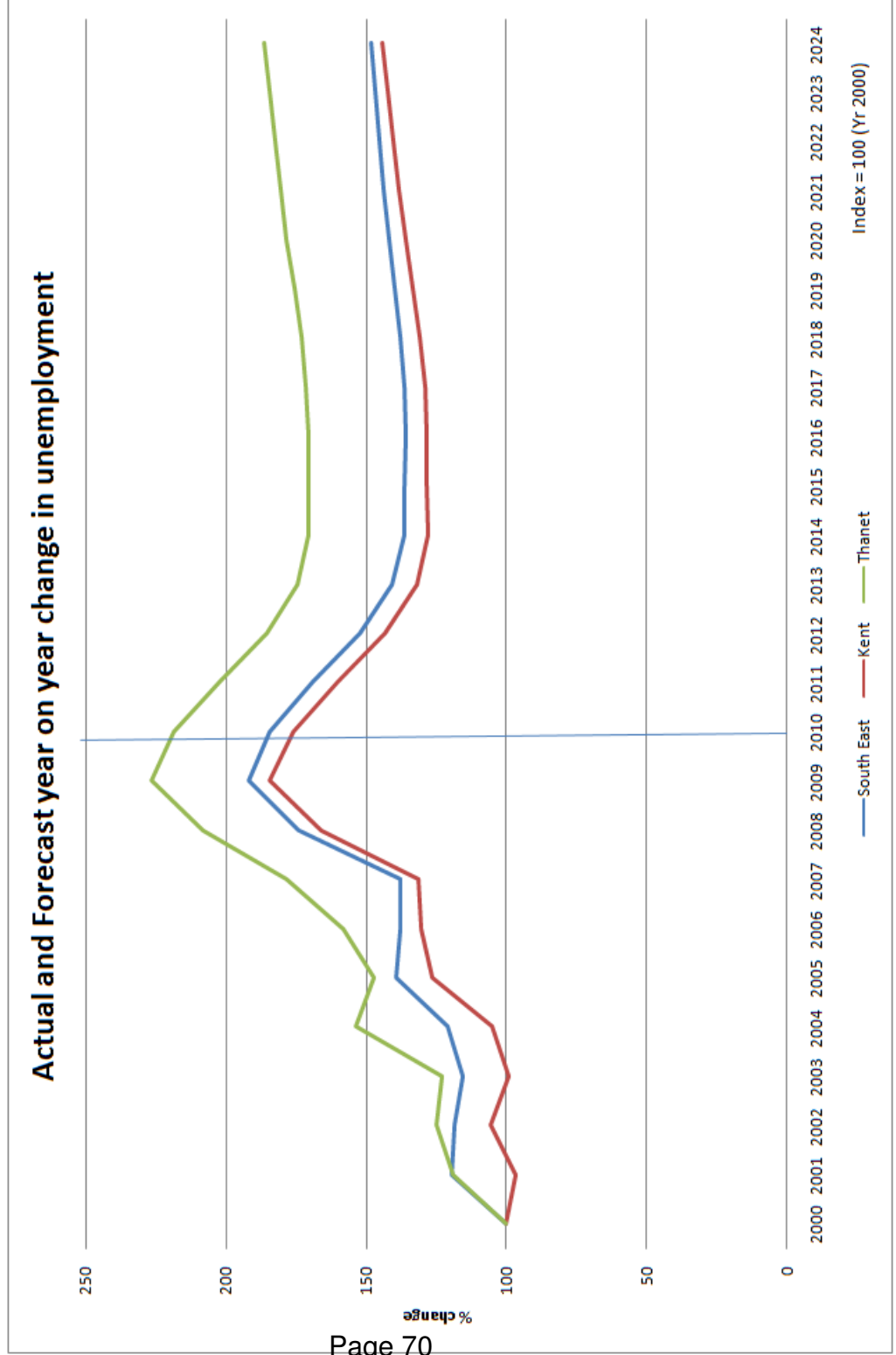
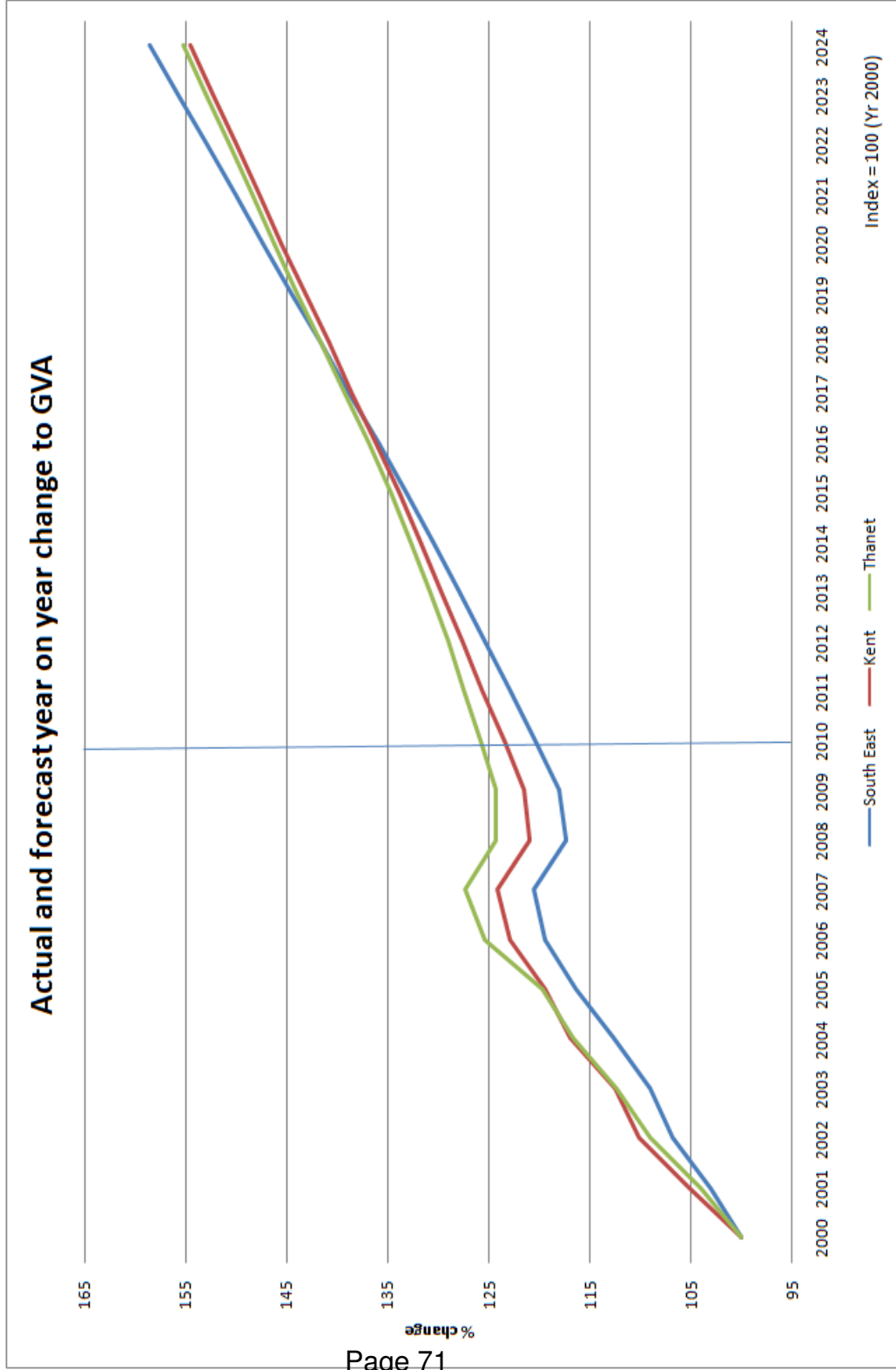


Figure 6.3: Index of Actual and Forecast GVA



## 7. Future Intervention Proposals

The investment of the past decade, and that which is committed, have laid the foundations for economic growth of the Thanet economy, which is one of the two fundamental planks for transformation of the District. Success is now largely in the hands of private investors and businesses, though it will continue to be important to market the distinctive features of Thanet – its airport (Manston), its port (Ramsgate) and its quality of life.

The second element necessary to achieve the vision set out in the Thanet 2030 Vision document is to address disadvantage in the District, by reversing the process of selective in-migration of low income, and benefit dependent households, into the District, and their concentration into particular neighbourhoods. In parts of the District, for example Ramsgate, in-migration of higher income groups is already changing the profile of the town. In Margate the process has yet to start.

This section focuses on the investments that are required to further help Thanet reposition itself as a location for business; but the more substantive element of the section focuses of the social regeneration of the District. These investments are summarised in Figure 7.1.

**Figure 7.1: Proposed Development Projects**

Investment type	Uncommitted		Date	Outcome/Output
	Capital (£ millions)	Revenue (Thousand)		
<b>Transport</b>				
Thanet Parkway	13		2014	7500 jobs. Capital cost estimated
Investment in Track Ashford to Thanet	Unknown (Network rail)		Not known	Direct outputs to be determined
Sub total	13	0		
<b>Housing and Regeneration Investment</b>				
CW-MC Intervention - Capital Investment in Housing Improvement	8		2011-14	Equity Investment to undeprin a programme of purchase and improvement of 300 homes and establish a rolling programme
CW-MC Intervention - Capital Investment in Housing Improvement	24		2011-14	Loan Finance to undeprin a programme of purchase and improvement of 300 homes and establish a rolling programme
CW-MC Intervention - Capital Investment in Public Realm	2		2011-14	Grant funding for improvements to streets, real alleyways and Northdown Road
CW-MC Intervention - Fund for Homesteading Initiatives	1		2011-14	Grant funding to establish a revolving loan fund to encourage homesteading;
CW-MC Intervention - Additional Enforcement Officers		500.0	2011-13	Support from KCC to TDC to expand private sector housing team to increase enforcement action in CW-MC
CW-MC Intervention - Revenue Funding for Project Management and Set Up Costs		1,000.0	2011-14	To cover project management, selection of development partner and development partner set up costs
Sub total	35	1500		
TOTAL	48	1500		



## 7.1 Thanet Parkway and Enhancements to HS1 Rail Services

There is one major infrastructure investment that has huge potential to transform both the economic and social prospects of Thanet. This is the proposal to develop a Thanet Parkway station at Manston; and to invest in upgrading the Ashford to Manston rail line to allow higher line speeds. The goal of that investment would be to bring rail journey time from Thanet to London down to an hour.

Work is being undertaken by Kent County Council to define the cost of delivering these improvements in journey times. The cost of creating a Thanet Parkway station, however, is estimated at £12.5 million. The reason that this is a transformational project is that it delivers multiple benefits:

- It would vastly improve passenger access to Manston airport putting Manston within a reasonable journey time of London, allowing the airport to compete for short haul passenger traffic
- It would increase the attraction of the Manston Business Park and EuroKent as a business location for businesses which require staff to travel to or from London frequently – though there are many competing locations for such business locations.
- It would significantly increase the potential demand for housing in Thanet from commuters, both because of the reduction in in-train journey times, but the ease of getting to the station. Thanet's existing stations are located within the urban areas with limited parking.
- For similar reasons it would increase the potential for self employed people and small businesses servicing London clients to take advantage of the relatively cheap housing and quality of life offer in Thanet.
- It would increase the prospects of attracting day visitors to Thanet from London, and hence boost the visitor economy. Ramsgate would probably benefit more than Margate, but all the Thanet towns would see some benefit.
- Collectively these changes would boost demand for homes in Thanet, encouraging investment in the housing stock, and creating construction jobs; and boost retail spend, while facilitating a change in the social structure of the District.

In view of these considerations DTZ regard this as a priority project for investment.

## 7.2 Manston International Airport

As noted above the development of a Manston Parkway Station and improvement of line speeds to deliver a 1 hour journey time to London will accelerate significantly the growth of Manston International Airport. The rail improvements to Manston can be expected to boost passenger numbers, and stimulate additional private investment by the airport, operators and ancillary businesses on-site and offsite (eg in hotels, car hire, and related tourism businesses).

The Coalition Government has announced that airport expansion in the South East is incompatible with its goals on climate change. It has therefore cancelled construction of a third runway at Heathrow, and indicated it will not support planning applications for further runways at Stansted or Gatwick. Instead it has set up a South East Airports Taskforce to

improve the passenger experience at airports without additional runways. This change in policy should work to the advantage of Manston International Airport.

Those with responsibility for Economic Development in Kent, namely Thanet District Council, Kent County Council and the emerging Local Enterprise Partnership should support the case for more intensive use of Manston International Airport as part of the strategy for airports in the South East. The need for enhanced rail links to make this happen should form part of a focused programme of case making, built on the benefits to London and South East, and the contribution to achieving a better balance of economic growth in the Greater South East.

