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## **Thanet Strategic Context**

A Report to:

Kent County Council and Thanet District Council

Final Report

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>	55	0	95	0
<b>Land and property</b>	36	0	3	220
<b>Visitor economy</b>	3	0	30	0
<b>Education and Skills</b>	2	4,800	80	0
<b>Housing and Regeneration</b>	49	0	2	0
<b>Social</b>	12	1,200	0	650
<b>Total</b>	155	6,000	209	870

## 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

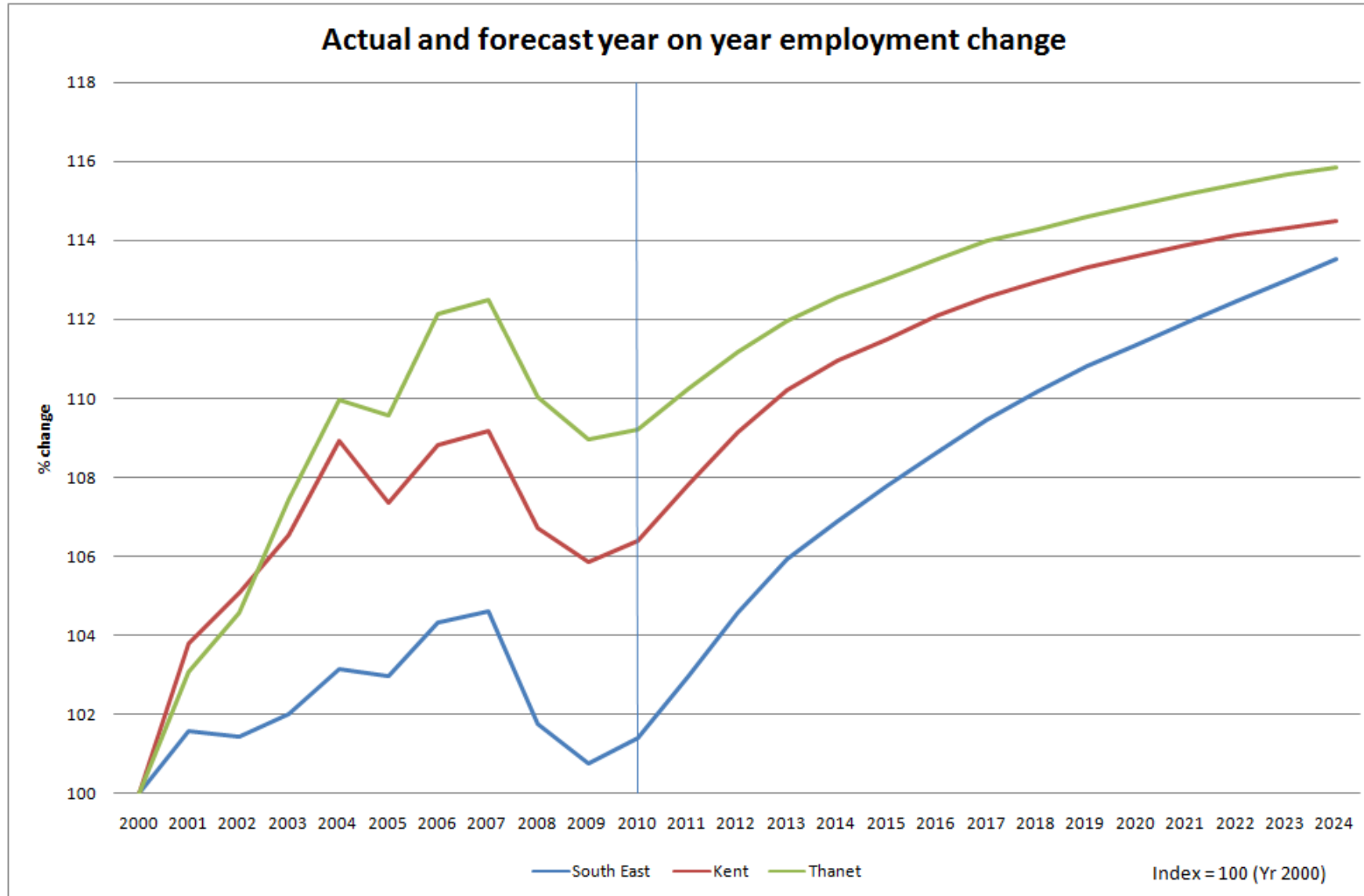




Figure 6.2: Index of Actual and Forecast Unemployment

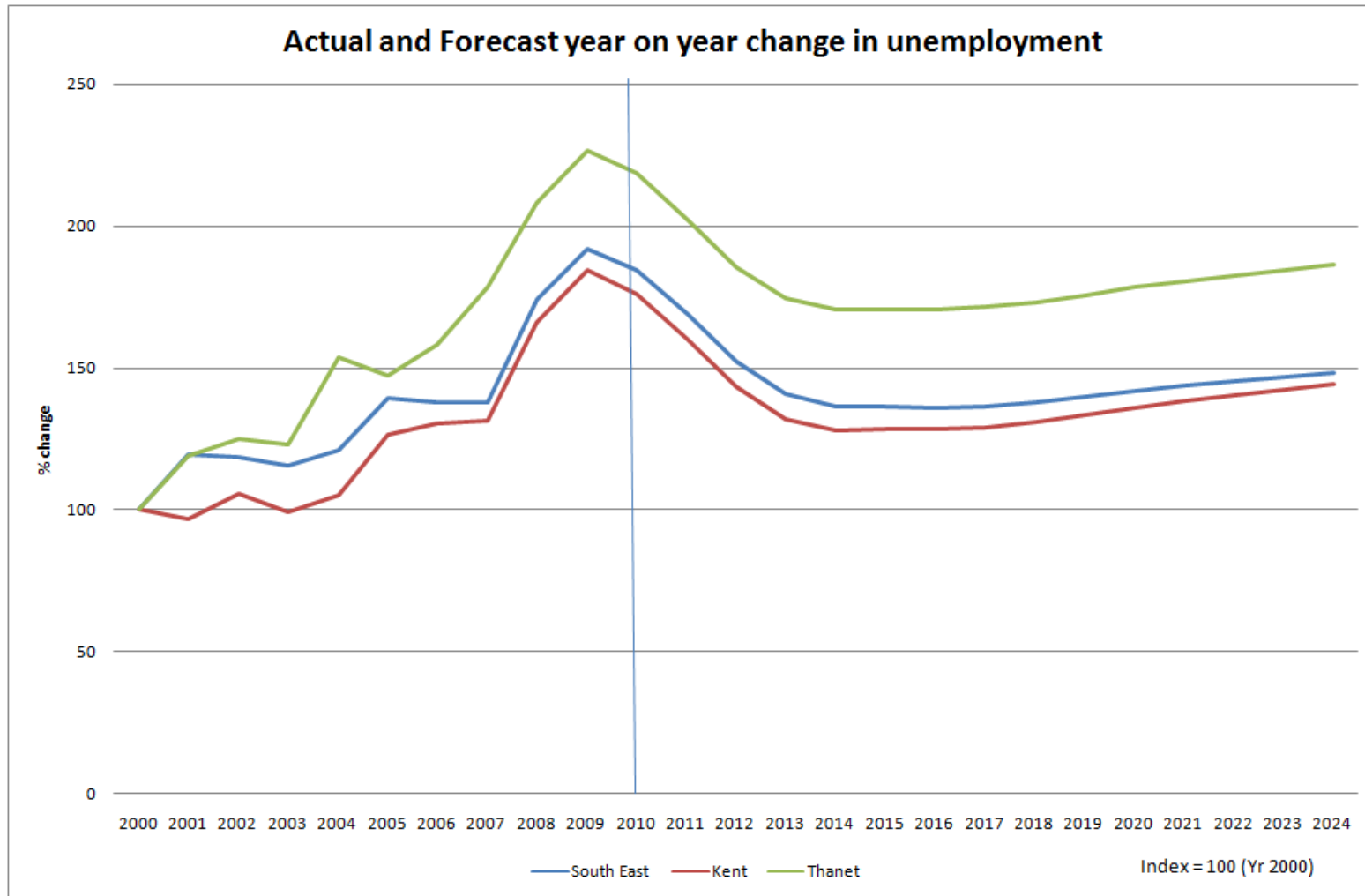
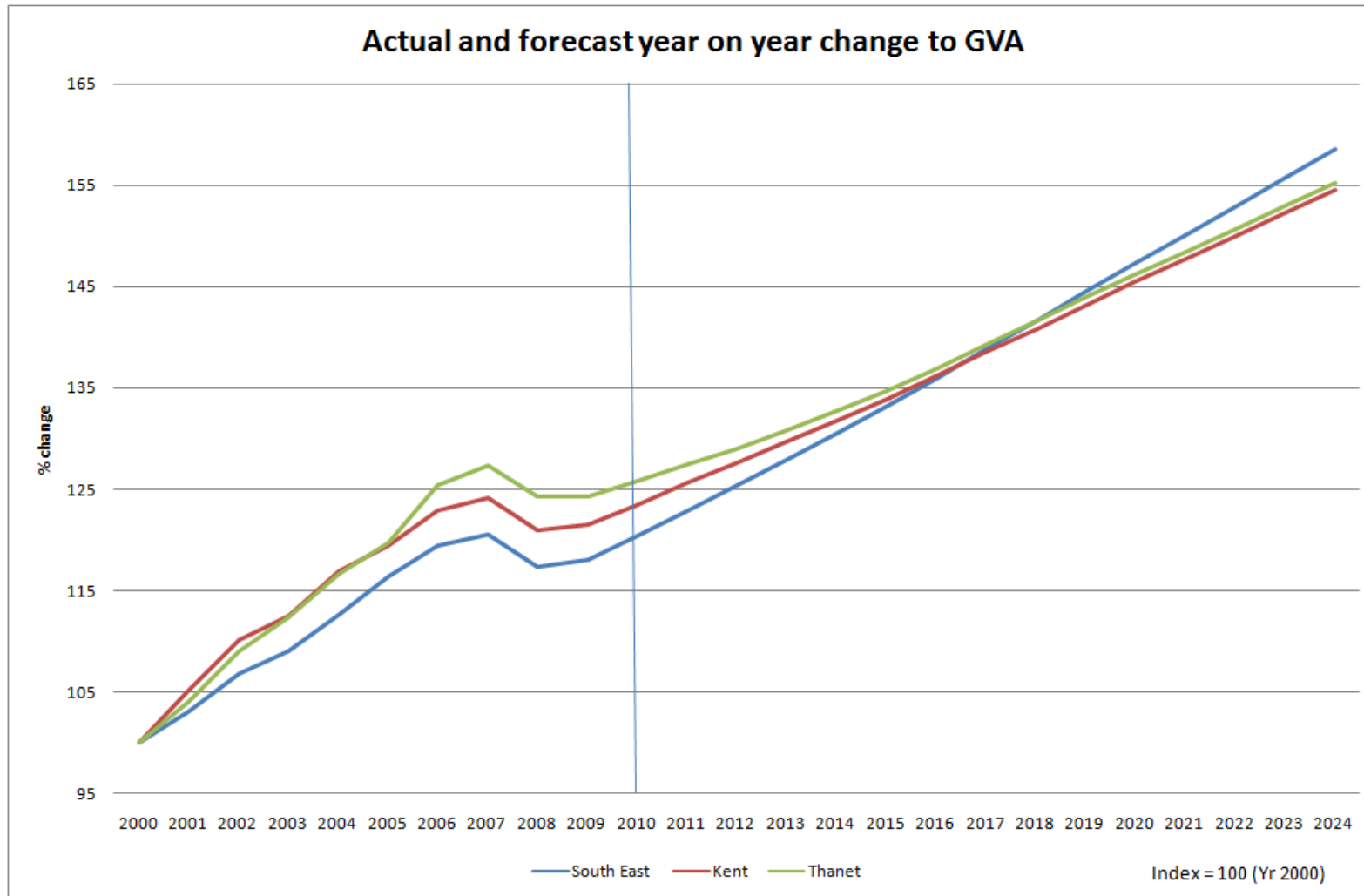




Figure 6.3: Index of Actual and Forecast GVA



## 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 underpin 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 underpin 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, rear 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

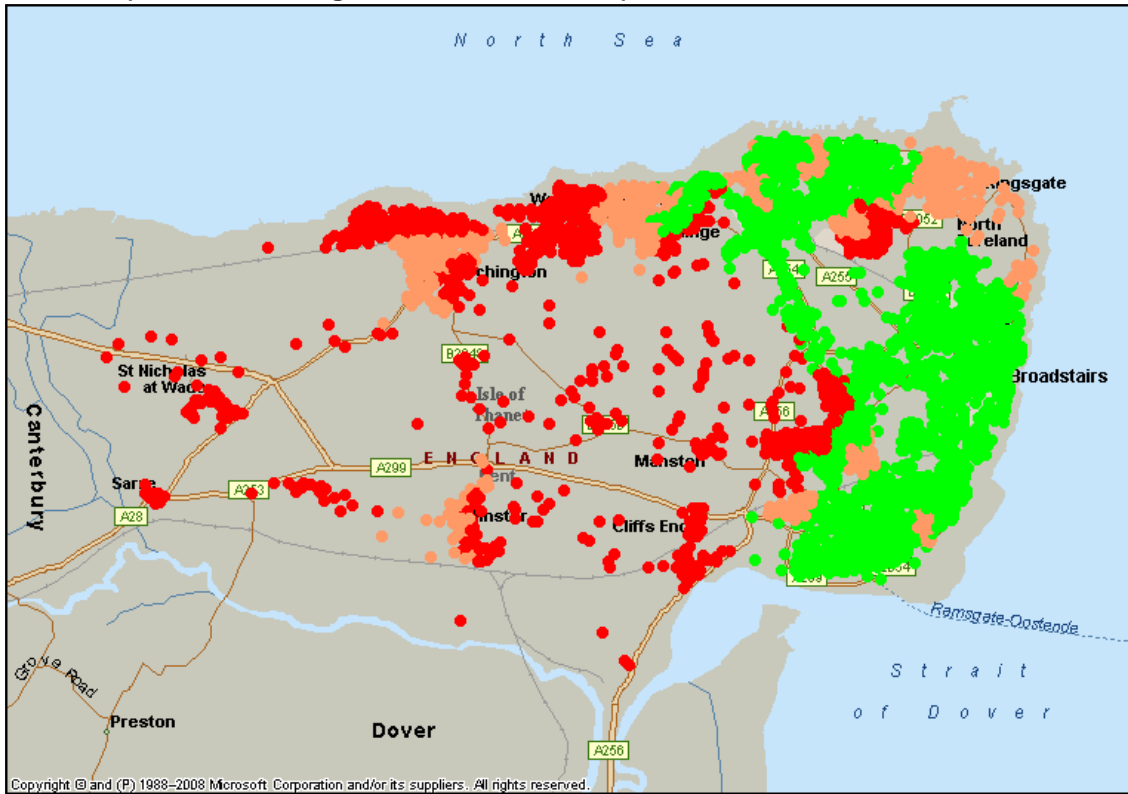
It is important to realise that electronic connectivity is as important to the economic development of Thanet as physical connectivity. This is particularly so given the objective of fostering the creative sector and other small businesses in Thanet. As proven by developments in the Highlands of Scotland 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**

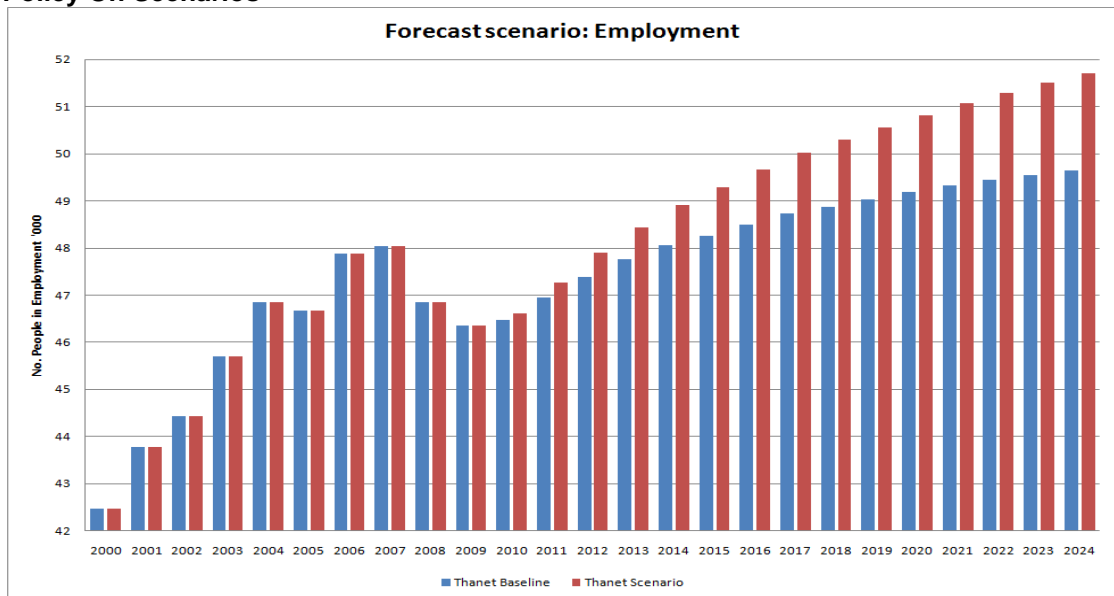
The starting assumption of the analysis is that the programme of planned investment will raise the level of job growth in the Thanet economy above that which it would otherwise have been.

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.