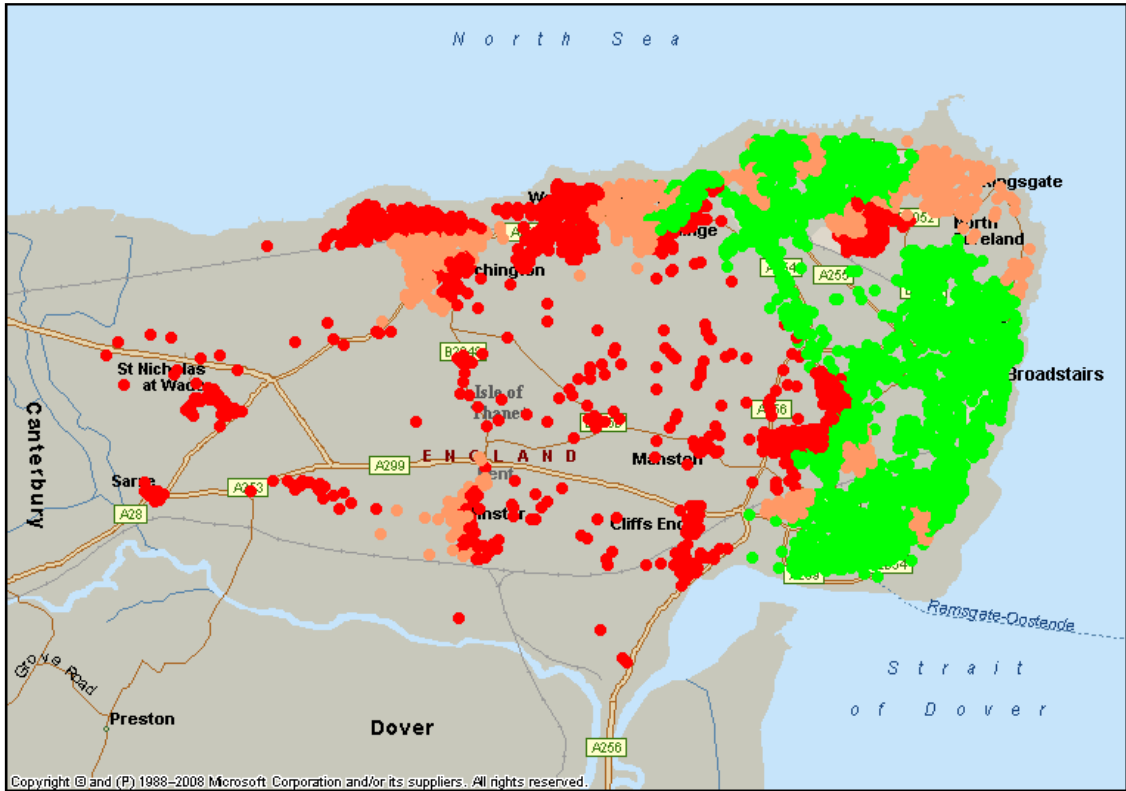
### 7.3 Information and Communications Technology

It is important to realise that electronic connectivity is as important to the economic development of Thanet as physical connectivity. This is particularly so given the objective of fostering the creative sector and other small businesses in Thanet. As proven by developments in the Highlands of Scotland relative isolation can be much reduced if an area has high quality broadband links.

BT has a programme for the development of Next Generation Access (NGA) – defined as *'broadband service that are capable of delivering sustained bandwidths significantly in excess of those currently available using existing local access infrastructures or technologies'*. BT have announced that by the end of 2012 the business intends to have extended fibre optic service to two thirds of the UK population.

Figure 7.2 shows that if 70% coverage is achieved by BT of the UK population this should deliver NGA to virtually all of Ramsgate, Broadstairs and most of Margate; that is most of the areas where commercial activity is located will have the benefit of NGA broadband. It is expected that BT will provide Fibre to the Cabinet (FTTC) which will deliver significant improvements in broadband communications, but not as much as Fibre to the House (FTTH) or Fibre to the Premises (FTTP).

**Figure 7.2: Coverage of BT NGA Broadband by 2012 if 70% coverage of UK population achieved (areas coloured green would have NGA)**



At this point in time it is not anticipated that public money will need to be invested in enhancing broadband connections. However given the importance of good quality ICT connections to economic development, and its critical importance to small businesses who cannot afford to pay for an enhanced NGA connection, the public authorities need to ensure that Thanet does not fall behind other areas in terms of connectivity. As with other forms of physical infrastructure, there is the danger that Thanet could be at ‘the end of the line’ – one of the places that only gets improvements towards the end of the programme.

## 7.4 The Cliftonville West – Margate Central Housing Intervention Strategy

The other major strand in terms of future intervention in Thanet is the specific focus on addressing the problems of the two wards of Cliftonville West and Margate Central. A strategy for intervention has been set out in the report by DTZ ‘*Cliftonville West – Margate Central Intervention Strategy and Delivery Model, June 2010*’.

The housing intervention is also embedded within the overall proposals for place based budgeting that are being developed in Margate under the auspices of the Margate Task Force.

There are 7 major, complementary strands to the intervention strategy designed to change the fortunes of the Cliftonville West – Margate Central area. These are:

- The Enforcement Strategy, designed to raise the standards of housing and management of tenanted property by using legal powers to ensure all PRS property meets defined standards, and that landlords manage properties and tenants well
- The Management Strategy, which will be delivered through an intervention agency that will acquire and manage properties to demonstrate what can be done to ensure high quality management of PRS properties and to drive up standards
- The Tenure Diversification strategy, which will change the mix of the properties in the area in order to increase the proportion of owner occupiers and tenants paying market rent, and which will take action to retain and support existing owner occupiers in the area
- The Marketing Strategy, which will market the area to change perceptions of the area and draw in new residents willing to commit long term to living in the area, which would be reflected by their buying a home in the area for their own occupation.
- The Public Realm Strategy which will complement investment in housing by improving the public realm – the streets, the rear alleys, the public space along the cliff tops and Northdown Road.
- The Personal Services Strategy designed to deliver support services to residents who are disadvantaged, to help those individuals cope with their circumstances and lessen problems of anti-social behaviour.
- The Community Management Strategy, which will entail the Margate Task Force actively seeking to manage the placement of vulnerable individuals into the intervention area, and the development of a community lettings plan to ensure issues of community stability and wellbeing are taken into account when letting homes that have been publicly funded.

The major components of the strategy that need to be funded are identified in Figure 7.1. It should be noted that the model for housing intervention is not based on grant funded, but is an investment model that calls for equity investment and loan funding in order to establish a rolling programme of property acquisition, improvement and onward sale to home owners.

There will, however, be a need for grant funding to set up the development of this innovative model of intervention, appoint development partners, and fund the management fees of the intervention company. Funds are also required to invest in public realm improvements, marketing and an expansion of TDC's Private Sector Housing Team, so that enforcement action can be stepped up.

It is worth noting that commitment to and delivery of the Thanet Parkway and improvements to the HS1 rail service to London, will considerably enhance the speed at which the Housing Intervention Strategy can make a difference in Cliftonville West and Margate Central wards.

The other priority actions identified in this report will also make their contribution to the objectives of regenerating the Cliftonville West and Margate Central area; conversely tackling the housing and related socio-economic problems of the neighbourhood, will contribute to the overall regeneration of Thanet.

## 7.5 Skills and Employability

There will also be a ongoing requirement for investment in skills and education to ensure that employers can recruit the staff that they need with relevant skills; that residents of Thanet benefit from the jobs being created; and to ensure that those on benefit can move into work and off benefit.

There has been a substantial programme of work in Thanet addressing the skills and employability agenda, primarily through Thanet Works. With the abolition of SEEDA and the Future Jobs Fund the overall framework for funding skills development is undergoing major change.

The current position in Thanet is that there is an agreed Thanet Work and Skills Plan in place. But funding is only in place to the end of March 2011. The economic development partners in Thanet need to ensure that there is continuity of funding, so that the infrastructure for delivering skills and employability training are not lost, and continuous improvement in effective delivery is achieved.

The Thanet Work and Skills Plan (May 2010) identifies six priorities for Action:

- **Priority 1: Employer First:** Responsive and coordinated services need to be provided to local businesses and to make it easier to use services which are good for them and for local employment. Employers should be fully involved in work and skills planning for major “employment events” like Manston and Westwood.
- **Priority 2: Transform the skills base:** Thanet’s working age population is under-skilled and under-qualified for the modern labour market, and skills are a key issue for workless people seeking work. The need to turn around Thanet’s skills issues should shape all actions in the Plan.
- **Priority 3: Back Youth:** High youth unemployment, low educational achievement, high levels of young people NEET, and the increased risk of offending among young people in Thanet make 16-24-year-olds a priority focus of the Work and Skills Plan.
- **Priority 4: Get in, get on:** It can be difficult for workless people to get into work and hold down a job, given the “benefits trap”, attitudinal and cultural factors, a possible shortage of child care and other care services, and labour market insecurity in entry level jobs. People need to know that work will always pay, receive intensive support to get back into work and make their job secure once in a job.
- **Priority 5: Opportunity for communities:** Two fundamental problems are the lack of jobs and the lack of skills and work readiness on the part of many workless people. Thanet’s communities have a variety of support needs and physical regeneration has been identified as a priority for the most deprived wards. This suggests an expanded role for intermediate labour market initiatives, which might be taken forward with the support of Thanet’s very active third sector.
- **Priority 6: No one left behind:** Worklessness has grown, with increases in the numbers of people claiming Job Seekers Allowance and benefits which do not require people to be looking for work. The temptation is to focus efforts on those more recently made unemployed, who can perhaps be more easily moved back into work, placing the medium

and long-term workless, who are furthest away from the labour market, “at the back of the queue” for support and services. The Plan should ensure that this does not happen.

The Work and Skills Plan presents eight specific actions matched to these Priorities for Action. These include:

- Development of a new Work and Learning Hub to act as a focus for services and support to employers and residents.
- Public sector partners agreeing more coordinated working and better use of resources through a new Thanet Work and Skills Group.
- Lobbying for extra resources to meet the vocational learning needs of young people.
- Developing a new approach to making work pay for those coming off benefits and going into work.
- Mainstreaming the Future Jobs Fund (note this is now terminated) project to help create and support employment in areas of social need and opportunity.
- Using Locality Budgeting to ensure that “no one is left behind”, and that even medium- and long-term workless can progress towards employment.

The task that needs to be undertaken urgently is to assess how these priorities can continue to be pursued in the new framework for funding of skills development, and training for employability. The Department for Business, Innovation and Skills published its strategy for skills in two documents, *Skills for Sustainable Growth* and *Investing in Skills for Sustainable Growth* on 16<sup>th</sup> November 2010. The highlights of the government’s policy are:

- Expanding the numbers of adult apprenticeships available, so by 2014-15 there will be 75,000 more adults starting than under the previous Government’s plans; 200,000 adults will be able to start an apprenticeship. The government is to invest £605 million in adult apprenticeships in the 2011-12 financial year
- Improving the apprenticeships package, so that level 3 (A Level equivalent) becomes the level to achieve, and there are clear progression pathways
- Fully funding training for young adults aged from 19 up to 24 undertaking their first full level 2 (GCSE equivalent) or first level 3 qualification when they do not already have one
- Fully funding basic skills courses for individuals who left school without basic reading, writing and mathematics
- Protecting investment of £210 million in adult and community learning, to support personal development, inclusive communities and a route into formal learning for the disengaged
- Introduction of fees for learners aged 24 and over undertaking level 3 or higher qualifications from 2013-14. However assistance will be provided for these learners in the form of loans. Learners will not have to make their contribution to costs of the course until they are reaping the benefits of it and earning a decent wage;
- Initiating a demand-led growth and innovation fund of up to £50 million of government investment a year, to support employer-led initiatives within sectors, such as new professional standards, and to promote leadership and management in small and medium enterprises;

- Replacing Train to Gain with an SME focused programme to help small employers train low-skilled staff
- Helping people who are on active job-seeking benefits to secure work through labour-market relevant training

Overall expenditure on Further Education is set to fall by 25% by 2014-15. But in 2011-12 financial year, the government plan to invest £3.7 billion in further education and skills for post-19 learners supporting capacity for over 3 million training places in the 2011/12 academic year funded through the Skills Funding Agency.

The other major change to be introduced by the government is a new Work Programme for the long term unemployed and disabled people, delivered by private and third sector specialists who will be paid on the basis of the additional benefit savings they secure. This is expected to be operation from summer 2011.

## 7.6 Other Emerging Capital Projects

There are a range of other investment opportunities in Thanet, but the expectation is that these will in due course attract private sector investment. There may however be some requirement for preparatory work to be undertaken by the public sector in terms of land assembly, feasibility and marketing work.

These opportunities include:

- The Rendezvous Site next to the Turner Contemporary Gallery, which is identified for development of a hotel and sailing club facilities
- Refurbishment of the Winter Gardens, Margate's main event and conference centre, which is located on the seafront adjacent to the residential area of Margate Central and Cliftonville West, and adjacent to the Rendezvous site
- The Lido site also located on the seafront adjacent to the residential area of Margate Central and Cliftonville West, comprising an underground Grade 1 listed Georgian baths, sea swimming lido, and rundown buildings that comprised a former amusement arcade.

## 7.7 Planned Private Sector Investment

Investment made in Thanet over the years continues to bear fruit in terms of unlocking private sector investment. Major investment projects in the pipeline include:

- Development of a large Tesco supermarket to the rear of Arlington House, in Margate and the refurbishment of the tower block itself. Thanet District Council anticipate that a planning application for a 50,000 square foot store will be submitted in the near future. There are also proposals for a new hotel on the Marine Terrace frontage in Margate, looking out over Margate beach.
- Planning permission has been granted for the development of a hotel, leisure and apartment complex on Ramsgate seafront. The project is under construction. Once completed it will comprise of 107 apartments, a 60 bed hotel and ground floor retail space.
- Land Securities are currently promoting the phased expansion of Westwood Cross shopping centre. A planning application is expected in September 2010: the first phase of



development will deliver 70,000 square foot retail; the second phase will expand the existing Sainsbury's from 50,000 sq ft to 110,000; the third phase, expected by Easter 2012, will deliver a further 70,000 sq ft of retail space.