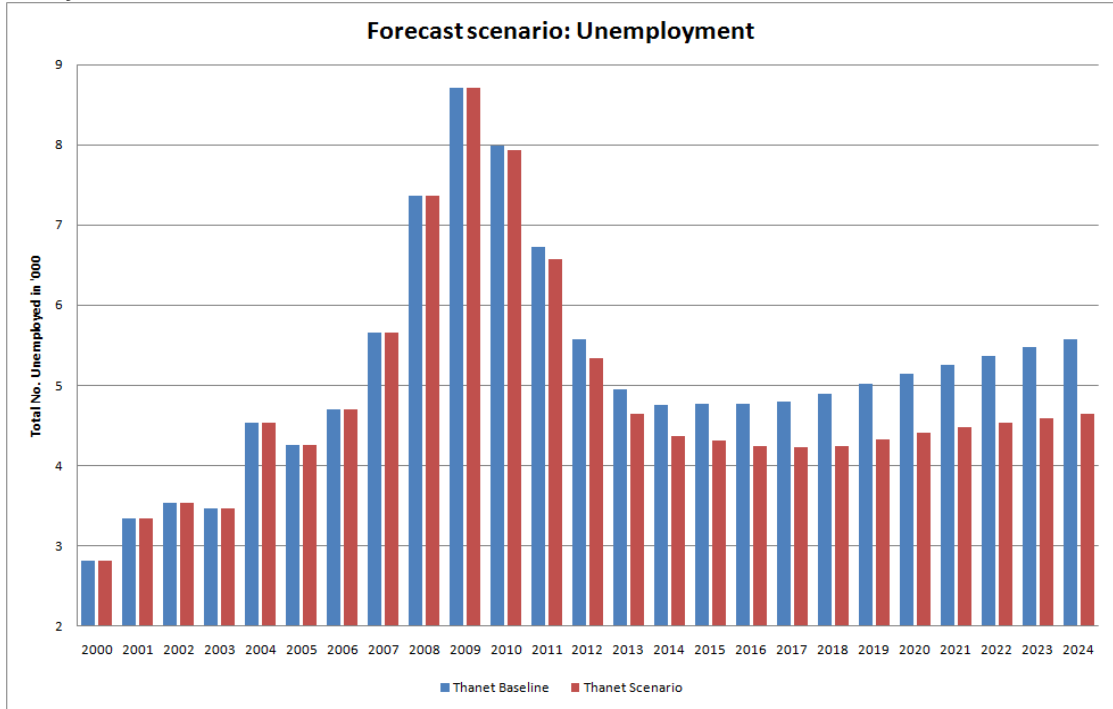
Figures 8.1, 8.2 and 8.3 respectively show the impact that this intervention programme will have on employment, unemployment and GVA compared to the baseline.

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

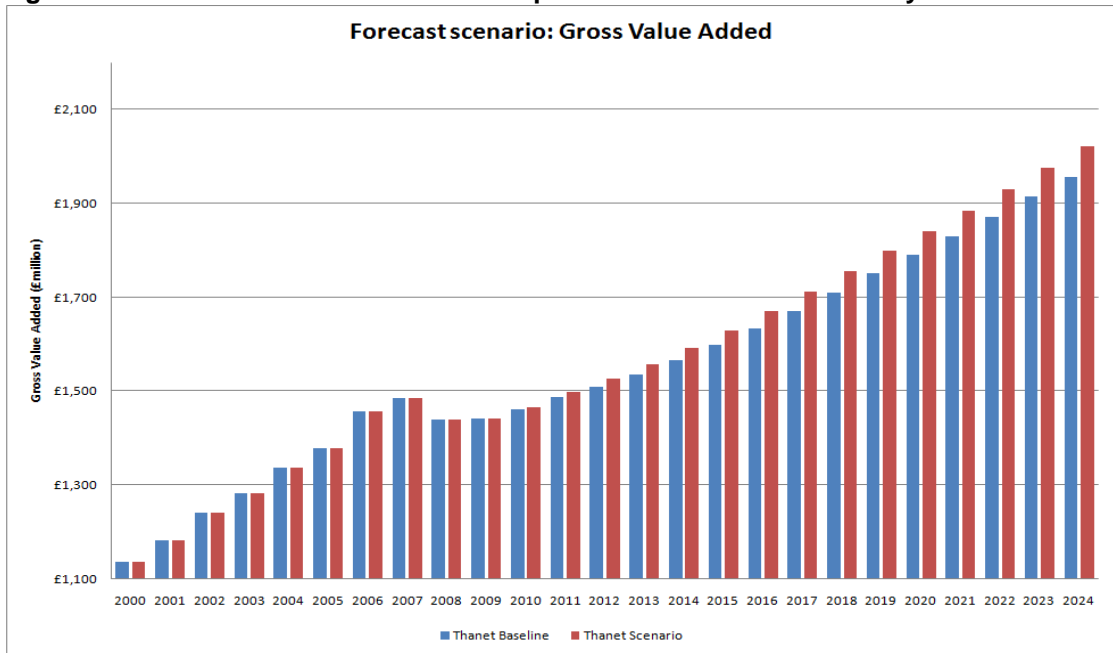




**Figure 8.2: Numbers of People Unemployed in Thanet – Comparison of Baseline and Policy On Scenarios**



**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.

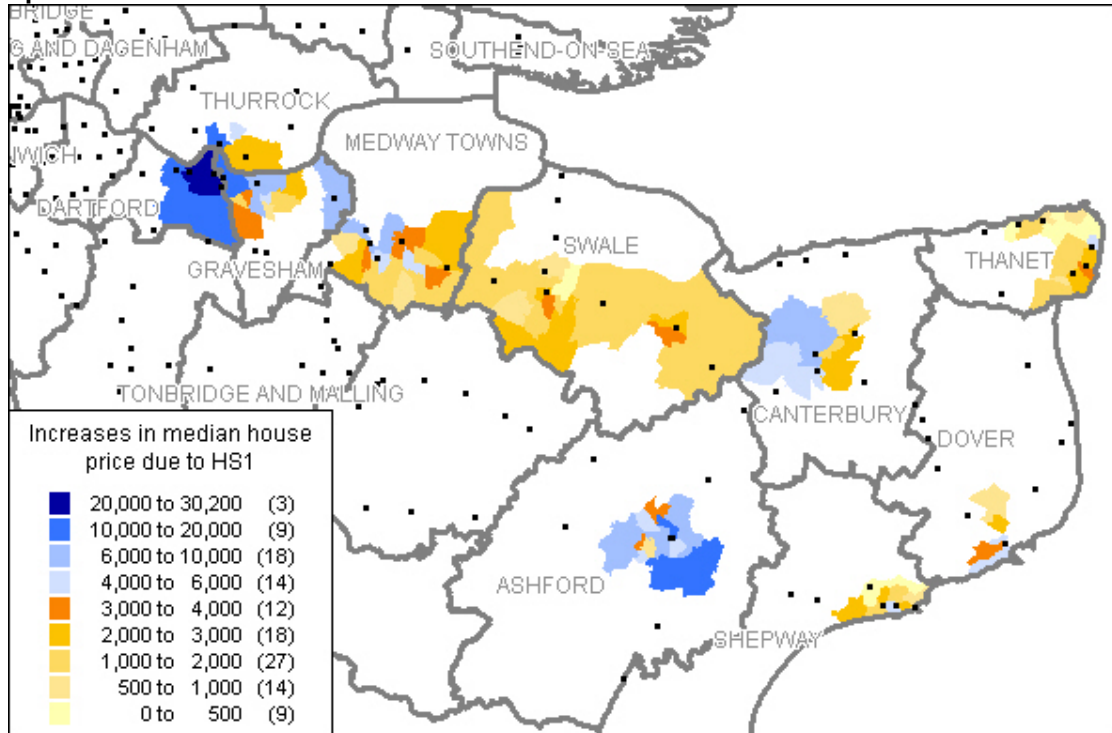
It has been assumed that of the 1,032 people estimated to move off JSA and IB/ESA, 50% of these will move into jobs where they no longer need Housing Benefit. The