- Planning applications for the expansion of Manston Park are expected early in 2011. Over the longer term it is anticipated that around 1,500 jobs could be created through development of 16 hectares (40 acres) of employment land for B1, B2, B8 uses.

## **8. The Impact of the Intervention Programme**

### **8.1 The Approach**

There has been substantial investment over the past decade in transport infrastructure, ensuring that there are sites available for industrial and commercial development and laying the foundations for rebirth of the Thanet visitor economy. Most of this investment has only recently been completed, or, though committed, has yet to be completed. The positive impact on the economy of Thanet of these investments has yet to be experienced.

It total around £222 million of investment spent or committed over the last decade in strategic infrastructure (roads), creating serviced land for employment purposes, and development of new visitor attractions, supported by a wide range of different public agencies, with both UK and EU resources. This captures the majority of the expenditure that could be expected to have direct economic outputs, as distinct from social outputs. Thus this £222 million does not include investment in housing, social or education projects.

It is not possible within the scope of this study to undertake a detailed economic impact appraisal of this collective investment. Rather the approach taken to assessing the likely economic impact of the programme of investment already completed and committed, and the planned investment identified in this report, is to make reasonable assumptions about how far this investment may change the performance of the Thanet economy and housing market in terms of the key economic variables, relative to the baseline described in Section 6.2.

The key building block for this analysis has been to consider how, over the period 2010-2024, overall numbers of people in work in Thanet will be higher than the baseline forecast. This is then used to assess the impact on unemployment and numbers in receipt of specific benefits. The benefits of these economic changes are given monetary values in terms of the savings in public expenditure or the associated increase in taxation revenues, using unit values derived from a range of sources.

The approach adopted in this study is a different approach to that used in most project based economic impact studies which place values on the total benefits flowing from projects, in order to justify public spending. Many of the individual projects that make up the investment programme have had appraisals undertaken using this approach. This information has been used to cross check the estimate of additional employment anticipated to be created through the investment programme, past and future.

In addition to the assessment of the monetised value of changes in economic variables, analysis has been undertaken of the impact of investments on the value of property, and the benefits to the Exchequer to be derived from this in terms of an increase in property taxes. The impact of the programme of housing investment and related place making activity is also assessed in terms of reduced housing and other income related benefit payments.

### **8.2 The Impact on Employment**

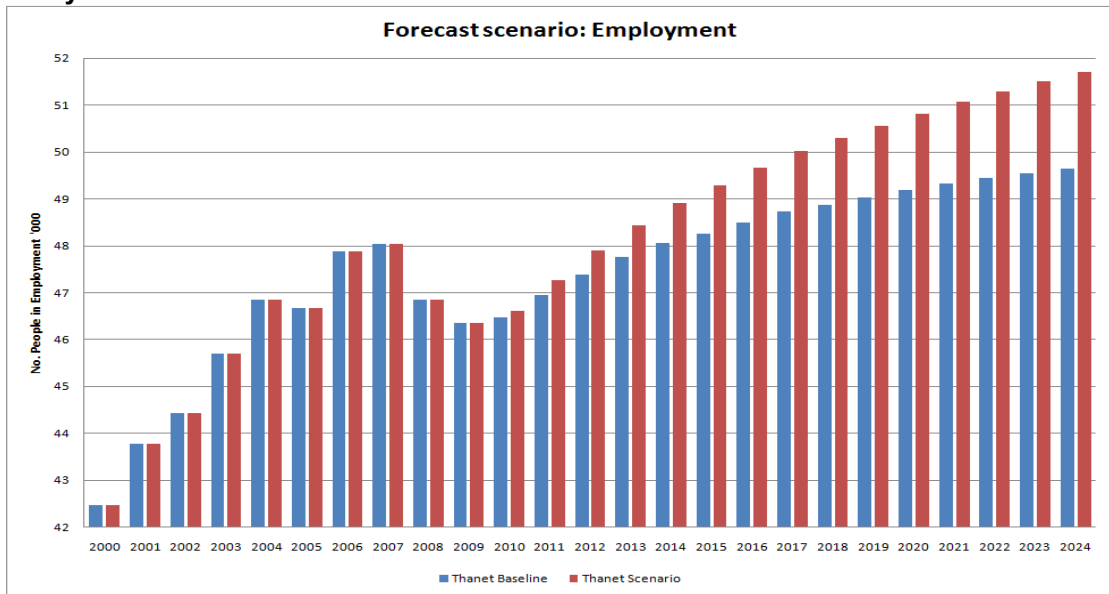
The starting assumption of the analysis is that the programme of planned investment will raise the level of job growth in the Thanet economy above that which it would otherwise have been.

We have used the June 2009 Experian forecasts of employment from 2010-2024 as the baseline. These forecasts (see Appendix 1) anticipate that over the period 2010-24 the number of jobs will grow by some 3,200, or 7% over this 14 year period. By contrast employment in the South East of England is expected by Experian to grow by 13% over this period, and by 8% in Kent as a whole.

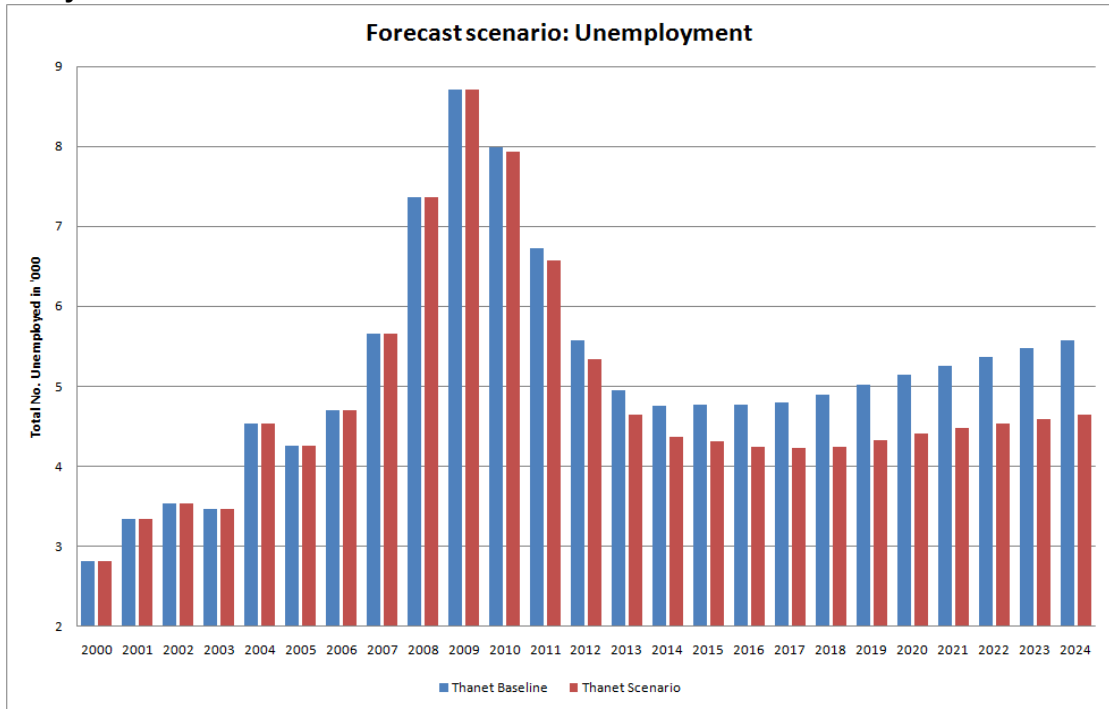
DTZ have assumed that the overall intervention programme raises the level of job growth in Thanet to 11%; that is, below the forecast average for the South East, but above that of Kent. This implies that over the 14 year evaluation period some 2,060 additional jobs over and above the baseline are created. This is equivalent to the impact of the intervention programme creating each year an additional 150 jobs on top of what is anticipated. Generally it is easier for small areas with a low job density (jobs per '000 of population) to grow faster in percentage terms than larger areas.

Figures 8.1, 8.2 and 8.3 respectively show the impact that this intervention programme will have on employment, unemployment and GVA compared to the baseline.

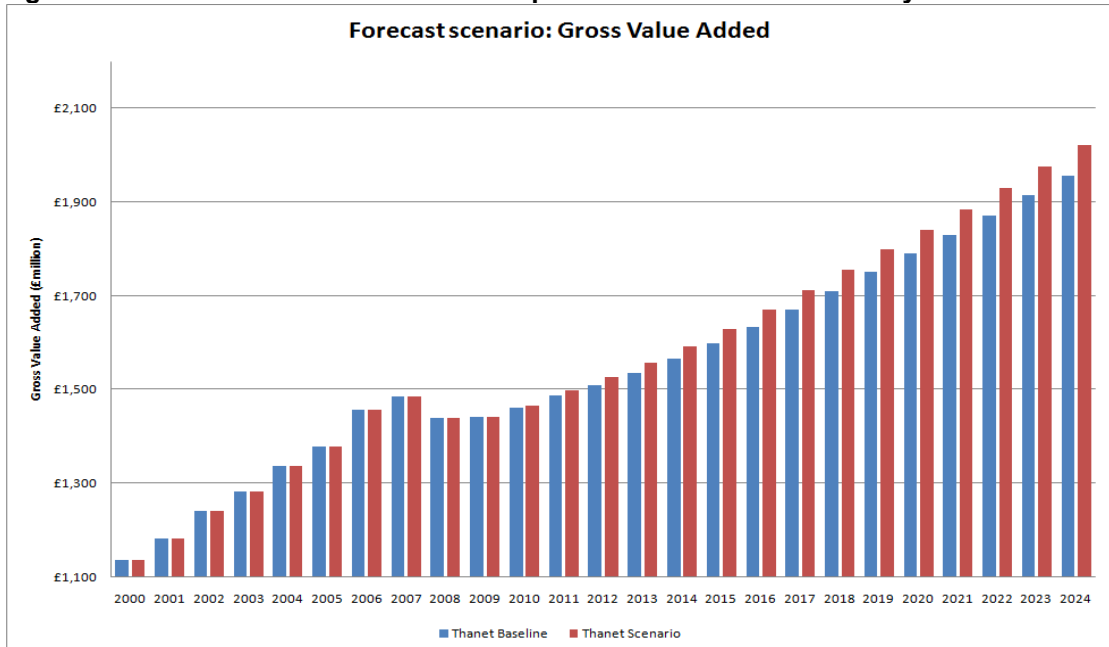
**Figure 8.1: Numbers of People Employed in Thanet – Comparison of Baseline and Policy On Scenarios**



**Figure 8.2: Numbers of People Unemployed in Thanet – Comparison of Baseline and Policy On Scenarios**



**Figure 8.3: Value in GVA in Thanet – Comparison of Baseline and Policy On Scenarios**



DTZ has not sought to define precisely where these additional jobs will come from, but it is easy to show that this level of job growth should flow from the investments that have been and are being made in Thanet. Figure 8.1 shows the broad magnitude of job growth associated with major investment projects examined as part of the study. The potential for growth of the small business economy is not fully reflected in these estimates, and assumptions about the spin off for the local economy of the development of Manston Airport and business associated with wind arrays are conservative. But it has to be remembered that the employment forecasts reflect net employment change: they incorporate allowance for the fact that as new sectors of employment grow others are declining in terms of jobs.

**Figure 8.4: Magnitude of Job Creation 2010-14 Associated with Specific Projects**

	Direct	Indirect	Total
Servicing of Wind Arrays	130	260	390
Manston Airport	250		250
Manston Business Parks	1000		1000
Turner Contemporary	35	40	75
Dreamland	65	200	265
Other Small Business	80		80
<b>Total</b>	<b>1560</b>	<b>500</b>	<b>2060</b>

Source: DTZ estimates

### 8.3 Summary of Public Expenditure Impacts of the Intervention Programme

The report identifies six sources of additional revenue or reduction in the need to spend, as follows:

- The additional taxes paid by those who occupy the additional jobs created in Thanet
- The additional taxes paid by employers as a result of the higher employment base and larger resultant turnover
- The anticipated reduction in benefit payments associated with lower unemployment associated with higher overall demand for labour
- Reductions in Housing Benefit payments associated with those who move off benefit having found work
- Additional stamp duty payable as a result of an increase in house prices attributable to the intervention programme
- Reduced costs associated with crime as higher levels of job creation and wealth, supported by interventions in the housing market deliver a more balanced population

A series of detailed assumptions are used in the process of calculating additional tax revenues and savings. These are set out in Appendix 2. These additional revenues and cost savings are generated year by year. Figure 8.5 shows that it is estimated that once the effects of the intervention programme are worked through it would generate additional taxes and savings in public expenditure valued at £27.2 million pa.

If these additional revenues and savings were claimed over, say, a five year period then the total value of these additional revenues and savings would total £136 million. Over a 10 year period evaluation period the value of these additional revenues and savings would total £272 million. The report does not capture cost savings in terms of local service provision other than those flowing from the reduced cost of crime.

**Figure 8.5: Estimated Additional Tax Revenues and Cost Savings of the Intervention Programme**

	Annual	Total over 5 years	Total over 10 years
Additional Employee Tax and NI	10.0	50.0	100
Additional Business Tax	2.3	11.5	23
Reduction in JSA and IB/ESA Payments	4.4	22.0	44
Reduction in HB Payments	3.3	16.5	33
Additional Stamp Duty Tax	0.4	1.8	4
Cost Savings of Reduced Crime	6.8	34.0	68
<b>Total</b>	<b>27.2</b>	<b>135.8</b>	<b>272.0</b>

Source: DTZ

These revenues and savings compare with around £222 million of investment spent or committed over the last decade in strategic infrastructure (roads), creating serviced land for employment purposes, and development of new visitor attractions, supported by a wide range of different public agencies, with both UK and EU resources. This £222 million does not include investment in housing, social or education projects.