saving to the Exchequer from reduced housing benefit payments would be £16.5m over a 5 year period or £33 million over 10 years.

## 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.
- ver 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

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<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**

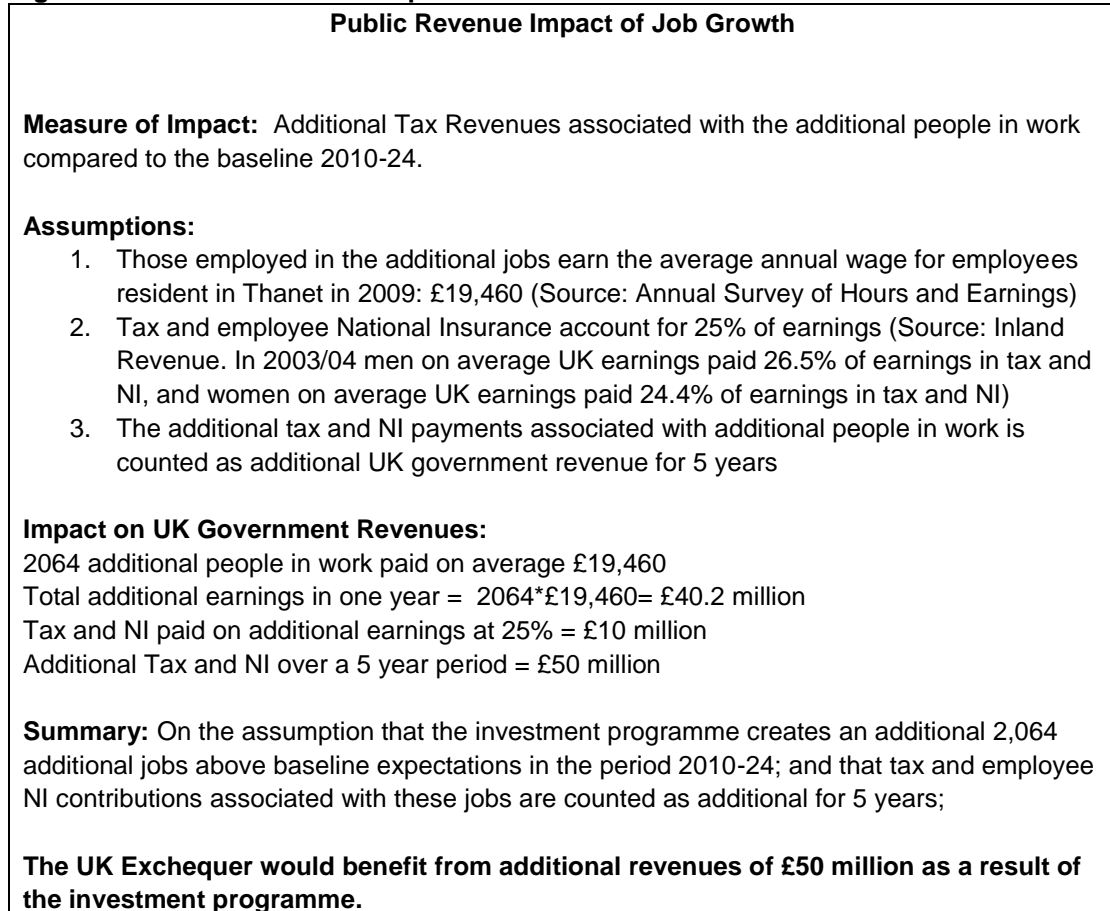
**Note: Figures in Black are Actual, Figures in Red are Forecast**