DTZ's assessment is that to deliver this level of additional job growth the key *additional* investment on top of what has been committed and spent over the past 5 years, is the delivery of a Manston Parkway station and the associated investment in the rail route to the station needed to deliver a 1 hour Thanet to London journey time. At this point in time the total investment required to achieve this is not known, but work is being undertaken to establish this.

## 8.4 The Impact on Personal Taxation

With 2,060 additional people in work as a result of the intervention programme, there will be 2,060 more people paying tax on their earnings and payment employee National Insurance. It has been assumed that those filling these jobs are on average earnings for Thanet, and pay in income tax and NI the average paid by all UK men on average earnings. (The average for women is not greatly different to that for men).

Overall it is estimated that the direct benefits of this additional job growth in terms of enhanced tax revenues are in the order of £50 million over a 5 year period or £100 million over 10 years.

## 8.5 The Impact on Corporate Taxes

An increase in the number of people employed in Thanet can be expected to increase the overall value of output of the local economy. Businesses pay taxes on profits and purchases. So a higher level of economic output generates additional taxes from the business sector. The value of these additional taxes has been calculated at £11.5 million over a 5 year period or £23 million over 10 years.

## 8.6 The Impact on Unemployment

Additional job growth on top of that which is anticipated should serve to reduce unemployment in Thanet. It is hard to predict how this additional demand for labour will impact on local unemployment, and there need be no suggestion that the new jobs created go to unemployed people. Much more likely is that people in existing employment take up new jobs, but that this frees up positions throughout the economy which those claiming JSA can take up.

The 2007 Freud Report to the DWP on *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work* puts the gross saving (the amount actually paid out in benefit) of someone moving off JSA at £4,100 pa, and the net saving once allowance is made for the fact that they will now be paying tax at £8,100 pa. The equivalent figures for someone on Incapacity Benefits or Employment Support Allowance are £5,900 (gross) and £9,000 (net).

Using the net savings figures, (because increased personal taxation has already been counted for all the additional people in jobs), and the assumptions that unemployment is reduced by half the number of additional jobs this indicates that the intervention programme would save the Exchequer £22m over a 5 year period or £44 million over 10 years.

## 8.7 The Impact on Housing Benefit Payments

There are currently around 14,000 people claiming Housing Benefit in Thanet, with the numbers having increased from around 12,000 two years ago. On average around half of the claimants are private sector tenants. The current two person rate of Local Housing Allowance in Thanet is £535 per month or £6,420 p.a.. If this is taken as the average applicable to private sector tenants then the implied annual expenditure on private sector housing benefits in Thanet comes to £45 million.

What impact will the intervention programme have on the costs of Housing Benefits? It is the intention of the overall programme to reduce the proportion of homes in Thanet that are privately rented and let to benefit claimants. The main mechanism through which this will occur is the reversal of the past pattern of selective in-migration of low income and benefit dependant households, and achievement of a more balanced household profile by encouraging in-migration of working households.

This process will be associated with increased levels of home ownership and private renting by people who do not need support from the Housing Benefit system. The numbers of private sector Housing Benefit claimants is expected to fall therefore, though the number of social housing claimants is likely to stay the same. The overall cost of Housing Benefit payments in

Thanet is therefore likely to fall, though the impact on expenditure associated with reduced numbers of claimants, will be offset to some extent by higher rents, associated with rising house prices

Reductions in expenditure on Housing Benefits payments in Thanet are likely to be associated with increases elsewhere so the net impact on UK Government is not likely to be significant. Within the methodology adopted for this study, it is appropriate to count whatever reduction may be achieved by the fact that benefit claimants move into work and are able to pay their own rent, or a proportion of it.

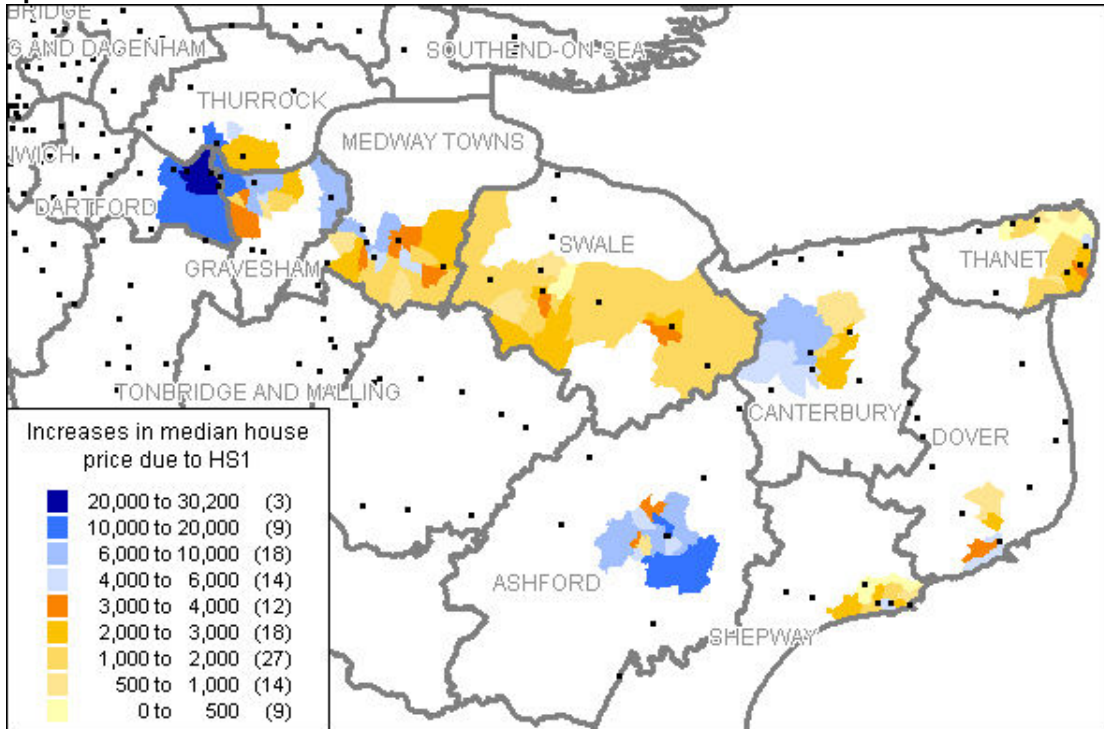
It has been assumed that of the 1,032 people estimated to move off JSA and IB/ESA, 50% of these will move into jobs where they no longer need Housing Benefit. The saving to the Exchequer from reduced housing benefit payments would be £16.5m over a 5 year period or £33 million over 10 years.

## 8.8 The Impact on House Prices

The overall intervention programme is expected over time to raise the value of housing in Thanet above the level that would have occurred in the absence of intervention. This is the product of a number of elements of the investment programme:

- The introduction of the new rail service using HS1 is likely to have had some impact already on house prices – and any such impact is excluded from the analysis. Analysis by Colin Buchanan and partners suggest that that impact of the introduction of HS1 service on house prices in Thanet is expected to be modest (see Figure 8.6), with an uplift of no more than £5,000 in any part of Thanet, and an average uplift of around £2,500 which represents a 1.5% uplift in prices
- However, the proposed investment to reduce journey times to Thanet stations and the linked proposal for development of a Thanet Parkway could have a much more significant impact on house prices than the initial service improvements already delivered because they would bring Thanet to London journey times down to around an hour – which is competitive with many more expensive commuter locations, and allows Thanet to compete with more favoured locations in Kent such as Whitstable which have higher prices than Thanet
- The enhanced economic performance of the Thanet economy over and above the baseline will create additional demand for housing by raising average household incomes. The improvements to the economy and investments in place making and the visitor economy will also enhance the perceived quality of life in Thanet, which can be expected to stimulating in-migration of higher income residents; and reduce the in-migration of benefit dependent residents.
- The intervention programme proposed for Cliftonville West and Margate Central aims to change the tenure profile of these wards, reducing the high proportion of poor quality private rented stock and increasing the level of owner occupation. A specific aim of the programme is to create confidence in the programme of regeneration that will stimulate demand, and over time raise prices significantly above their current levels as home owners buy property in the area as both a home and an investment, confident that prices will increase from their current very low levels.

**Figure 8.6: Absolute Average House Price Increases Estimated when HS1 Services are Operational**



Source: Economic Impact of HS1, Colin Buchanan and Partners, January 2009

What scale of house price increases over and above the baseline might be expected from these interventions? Average house prices in Thanet in 2009 were £165,000 compared to £218,000 in Kent as a whole, and £254,000 in the South East as a whole. A better comparison to gauge how much house prices might increase if perceptions improved of Thanet as a potential place to live within commuting distance of London. A good comparator would be Brighton and Hove which has rail journey time of about an hour to London. In 2009 average house prices in Brighton and Hove were £203,000.

For the purposes of this study it has been assumed that the overall impact of the intervention programme will be to raise house prices in Thanet 10% above where they would have been in the absence of the intervention programme. This would bring in an additional £1.8m from Stamp Duty over a 5 year period or £3 million over 10 years.

## 8.9 The Impact on Crime

Thanet experiences above average levels of crime compared to Kent, across many categories of criminal offences. Figure 8.7 shows the number of criminal offences in Thanet, the number of offences per thousand of population for Thanet and Kent, and the unit cost of dealing with each category of crime.

**Figure 8.7: Criminal Offences 2009-10 in Thanet and Kent**

	Thanet		Kent	UK
	No. of Incidents	Incidents per '000 population	Incidents per '000 population	Cost per Incident in £
Violence against the person offences	2382	18	13	18000
Sexual offences	158	1	1	19000
Robbery offences	110	1	1	4700
Burglary dwelling offences	876	7	3	2300
Theft of a motor vehicle offences	245	2	2	4800
Theft from a vehicle offences	774	6	4	580

The broad programme of intervention proposed to reverse the long pattern of selective migration into Kent offers the real prospect of reducing the cost of crime enforcement. Crime levels tend to decrease when concentrations of disadvantage are reduced. It is therefore reasonable to expect that as Thanet achieves a more balanced demographic profile that crime levels will fall compared to what they would have been and this will deliver savings in crime enforcement.

For the purposes of this exercise, the focus is the potential for crime reductions in terms of violence against the person and burglary dwelling offences, being the two sorts of crime which are much more prevalent in Thanet than in Kent. It has been assumed that the intervention programme halves the difference in the offending per '000 of population for such crimes.

Figure 8.8 shows that on the basis of these assumptions (which still leave Thanet with higher levels of crime per '000 of population than Kent) the annual cost savings amount to £6.8 million. If a 5 year evaluation period is used then the total value of cost savings amounts to £34 million; and if evaluated over a 10 year period the cost savings would be £68 million

**Figure 8.8: Cost Savings associated with Crime Reduction**

	Reduction in No. of Incidents	Incidents per '000 population	Incidents per '000 population	Cost per Incident in £	Cost Saving pa
Violence against the person offences	349	15.6	13	18000	6,282,000
Burglary dwelling offences	230	5	3	2300	529,000
Total					6,811,000

## 9. Summary and Conclusions

This report breaks new ground. The Government's top priority is to reduce the UK public sector deficit. The Government is therefore prioritising public sector investment that will contribute to economic growth, and by stimulating economic growth, generate additional tax revenues and reduce public expenditure.

This study develops an approach to measuring the additional tax revenues and savings in public costs that would be generated by a programme of investment in strategic transport improvements, site development and visitor attractions in Thanet over the next 14 years; and how this programme could be expected to achieve other important regeneration objectives.

The study shows how relatively modest enhancements in job creation over and above the level of job growth that would occur without the planned intervention, could generate significant additional tax revenues and savings in central and local government expenditure.

In brief the study models the impact of creating an additional 2,060 additional jobs over the period 2010-24 over and above the level forecast to be created in this period by Experian, the forecasting house. In absolute terms this represents an increase in the number of people in work in Thanet from 46,500 in 2010, to 51,700 in 2024, as compared to the anticipated increase under the baseline scenario of to 49,600.

Figure 9.1 shows that it is estimated that once the effects of the intervention programme are worked through it would generate additional taxes and savings in public expenditure valued at £27.2 million pa. These additional revenues and cost savings are enduring.

- If these additional revenues and savings were claimed over a five year period then the total value of these additional revenues and savings would total £136 million.
- over a 10 year period evaluation period the value of these additional revenues and savings would total £272 million.

The report does not capture cost savings in terms of local service provision other than those flowing from the reduced cost of crime.

**Figure 8.5: Estimated Additional Tax Revenues and Cost Savings of the Intervention Programme** Figure 9.1

	Annual	Total over 5 years	Total over 10 years
Additional Employee Tax and NI	10.0	50.0	100
Additional Business Tax	2.3	11.5	23
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Reduction in HB Payments	3.3	16.5	33
Additional Stamp Duty Tax	0.4	1.8	4
Cost Savings of Reduced Crime	6.8	34.0	68
<b>Total</b>	<b>27.2</b>	<b>135.8</b>	<b>272.0</b>

These revenues and savings compare with around £222 million of investment spent or committed over the last decade in strategic infrastructure (roads), creating serviced land for employment purposes, and development of new visitor attractions, supported by a wide range of different public agencies, with both UK and EU resources. This £222 million does not include investment in housing, social or education projects.

DTZ's assessment is that to deliver this level of additional job growth the key *additional* investment on top of what has been committed and spent over the past 5 years, is the delivery of a Manston Parkway station and the associated investment in the rail route to the station needed to deliver a 1 hour Thanet to London journey time. At this point in time the total investment required to achieve this is not known, but work is being undertaken to establish this.

The analysis provides useful context for debate about further investment in economic development and regeneration in Thanet. This report has identified how, on every indicator of economic performance, Thanet performs less well than Kent as a whole. It also identifies the vulnerability of the Thanet economy in the current economic environment, because of its relatively high dependence on public sector jobs.

The report identifies the reasons for Thanet's poor economic performance and the consequences this has had in terms of the social characteristics of the District, and in particular the high levels of social disadvantage to be found in many of Thanet's urban neighbourhoods.

In brief, the poor economic performance of the District, despite its location in the wealthiest region in the UK other than London, is due to its relative inaccessibility in strategic terms. It has failed therefore to attract the sort of business investment that has flowed to other areas. The economy is characterised by relatively low value economic activity, low earnings, and low skill levels.

A weak economy and low earnings, has meant relatively weak demand for housing and consequently low house prices within a regional context. This has set up a pattern of selective in-migration from other parts of the region and the UK. The area has attracted in-migration of older people of retirement age and the economically inactive.

The root cause of selective migration has been the abundant supply of low cost privately rented accommodation, in part due to the legacy of a large stock of larger older dwellings, which have been suitable for conversion to flats. This has attracted in-migration of those people of working age who are economically inactive. The concentration of poor quality, and hence cheap, private rented sector properties in particular neighbourhoods is the key factor that has given rise to concentrated areas of deprivation.

However, this report shows that Thanet has benefitted from a very substantial programme of public sector investment over the past decade. Across a wide range of programmes some £155 million has been invested in capital projects; and a further £209 million of capital funding has been committed to development.

This capital investment has laid the foundations for future growth. As a consequence of this investment the District has a good range of sites for business. With the opening of the new rail service on HS1 the strategic accessibility of Thanet has been significantly improved. Planned investment in Margate will transform the visitor economy.

Notwithstanding the impact of the recession, this past investment is showing signs of generating a step change in the local economy. The area has benefitted from major private sector investment in the past 5 years, notably in:

- the development of the new sub-regional shopping centre at Westwood Cross
- the growth of and expected development on sites around Manston airport
- the creation of Thanet Earth, entailing the development of the UK's largest greenhouse
- the development of businesses associated with the construction and servicing of the wind arrays in the Thames Estuary

The opening of the Turner Contemporary in 2011, and of the Dreamland Heritage Theme Park in 2012, can be expected to provide impetus for further private sector investment in hotels and leisure facilities. These developments will also have a key role to play in helping to raising the profile of the district, in bringing more visitors and in spreading the message about the quality of life that the District offers to its residents.

While the benefits of past investment are apparent, the momentum of change needs to be maintained. This report identifies two key projects that need ongoing investment and focus in order to achieve the economic and social transformation of Thanet.

**Enhancements to the HS1 Rail Services:** Despite the significant reductions in journey times by rail to London delivered by the HS1 domestic service, Thanet remains outside of the bounds of what would generally be regarded as an acceptable journey time of London for commuters. There is the potential to reduce journey times from a newly developed Thanet Parkway station at Manston Airport to London St Pancras to 1 hour. If this can be delivered at reasonable cost, this would transform perceptions of Thanet as a place to live, to do business and visit. In terms of economic development and regeneration the investment to deliver this should be accorded the highest priority.

**Investment in Housing Renewal:** Historically in Thanet, public funding for housing investment has been directed into the development of new affordable housing. However the most pressing need in the District is to address the poor quality of privately rented housing, and the dysfunctional nature of those neighbourhoods dominated by private renting. In future public funds for housing should be directed to investment in these neighbourhoods. HCA funding should be directed to support the delivery of the Cliftonville West – Margate Central Intervention Strategy as a national pilot of a new approach to intervention, based on investment not grant.

These key interventions need to be supported by two supporting measures:

- **Continuing support for skills development**, reflecting the need to ensure that as jobs are created local people have the relevant skills, so that benefits of increases in employment are shared between existing residents and those moving into the area; to ensure that employers can recruit the staff they need; and to progressively increase skill levels and the earnings of those who work locally. The forthcoming Work and Skills plan will seek to facilitate this step change

- **Ensuring that business in Thanet is not disadvantaged by lack of suitable ICT connectivity.** The work undertaken in this study has not examined in any detail the issue of ICT connectivity. Indications are that the main urban centres of Thanet will be adequately served. But the issue of such importance to the growth of the small business economy that the agencies responsible for economic development must monitor developments to ensure that businesses are not constrained by absence of suitable connectivity at reasonable cost.

The core costs of the programme of additional investment required in Thanet, particularly those associated with the delivery of a one hour journey time to a new Thanet Parkway station are not yet known but work is being undertaken to establish what these costs would be. Indicative costs have been established for Cliftonville West – Margate

Ultimately the achievement of the vision for Thanet as articulated in the Thanet 2030 Vision has to be achieved by unlocking private investment from businesses, families and individuals. The purpose of public investment is to create confidence by establishing the right environment in which investment can flourish. This can be achieved by further enhancing the strategic accessibility of Thanet, and building upon and selling to potential residents the quality of life that Thanet can offer its residents.

The focus on strategic accessibility and quality of life will deliver economic development and create a virtuous circle by which a growing economy creates jobs, and attracts higher income, more skilled people to live in Thanet, who will both invest in Thanet themselves, but also make Thanet a more attractive place to do business. This reversal of the long established pattern of selective migration that has led to concentrated disadvantage will work to the benefit of all in creating a more prosperous and better balanced community.



## Appendix 1: Employment, GVA and Unemployment Past Patterns, Baseline Forecast and Policy On Forecast Tables

Figure A1.1: Employment Actuals and Forecasts

Note: Figures in Black are Actual, Figures in Red are Forecasts

	South East		Kent		Thanet Baseline		Thanet Scenario		
	No in '000	% Change pa	No in '000	% Change pa	No in '000	% Change pa	No in '000	% Change pa	Additional Jobs pa
2000	4174		695		42		42		0
2001	4239	2%	721	4%	44	3%	44	3%	0
2002	4233	0%	730	1%	44	1%	44	1%	0
2003	4257	1%	741	1%	46	3%	46	3%	0
2004	4306	1%	759	2%	47	3%	47	3%	0
2005	4298	0%	747	-2%	47	0%	47	0%	0
2006	4357	1%	758	1%	48	3%	48	3%	0
2007	4369	0%	761	0%	48	0%	48	0%	0
2008	4244	-3%	742	-2%	47	-2%	47	-2%	0
2009	4202	-1%	735	-1%	46	-1%	46	-1%	0
2010	4228	1%	740	1%	46	0%	47	1%	109
2011	4295	2%	750	1%	47	1%	47	1%	478
2012	4365	2%	760	1%	47	1%	48	1%	441
2013	4423	1%	768	1%	48	1%	48	1%	375
2014	4467	1%	774	1%	48	1%	49	1%	288
2015	4506	1%	778	1%	48	0%	49	1%	211
2016	4545	1%	783	1%	49	0%	50	1%	239
2017	4582	1%	786	0%	49	0%	50	1%	238
2018	4615	1%	789	0%	49	0%	50	1%	126
2019	4644	1%	792	0%	49	0%	51	1%	162
2020	4670	1%	795	0%	49	0%	51	1%	150
2021	4696	1%	797	0%	49	0%	51	0%	139
2022	4721	1%	799	0%	49	0%	51	0%	118
2023	4747	1%	800	0%	50	0%	52	0%	114
2024	4772	1%	802	0%	50	0%	52	0%	96

Source: Experian June 2009 Forecasts and DTZ

**Figure A1.2: Unemployment Actuals and Forecasts**

**Note: Figures in Black are Actual, Figures in Red are Forecasts**

**Minus figures denote a reduction in unemployment**

	South East		Kent		Thanet Baseline		Thanet Scenario		
	No in '000	% Change pa	No in '000	% Change pa	No in '000	% Change pa	No in '000	% Change pa	Change in unemployment from baseline p.a.
2000	138		35		3		3	0%	0
2001	164	19%	34	-3%	3	19%	3	0%	0
2002	163	-1%	37	9%	4	6%	4	0%	0
2003	158	-3%	35	-6%	3	-2%	3	0%	0
2004	167	5%	37	6%	5	31%	5	0%	0
2005	197	19%	44	21%	4	-6%	4	0%	0
2006	194	-2%	46	4%	5	11%	5	0%	0
2007	194	0%	47	1%	6	20%	6	0%	0
2008	265	37%	63	35%	7	30%	7	0%	0
2009	312	18%	74	18%	9	18%	9	0%	0
2010	288	-8%	68	-8%	8	-8%	8	-1%	-63
2011	244	-15%	57	-16%	7	-16%	7	-2%	-147
2012	203	-17%	48	-17%	6	-17%	5	-4%	-234
2013	180	-11%	42	-11%	5	-11%	5	-6%	-300
2014	172	-4%	41	-4%	5	-4%	4	-8%	-389
2015	172	0%	41	0%	5	0%	4	-10%	-457
2016	171	-1%	41	0%	5	0%	4	-11%	-526
2017	172	0%	41	1%	5	1%	4	-12%	-573
2018	174	1%	42	2%	5	2%	4	-13%	-642
2019	177	2%	43	3%	5	3%	4	-14%	-689
2020	181	2%	44	3%	5	3%	4	-14%	-737
2021	185	2%	45	2%	5	2%	4	-15%	-785
2022	188	2%	46	2%	5	2%	5	-16%	-833
2023	191	2%	47	2%	5	2%	5	-16%	-881
2024	194	1%	48	2%	6	1.9%	5	-17%	-929

Source: Experian June 2009 Forecasts and DTZ

**Figure A1.3: Gross Value Added Actuals and Forecasts**

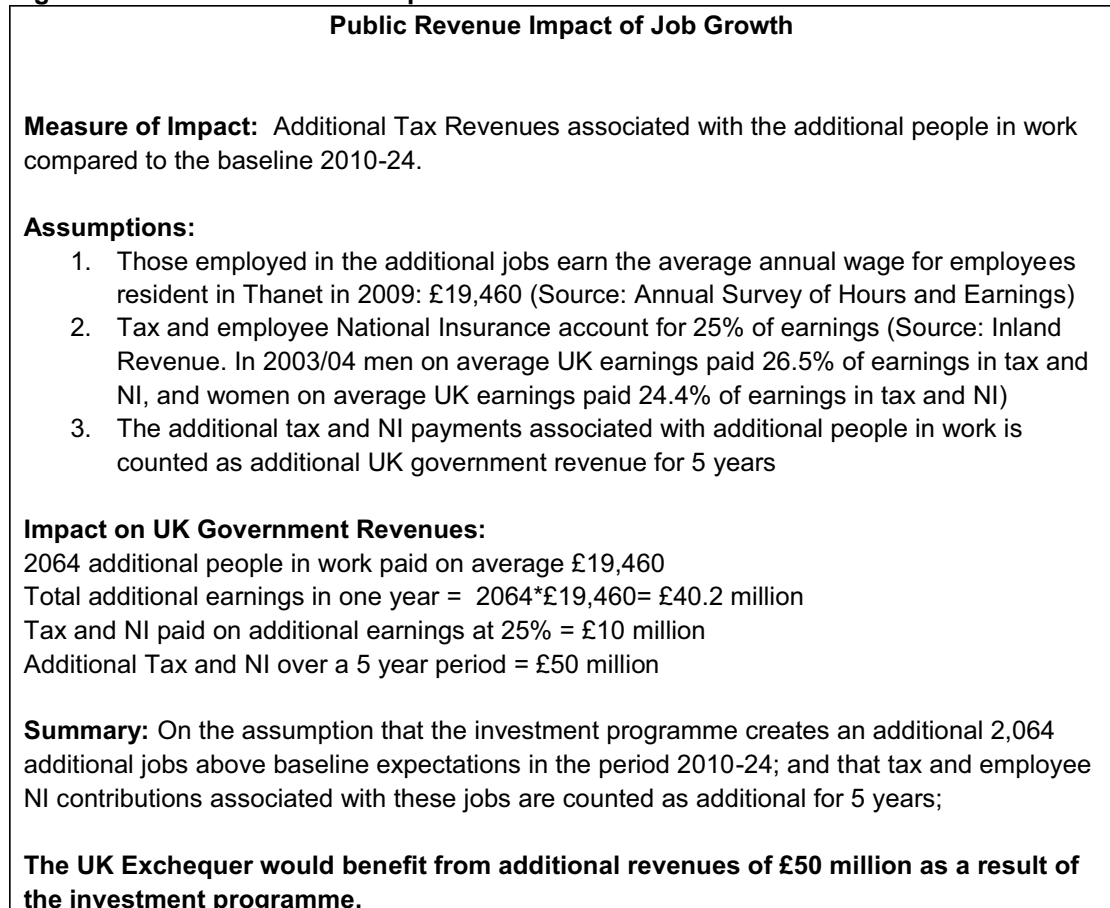
**Note: Figures in Black are Actual, Figures in Red are Forecast**