	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 =  $£65\text{m} * 3.5\% = £2.3 \text{ m pa}$

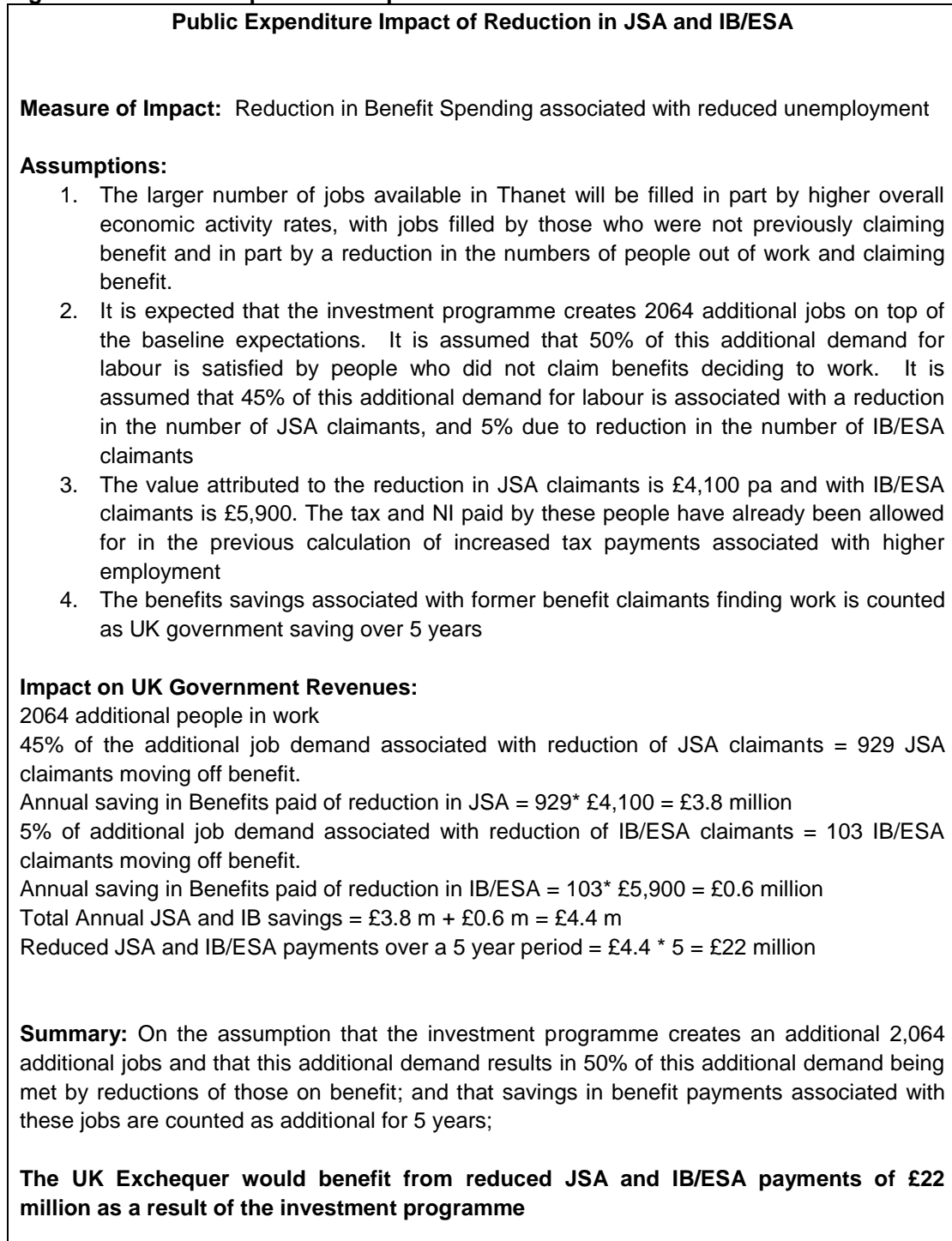
Additional Business Tax over a 5 year period =  $£2.3 * 5 = £11.5$