	South East		Kent		Thanet Baseline		Thanet Scenario		Absolute change from baseline p.a.
	No. in millions	% Change pa	No. in millions	% Change pa	No. in millions	% Change pa	No. in millions	% Change pa	
2000	£134,239		£19,520		£1,137		£1,137	0	0
2001	£138,412	3%	£20,526	5%	£1,182	4%	£1,182	0	0
2002	£143,536	4%	£21,537	0	£1,242	5%	£1,242	0	0
2003	£146,802	2%	£22,045	2%	£1,283	3%	£1,283	0	0
2004	£152,010	4%	£23,032	4%	£1,338	4%	£1,338	0	0
2005	£157,736	4%	£23,625	3%	£1,380	3%	£1,380	0	0
2006	£162,440	3%	£24,417	3%	£1,457	6%	£1,457	0	0
2007	£164,321	1%	£24,747	1%	£1,486	2%	£1,486	0	0
2008	£159,096	-3%	£23,950	-3%	£1,440	-3%	£1,440	0	0
2009	£160,165	1%	£24,073	1%	£1,441	0%	£1,441	0	0
2010	£164,002	2%	£24,563	2%	£1,462	1%	£1,467	0.3%	4
2011	£168,153	3%	£25,082	2%	£1,488	2%	£1,498	0.7%	10
2012	£172,261	2%	£25,569	2%	£1,510	1%	£1,526	1.1%	16
2013	£176,696	3%	£26,102	2%	£1,537	2%	£1,558	1.4%	21
2014	£181,223	3%	£26,648	2%	£1,566	2%	£1,593	1.7%	27
2015	£186,134	3%	£27,228	2%	£1,598	2%	£1,630	2.0%	32
2016	£191,350	3%	£27,858	2%	£1,633	2%	£1,670	2.3%	37
2017	£196,759	3%	£28,502	2%	£1,672	2%	£1,712	2.4%	40
2018	£202,346	3%	£29,161	2%	£1,710	2%	£1,755	2.6%	45
2019	£208,076	3%	£29,838	2%	£1,751	2%	£1,799	2.8%	48
2020	£213,904	3%	£30,520	2%	£1,790	2%	£1,842	2.9%	52
2021	£219,896	3%	£31,213	2%	£1,830	2%	£1,885	3.0%	55
2022	£226,085	3%	£31,921	2%	£1,871	2%	£1,929	3.1%	58
2023	£232,473	3%	£32,646	2%	£1,914	2%	£1,975	3.2%	62
2024	£239,065	3%	£33,388	2%	£1,957	2%	£2,022	3.3%	65

Source: Experian June 2009 Forecasts and DTZ

## Appendix 2: Policy on scenario calculations

Figure A2.1: Public Revenue Impact of Job Growth



**Figure A2.2: Public Revenue Impact of Job Growth**

**Public Revenue Impact of Increased GVA due to Job Growth**

**Measure of Impact:** Additional Tax Revenues associated with the payment of business taxes on the increase in GVA (output in Thanet) arising due to additional people in work compared to the baseline 2010-24.

**Assumptions:**

1. Output per employee in Thanet is estimated at £31,500 pa in 2010 (Source: Experian June 2009 forecasts)
2. The intervention programme results in the creation of an additional 2064 jobs over the period 2010 to 2024
3. On average business taxes account for around 3.5% of GDP in the UK (UK National Accounts)

**Impact on UK Government Revenues:**

2064 additional people in work generated on average £31,500

Increase in GVA in Thanet associated with intervention =  $2064 * £31,500 = £65 \text{ million pa}$

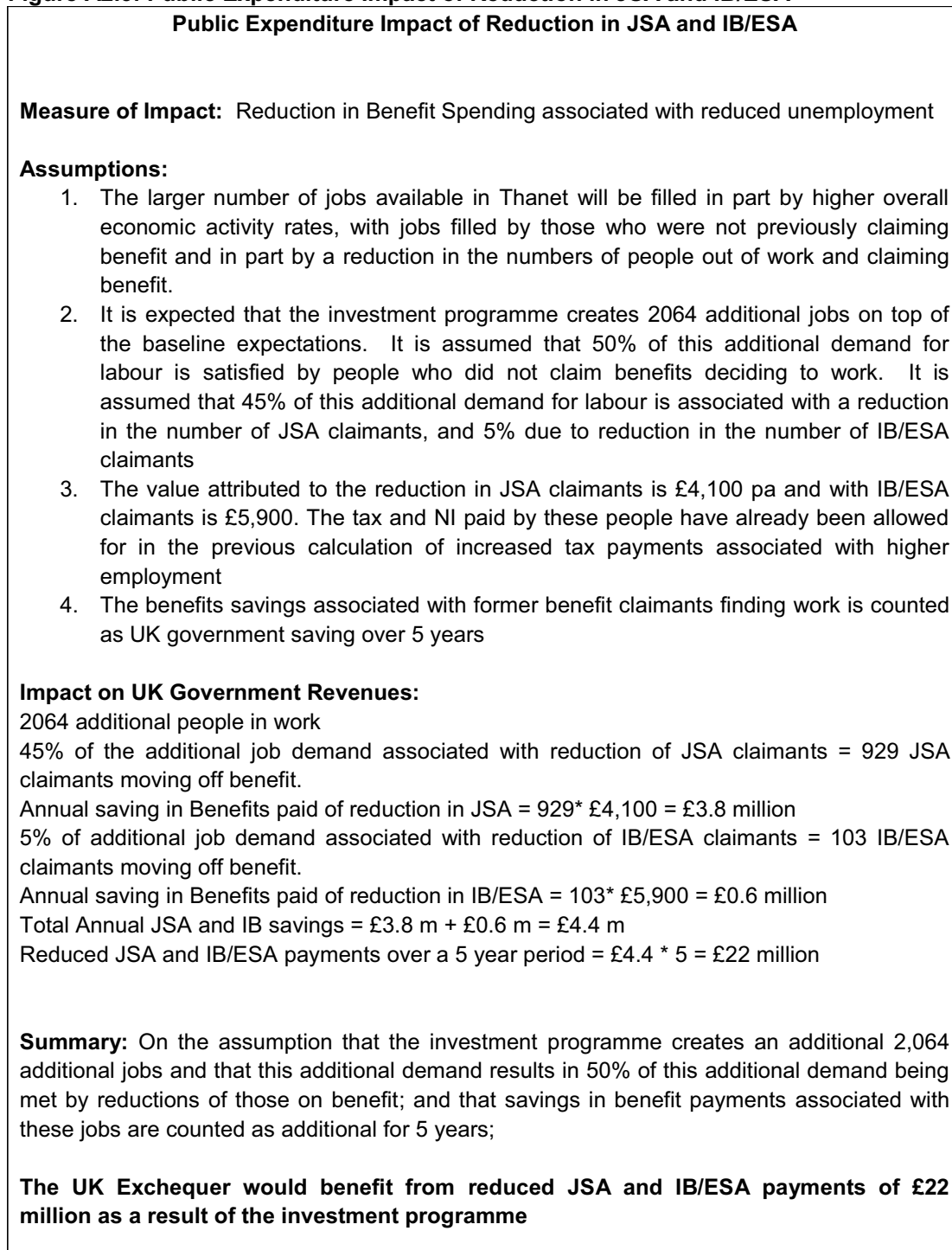
Business taxation accounts for 3.5% of GDP so additional business taxes =  $£65\text{m} * 3.5\% = £2.3 \text{ m pa}$

Additional Business Tax over a 5 year period =  $£2.3 * 5 = £11.5$

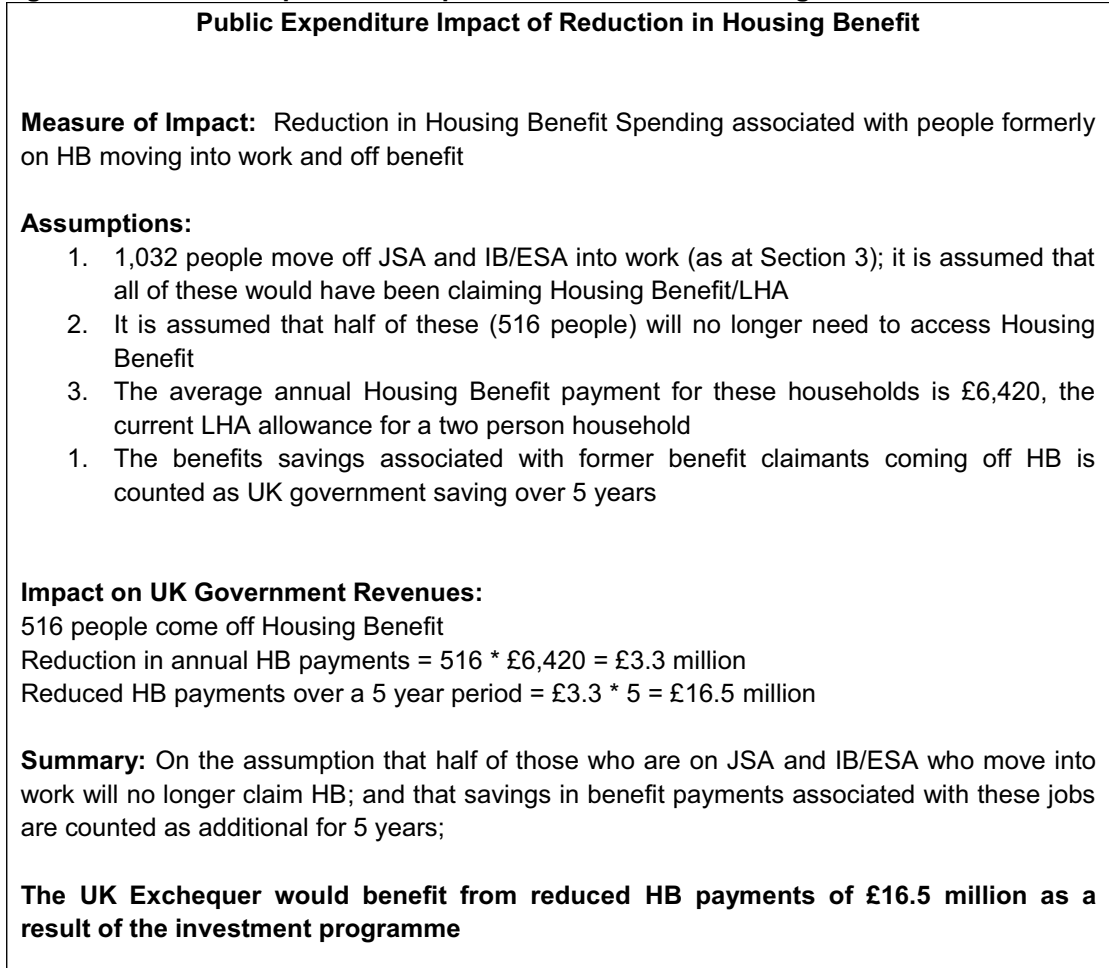
**Summary:** On the assumption that the investment programme creates an additional 2,064 additional jobs above baseline expectations in the period 2010-24; that these workers' productivity reflects the 2010 average productivity in Thanet and that tax and that business taxation associated with the increase in GVA are counted as additional for 5 years;

**The UK Exchequer would benefit from additional revenues of £11.5 million as a result of the investment programme**

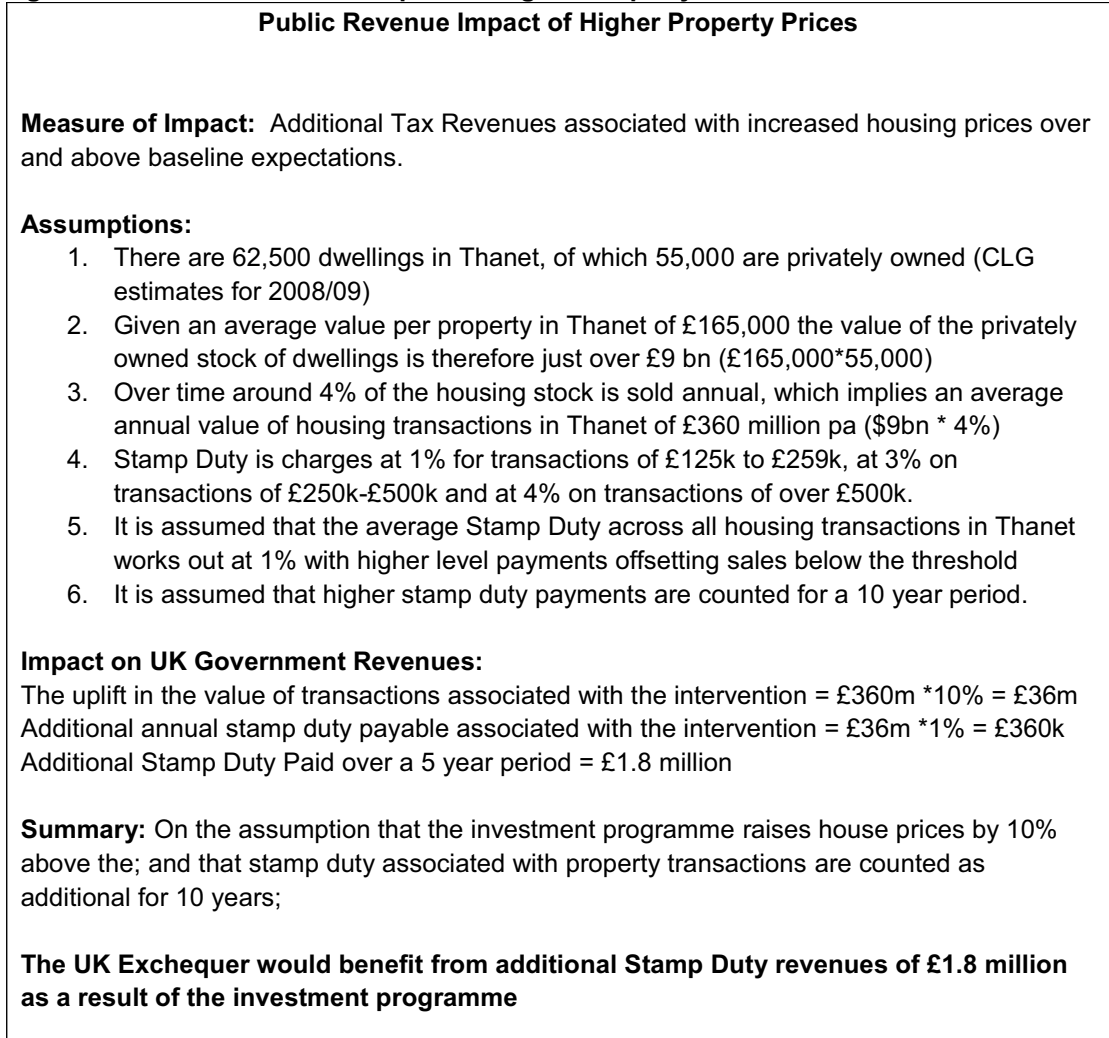
**Figure A2.3: Public Expenditure Impact of Reduction in JSA and IB/ESA**



**Figure A2.4: Public Expenditure Impact of Reduction in Housing Benefit**



**Figure A2.5: Public Revenue Impact of Higher Property Prices**



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## Appendix 2 Taking forward priorities from the Thanet Strategic Context - summary of actions

Key Strategic Action	Objective	Lead & partners	Current position	Next steps
1. Improvements in HS1 Line Speeds (Ashford-Ramsgate)	To address Thanet's perceived peripherality by achieving physical improvements to the HS1 line between Ashford and Ramsgate that bring the journey time between London and Ramsgate to approximately one hour.	Network Rail with KCC	Potential line speed improvements (e.g. in signalling and addressing 3 permanent speed restrictions) have been jointly identified.	Network Rail is currently seeking funding approval to undertake this work. If successful, this would take place in the period immediately post 2014.
2. The creation of a Thanet Parkway station	In association with improved line speeds, the creation of a Thanet Parkway station adjacent to the airport would enhance the attractiveness of Thanet as a place to live, work and invest. It would: <ul style="list-style-type: none"> <li>• Improve the competitiveness of and pedestrian access to Manston Airport</li> <li>• Increase the attractiveness of Manston Business Park and EuroKent to employers</li> <li>• Increase potential demand for commuter housing and hence housing investment</li> <li>• Facilitate small business growth locally serving London clients</li> </ul>	KCC with TDC	KCC has submitted an "Access to East Kent" RGF bid seeking a contribution to the capital cost of the parkway station and pump-priming funding for a new daily service between Manston and a European hub airport.  Access to the preferred location for the station would be provided from the East Kent Access road currently under construction.	Next steps are dependent upon the results of the RGF bid expected in early April.

<p>3. The Cliftonville West/ Margate Central Housing Intervention Strategy</p>	<p>Housing intervention is a key element in the Margate Task Force strategy to transform and regenerate Margate Central and Cliftonville West (areas of high deprivation and dependency incurring disproportionate public costs) into a flourishing coastal town with a strong identity, sense of community and independence. The housing intervention strategy identifies seven strands:</p> <ul style="list-style-type: none"> <li>• An enforcement strategy, using legal powers to raise standards of housing and management of tenanted properties</li> <li>• A management strategy delivered through an intervention agency that will acquire and manage properties to drive up standards</li> <li>• A tenure diversification strategy to reduce levels of private sector rented and increase owner occupation</li> <li>• A marketing strategy that addresses poor perceptions of the area</li> <li>• A public realm strategy that complements housing investment with improvements to</li> </ul>	<p>KCC with TDC and HCA</p>	<p>A consultant team (Turner &amp; Townsend, DTZ, BBP Regeneration) has been engaged to devise a housing intervention delivery plan. A stand alone agreement will be required between KCC, TDC and HCA to deliver the Housing Intervention.</p> <p>Funding - KCC has committed £10m of funding to the Intervention (£5m in 2011/12 and £5m in 2012/13). TDC has committed £2m from its HRA in 2011/12. HCA has committed £500,000 to be spent in the 2010/11 financial year and is expected to match the funding contribution of the other partners over the life of the project.</p> <p>TDC has committed an officer resource to the Intervention activity.</p> <p>Pilot projects are being progressed - the former Embassy Hotel has been acquired by TDC and surveys / designs have been produced. Discussions with the planners will be commenced soon.</p> <p>As part of a mixed tenure community, Registered Providers and Housing Associations are also being consulted about the plans.</p>	<p>As existing vehicles are deemed unsuitable to deliver the intervention, legal advice will be sought on the most appropriate structure.</p> <p>Direct development activity will continue in 2011/12 on priority and opportunity properties to build momentum and confidence in the intervention proposals.</p> <p>Alongside the direct development work, other opportunities will be explored to lever in private sector funding.</p> <p>The procurement of a private sector delivery partner will be commenced</p>
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	<p>the public realm</p> <ul style="list-style-type: none"> <li>• A personal services strategy, improving support services to disadvantaged residents</li> <li>• A community management strategy where the Margate Task Force will seek to manage the placement of vulnerable individuals into the intervention area.</li> </ul>			<p>dependant upon further market testing of the appetite for investment</p>
<p>4. Delivering the Thanet Work &amp; Skills plan</p>	<p>There is a strong ongoing requirement for investment in skills and education to ensure that:</p> <ul style="list-style-type: none"> <li>• employers can recruit the staff they need with the relevant skills</li> <li>• Thanet residents can benefit from the jobs being created</li> <li>• those on benefit can move into work and off benefit.</li> </ul>	<p>KCC with TDC, Job Centre +</p>	<p>There has been a substantial programme of skills and employability work in Thanet, delivered primarily through Thanet Works. The abolition of SEEDA and the Future Jobs Fund means that the funding framework for skills development and tackling worklessness is undergoing major change.</p> <p>A Thanet Work &amp; Skills plan is in place but economic development partners need to ensure that there is continuity of funding so that skills and employability training is not lost and continuous improvement in effective delivery is achieved.</p>	<p>To take forward a strategy for the delivery of the Government's Work Programme in Thanet, bearing in mind the difficulty in dealing with small entrenched pockets of worklessness.</p> <p>Fifteen prime training providers have been identified and work with them is progressing.</p> <p>A brokerage network will be developed that brings together trainers, employers</p>

				and those looking for work.
5. Improving broadband speeds and access	Electronic connectivity is as important to economic development in Thanet as physical connectivity. The objective must be to ensure that broadband speeds and coverage across the district are such that they do not inhibit growth and development, particularly given the objective of fostering the creative sector.	KCC with TDC and private sector	At this time it is anticipated that the market will deliver NGA Broadband to the majority of homes and businesses in Thanet. Under these circumstances and in these areas, state aid rules preclude additional public sector funding of broadband provision.  Consideration will need to be given to those parts of Thanet (Birchington, Westgate and Minster) where the market is not expected to deliver.	The partnership approach must be to identify the level of latent demand and, with the involvement of the private sector and local communities, bring pressure on ISPs to take early steps to deliver the improved service.
6. Agreeing a Thanet-wide partnership approach to regeneration and economic development.	To establish a high level strategic group of key partner organisations united around an prioritised growth agenda and capable of taking forward and co-ordinating major development and infrastructure projects.	KCC/ TDC/ HCA etc	Based upon the Thanet Strategic Context report and against the background of the Pfizer closure, informal discussions have recently taken place around the district's future growth and regeneration priorities.  The Margate Task Force, comprising KCC, TDC, the HCA, the Police, Fire Service, PCT and Job Centre +, and with a full time director, is already working to achieve the objectives outlined in 3 above.	The main regeneration partnership in Thanet, the Margate Renewal Partnership, is expected to cease operating during the summer. By this time it is anticipated that a new approach and strategic agenda will have been agreed.

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**By:** Megan McKibbin, Regeneration and Economy

**To:** Regeneration and Economic Development Policy Overview and Scrutiny Committee – 1 April 2011

**Subject:** Regeneration and Economic Development Business Growth Programme

**Classification:** Unrestricted

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**Summary:**

This paper proposes a Framework Business Growth Programme

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## **1. Introduction**

- 1.1** Kent County Council has a strong commitment to Business Growth set out in the Regeneration Framework, Bold Steps for Kent, and demonstrated by the Backing Kent Business campaign launched during the 2008/09 recession. The Regeneration Framework ‘**Unlocking Kent’s Potential**’ identifies the need to “provide an environment in which businesses are able to grow and flourish.....ensuring businesses have access to the skills they need and have scope to expand their role as creators of wealth” as one of its priorities. In addition “**Growing the Economy**” is the one of the three “Bold Steps for Kent” Ambitions agreed by the Kent Forum.
- 1.2** This report proposes a Framework Business Growth Programme for KCC focussed on the following five areas:-
- Business Voice and Profile
  - Key Sector Development
  - Employer – focussed Skills
  - Inward investment and Trade
  - Enterprise and Innovation

## **2. Building on Strengths – Responding to the Challenge**

- 2.1** As one of three key programme areas in the Regeneration and Economy business plan for 2011/12, the Business Growth programme area will be developed as a coherent response to the Bold Steps for Kent Ambition “to grow the economy”. Firstly, because it will build on the established strength of Regeneration and Economy in developing a relationship with the business community – and secondly because it will develop the R&E mandated role of working with all the functions of the County Council and external partners to achieve business growth.

**2.2** Whilst “business growth” is a priority nationally and locally - with the aim that private sector growth will provide employment growth and rebalance the economy towards less dependence on consumption and more on production – it is clear that the economic climate remains very challenging. Growth forecasts from the British Chambers of Commerce for 2011 were recently revised down to 1.4% in March 2011. Commodity prices and currencies are extremely volatile, making input costs and international trading conditions unpredictable and consumer confidence is still weak with the British Retail Consortium reporting on 8<sup>th</sup> March a fall of 0.4% in retail sales in February against a year ago.

**2.3** Reported via the Business Advisory Board, the current challenges businesses locally face includes:-

- Low consumer confidence – particularly in those areas of the County with a higher dependence on Public sector employment i.e. East Kent
- Steeply rising commodity prices – notably wheat, steel and paper – coupled with rising fuel costs
- Volatile exchange rates - problematic for exporters in terms of long term pricing and yield forecasts
- Low levels of bank lending – with higher hurdles to obtain loans and more conditions on existing ones

This programme area will be both agile and responsive to the economy and policy changes.

### **3. Policy Context**

**3.1** HM Treasury and BIS published in November 2010 “**The path to strong, sustainable and balanced growth**”. The Government’s approach is based on a combination of fiscal and monetary reform intended to introduce more dynamism in the UK business environment including reform of the planning system, reduction in business regulation, easing access to finance, incentives for entrepreneurship and innovation, and prioritising investment in infrastructure that will unlock business investment. Welfare reform to encourage people back to work, a sector based approach and a focus on internationalising business are also part of the mix.

**3.2** In January 2011, the BIS document “**Bigger, Better Business**” outlines what the Government’s (fairly limited) business support offer is, based on the assumption that most businesses seek support from private providers and business networks and the role of Government is to intervene only where there is evident market failure. Thus the Government funded support is :-

- **Online business information** – [www.businesslink.gov.uk](http://www.businesslink.gov.uk)
- **A national contact centre** – a team of business advisors to

augment the web based service

- **Help for start ups** - specifically via the New Enterprise Allowance for unemployed people, an online Business Start up hub, and help for home based businesses for social housing tenants
- **A network of 40,000 business mentors** – tailored mentoring for start ups and those seeking specialist business finance advice
- **Business Coaching for Growth** – for established SMEs with high growth potential
- **Action to raise entrepreneurial activity in key communities** – focussed on women, Black, Asian and Minority Ethnic groups and armed services leavers.

3.3 Finally, in terms of national policy Dr Hermann Hauser’s BIS report “**the Current and Future Role of Technology and Innovation Centres in the UK**” has resonance for Kent in terms of the identified need for more investment in R&D and better alignment of the HEI offer to grow competitive advantage and export potential, as well as the proposals for the Research, Innovation and Technology Zone (RITZ) first Sandwich Economic Development Task Force report.

#### 4 The Framework Business Growth Programme

4.1 To achieve the Kent Ambition to “Grow the Economy” – the County Council Business Growth Programme will establish Kent as a County where it is easy to start up and grow a business, to create jobs, where levels of business investment are increased and where business is supported to increase volumes of productivity and exports.

4.2 Activity will be focussed on those things not provided via national funding and where good intelligence from the business community suggests will result in real growth and/or help maintain existing sector performance. The programme headlines noted below encompass the current, valued business support activity of the County Council detailed in the Regeneration and Economy Function’s Annual Business Plan for 2011/12, and a number of areas under development.