**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;

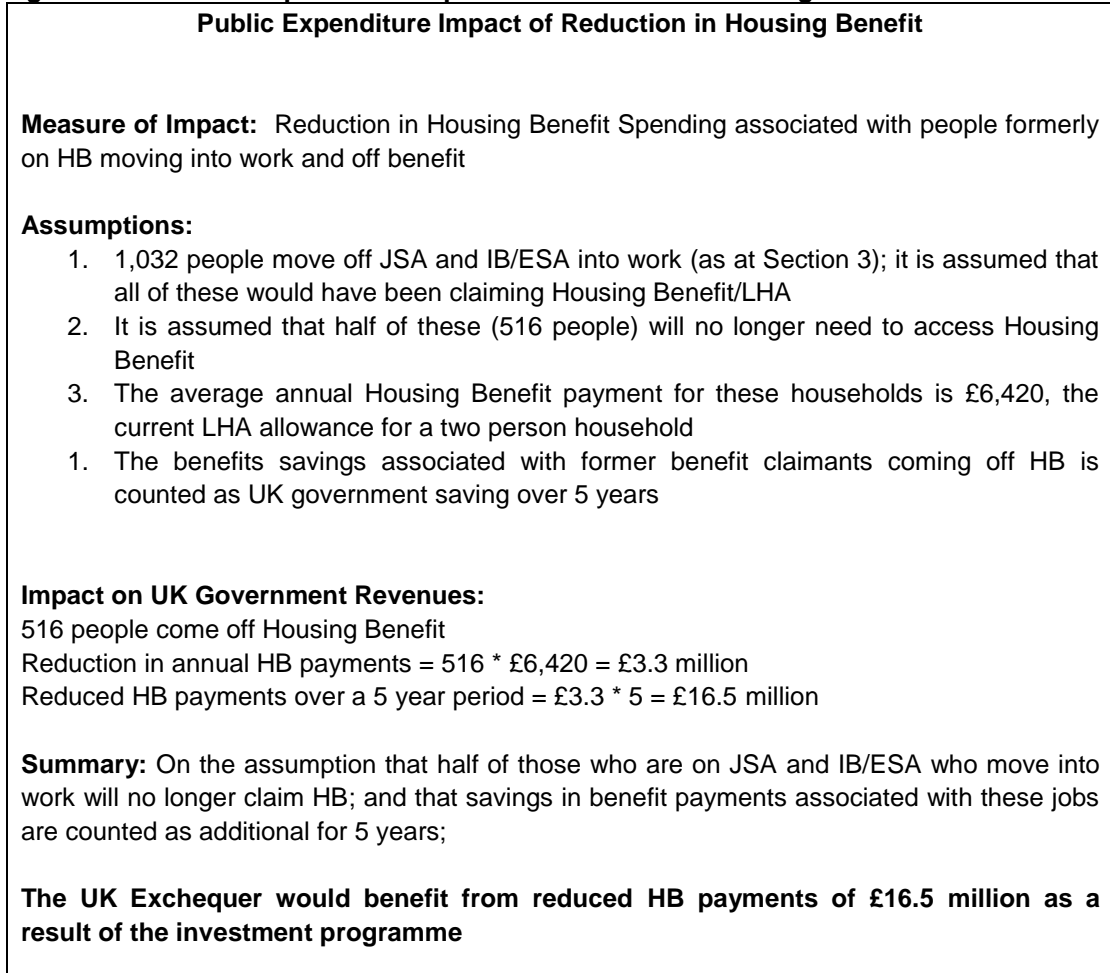
**The UK Exchequer would benefit from additional revenues of £11.5 million as a result of the investment programme**



**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**