4.3

<b>Business Voice and Profile</b>
<u>Current Priorities</u> Continuing and developing a strong, clear dialogue between business and the public sector as well as business to business <ul style="list-style-type: none"><li>• Local Economic Partnership (LEP)</li><li>• Kent Economic Board (KEB) and the Business Advisory Board (BAB)</li><li>• Kent 2020</li><li>• KEIBA’s</li></ul>
<u>Under Development</u>

Identifying barriers to growth and profiling future growth potential
<b>Key Sector Development</b>
<p><u>Current priorities</u> Supporting KCC's commitment to a more sector-based approach working with business to identify opportunities and barriers to growth on a sector by sector basis.</p> <ul style="list-style-type: none"> <li>• Sector Consultation Events – Low Carbon &amp; Energy Production, Health &amp; Social Care, Digital &amp; Creative Media, High growth technology, Manufacturing &amp; Engineering</li> <li>• Kent Rural Board – and the rural programmes</li> <li>• Visitor Economy via Visit Kent</li> <li>• Local food and goods production via Produced in Kent (PinK)</li> <li>• Low Carbon Business including the Off-shore wind farm industry in NE Kent, particularly the potential of the Medway Estuary Hub</li> </ul> <p><u>Under development</u> Strengthened interface with HEI's to respond to sector specific requirements for enhanced R&amp;D capacity locally – and R&amp;D commercialisation</p> <p>A future focus on Manufacturing, home-based business and other major sectors – retail, transport &amp; logistics, construction</p> <p>Developing the concept of Kent Rural plc.</p> <p>Developing the skills programme and local supply chain directory/capability to support low carbon and off-shore wind industry.</p>
<b>Employer focussed skills</b>
<p><u>Current priorities</u> Ensure that the skills business need for growth and development are understood and provision is responsive to needs.</p> <ul style="list-style-type: none"> <li>• Improving the interface between employer demand and provision</li> <li>• Support and encourage business engagement with Kent Apprenticeships</li> <li>• Grads Kent – stimulating the market to support more graduates employed in SME's</li> </ul>
<b>Inward Investment and Trade</b>
<u>Current priorities</u>

Through Locate in Kent continue to attract inward investment to the County with a particular focus on the County's growth and regeneration areas, to retain Kent jobs vulnerable to redundancy or relocation and to promote Kent as a business location.

Also produce annual Kent Property Market Review

### **Enterprise and Innovation**

#### Current priorities

Work with partners to find innovative solutions to unlocking growth such as - access to finance, business infrastructure & premises, and entrepreneurial culture

- Kent Investment Club (Business Angels network)
- Broadband Demonstration Project
- Business premises – The Old Rectory, Whitfield, Gravesend Old Town Hall
- Investment fund for Kent & Medway

#### Under development

Working more closely with BiS to ensure Kent gets the best deal from new services e.g. influencing the design of the new "Business Coaching for Growth" service.

Securing some legacy for the Kent & Medway Innovation & Growth Team – which has focussed on High Growth Businesses.

Specialist support for business starts – as previously available via the SEEDA funded Enterprise Gateways and Business Link

The creation of a Research, Innovation and Technology Zone (RITZ) at Pfizer Sandwich, Manston and key sites within the East Kent Assisted Area

## **5. Management and implementation**

- 5.1** The new KCC structure provides a clear division of responsibility between the Directorate of Business Strategy and Support (essentially a commissioning arm) and service delivery directorates. Ownership, management and direction of the Business Programme lies with the Business Strategy Directorate, with regular reporting to the Cabinet Member for Regeneration & Economic Development.
- 5.2** Delivery will be commissioned through Enterprise and Environment or via external contracts and would be variously funded through the Regeneration Fund and/or through core budget. Invariably, these will include partnership agreements and particularly where projects are able to attract private sector, European, national government or other external sources of funding:

- 5.3** There will be responsibility to keep the Business Programme under review to ensure, firstly non-duplication with other agencies, and secondly, via the Kent Forum and BAB and its wider networks that the Programme evolves and continues to meet local business need and policy priorities. It is proposed to provide six monthly monitoring reports detailing achievements, outcomes and flagging up any new products and ideas Members may want the programme to develop to reflect.

## **6. Recommendation**

The Regeneration and Economic Development Policy Overview and Scrutiny Committee asked to discuss the Framework Business Growth Programme and to steer its development via receipt of six monthly monitoring reports.

### **Author Contact Details:**

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### **Background Documents:**

KCC's Regeneration & Economy Division Annual Business Plan 2011/12

HM Treasury and BiS "The path to strong, sustainable and balanced growth", November 2010

BiS "Bigger, Better Business" January 2011

BiS "The Current and Future Role of Technology and Innovation Centres in the UK", March 2010

By: Roger Gough, Cabinet Member for Business Strategy & Support  
Katherine Kerswell, Group Managing Director

To: Regeneration and Economic Development Policy Overview &  
Scrutiny Committee – 1 April 2011

Subject: KCC's Performance Management Framework

Classification: Unrestricted

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## **SUMMARY**

This paper provides details of work underway to develop a clear Performance Management Framework for the authority.

## **FOR COMMENT**

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### **1. Introduction**

The recent launch of KCC's new strategic statement, Bold Steps for Kent, as well as the restructuring has given the opportunity to review and refresh our current performance management arrangements to ensure they are robust and efficient.

One of the key changes will be the development of a single performance framework, using Bold Steps for Kent at its heart.

This will form part of an overall performance management framework for the authority that is underpinned by a stronger culture of performance management accountability, greater self awareness and transparency across the council. It will also have due regard for the significant reduction in both staff and finances over the coming years.

### **2. Current position**

We currently rely on a number of different processes to help assess the performance of the organisation. These include, for example, quarterly Core Monitoring reports (which also incorporate half-yearly business plan monitoring), quarterly Financial Monitoring reports, and Towards 2010 reports (as was). As well as corporate reporting arrangements directorates have in place their own monitoring and reporting mechanisms.

Each of these various monitoring and reporting processes often uses its own set of performance measures resulting in vast quantities of performance information being produced. This can result in members and the Corporate Management Team not being able to 'see the wood for the trees'. This range of current monitoring and reporting processes, some for different audiences, can also lead to a disjointed and sometimes unclear picture of current performance for the authority at any one time. These varying and various processes also have the potential to duplicate activity and therefore add additional costs.

In addition, some of our key strategies that have been published do not yet have an established monitoring and reporting process in place to track progress.

As an authority we need to be much smarter at delivering our performance management processes in a more joined-up and intelligent way in order to give members and the Corporate Management Team what they need to understand the complete performance picture of the organisation, and to assess the outcomes being delivered. This would also drive out duplication in the system.

We also want to ensure that the performance information provided consistently results in proper intervention and targeted actions to improve performance where it is poor or declining and that it has due regard to risk and spotting potential problems before they arise.

### 3. Principles of KCC's new performance management framework

We will develop a performance management framework which has the following principles:

- We will **establish a single performance framework for the authority that provides an intelligent joined-up assessment of performance against our key priorities**. Bold Steps for Kent will be at its heart. This framework needs to have the confidence of both members and officers, be understandable, transparent and less bureaucratic than current processes. It will include relevant measures and be proportionate. This is described in more detail in section 4, overleaf.
- We will **report the information that members and the Corporate Management Team need** in order to understand current performance. This will be essential information which is readily understood to ensure they are better informed and are able to focus in on the key issues. This reporting will have the principle of subsidiarity at its heart ensuring performance is being correctly managed at its most appropriate managerial and political level
- Reports on progress will be designated by a RAG (red/amber/green) status which will **create a trigger when escalation and intervention is required**. Definitions of the individual RAG statuses will be agreed as will the trigger point for escalation and intervention e.g. when performance is deemed to have turned from 'amber' to 'red'
- We will **performance manage not monitor**. There will be greater transparency about performance and personal accountability and clear decisions will be made about what needs to happen when performance levels are falling or have a 'red' status. There will also be a greater emphasis on anticipating and forecasting performance problems to ensure 'no nasty surprises'
- We will underpin this with a stronger framework to provide **challenge and accountability for poor or reducing performance**
- We will ensure **transparency of performance data** and its availability in the public domain. Data will only be confidential if it *is* confidential

- We will **examine why something is working well** to understand what we can learn from it e.g. is it because we're investing too much money in it or is it good practice we can share?
- The new framework will be **less resource intensive and reduce duplication**; something that is fundamental in an organisation with less money and less support staff
- The new performance framework will also involve staff from all levels in the Council to create wider awareness and additional challenge in the process.

#### 4. Development of a single performance framework

We have published a wide range of key strategies across our services that set out our priorities and commitments to the people of Kent. Bold Steps for Kent is one of these and is our medium term plan to 2014/15. As such, it overarches all of our strategies.

As discussed in section 3, we will develop a single framework that measures how we are performing against all of our strategies using Bold Steps for Kent as its core.

Work is being done to map the high level priorities and commitments made in Bold Steps for Kent to those in our other published key strategies. As expected, there is close alignment between Bold Steps for Kent and the documents mapped so far.

As would also be expected, Bold Steps for Kent does not include specific mention of all of the *detailed* commitments and priorities found in the key strategies mapped but they will be included in the new single performance framework.

The framework will also include the commitments and priorities published in the *underpinning* strategies and plans that cascade from the overarching key strategies.

Finally, the single performance framework will also include any core business not covered in the strategies.

Ensuring all these necessary elements are included in the single performance framework will ensure that *progress can be understood, tracked, managed and reported as a single entity*.

The performance measures used to help track progress will be proportionate, relevant and focused and will include quantitative and qualitative measures and 'lead and lag' metrics. Lead indicators focus on what happens before the event and lag indicators focus on what happened as a result of the event. A lead indicator could be, for example, school attendance and a lag indicator is, for example, exam results.

Indicators used will also include *directly-related measures* as well as those that seek to *take to temperature of the organisation*. This means that we will be able see progress in the round and not just against one single aspect (a key lesson learned from the recent Children's Social Services inspection report).

## **5. Next steps (April to July)**

We want to involve members in evaluating and agreeing the success factors for the key priorities and commitments published in Bold Steps for Kent i.e. what will success look like at the end of its term in 2014/15?

We propose to do this via a structured workshop(s). We will then use this feedback to help shape some of the performance measures to be used in the single performance framework. Baselines will then be established against the quantitative performance measures.

We will seek endorsement to the single performance framework at the June POSCs and approval by County Council in July.

## **6. Recommendations**

Members are asked to NOTE the approach being taken to provide a clear performance management framework for the authority and make any relevant COMMENT.

Accountable officer: Sue Garton, County Performance & Evaluation Manager, Chief Executive's Department, 01622 22(1980).

By: Overview, Scrutiny and Localism Manager

To: Regeneration and Economic Development Policy Overview and Scrutiny Committee – 1 April 2011

Subject: **UPDATE ON SELECT COMMITTEE WORK**

Classification: Unrestricted

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Summary: This report updates Members on current and future Select Committee work and invites suggestions for future Select Committee Topic Reviews.

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### **Current Select Committee Review Work**

1. The following reviews are either underway or preparing to start:-

**The Student Journey** – This review cuts across Regeneration and Economic Development POSC, Communities POSC and the new Education, Learning and Skills POSC. The Select Committee is awaiting the completion of the Wolf review of vocational education before it starts its work formally, but much research and planning is already going on to put together an innovative programme for this review. It is anticipated that the first meeting of the Select Committee will take place late in April, to elect a Chairman, the Chairman Designate being Mr K Smith, and agree its terms of reference and scope. The timetable of the review is still under discussion and will be reported to the Scrutiny Board in due course. It is possible that the review will submit its final report to the full Council in April or May 2012. *The contacts in Democratic Services for this Select Committee are: Research Officer Gaetano Romagnuolo (01622 694292) and Democratic Services Officer Theresa Grayell (01622 694277).*

**Dementia** – The Select Committee held its first meeting in January to elect Mrs T Dean as its Chairman, and held a briefing and training session to give Members an understanding of the issue. A focus group made up of professionals also met for the first time in January, with the aim of feeding into the review's terms of reference and scope. Visits to day centres, care homes, dementia cafés and meetings with peer support groups, carers and people with dementia took place through February. Hearings will take place through March and early April and will include two sessions themed around carers' support. A number of organisations have offered to undertake small pieces of work and engagement which will feed into the review, and these are still being discussed. The Select Committee will meet in June to take stock of its findings so far, have receive further input from the focus group and identify any further evidence needed, prior to drafting its report over the summer to go to full Council in December 2011. *The contacts in Democratic Services for this Select Committee are: Research Officer Sue Frampton (01622 694993) and Democratic Services Officer Christine Singh (01622 694334).*

**Educational Attainment of Pupils and Schools in Areas of High Deprivation** – The Select Committee held its first meeting in early February to elect Mr C T Wells as its Chairman and agree its terms of reference and scope. Informal briefings, then hearings and visits, will take place through May, June, July and possibly September. It is not yet possible to say when the review will submit its final report to full Council. A revised timetable will be prepared for consideration by the Scrutiny Board in April. *The contacts in Democratic Services for this Select Committee are: Research Officer Pippa Cracknell (01622 694178) and Assistant Democratic Services Manager Denise Fitch (01622 694269).*

### **Suggestions for Select Committee Topic Reviews**

2. If Members have any suggestions of topics they would like to put forward for consideration for inclusion in the future topic review work programme, they should contact the Democratic Services Officer for this POSC.

#### **Recommendation:-**

3. Members are asked to note the review work currently underway and advise the Democratic Services Officer of any topics which they would like to put forward for consideration for inclusion in the future Select Committee Topic Review Work Programme.

Theresa Grayell  
Democratic Services Officer

Background Information: *Nil*

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