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Ashford Borough Council

**STRATEGIC EMPLOYMENT
OPTIONS**

MARCH 2012



Strategic Employment Options Report

Ashford Borough Council

13 March 2012

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Reference: J:\Planning\Job Files\J026562 - Ashford - Strategic Employment Options Report\Reports\Strategic Employment
Options Report - Economic Scenarios Final March 2012 (word 97-2003).doc

Contents

Section	Page
1. INTRODUCTION	4
2. BASELINE ECONOMIC SCENARIO FOR ASHFORD	6
3. ECONOMIC PERFORMANCE AND OPPORTUNITIES	21
4. SUPPLY SIDE PROPOSALS	31
5. POLICY AMBITIONS	39
6. FRAMEWORK OF ALTERNATIVE SCENARIOS	41
7. DEVELOPING THE ALTERNATIVE SCENARIOS	44
8. COMPARISON OF THE SCENARIO RESULTS	49
9. EMPLOYMENT LAND REQUIREMENTS	57
10. CONCLUSIONS	67

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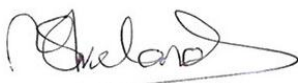
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13 March 2012

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1. INTRODUCTION

- 1.1. Ashford Borough Council is embarking on a review of its adopted Core Strategy. It has commissioned this Strategic Employment Options Report to assist the Council in establishing a ‘jobs-led’ growth target for the Borough and consider future demand for employment land to 2030. The report has been prepared by a consultancy team, comprising GL Hearn (GLH), Cambridge Econometrics (CE) and SQW.
- 1.2. The report is prepared within a context of changes to national planning policy. The Coalition Government had pledged to revoke the South East Plan and brought forward legislation through the 2011 Localism Act to return responsibilities for setting housing and employment targets to local councils. It is against this context that the Council intends to review its Core Strategy.
- 1.3. This report considers and sets out a number of scenarios for economic growth in Ashford Borough to 2030. It is intended to provide an evidence base to inform the setting of jobs targets, but does not make policy decisions – this is the responsibility of the Council’s elected members.
- 1.4. There are a range of factors which have been considered in developing economic scenarios for the Borough. These are summarised below:

Figure 1.1: Factors Influencing Development of Economic Scenarios



- 1.5. The project has involved the development of a ‘baseline’ economic scenario for Ashford using CE’s Local Economic Forecasting Model (LEFM). It takes account of macro-economic factors and future growth expectations for different economic sectors. This scenario forms a projection for future performance, in assuming that relationships that held in the past between economic

- growth in Ashford relative to growth in the South East or UK (whichever is the stronger relationship), by economic sector, will continue to hold into the future. The baseline economic scenario is presented in Section 2.
- 1.6. As Figure 1.1 above identifies, there are however a range of wider factors which may mean that future economic performance (overall and by sector) differs from past performance (relative to the South East or UK). Three alternative scenarios have therefore been developed for the Borough's economy.
 - 1.7. Sections 3 – 5 summarise the analysis undertaken to inform the development of alternative scenarios. Section 3 considers the characteristics of the Borough's economy, and the opportunities and risks which might influence its future performance. Section 4 assesses supply-side proposals (in regard to land and property) which could have a bearing on future performance as well as competing sites and locations which could influence the success of these. Section 5 considers the vision and aspirations of the Council and its Members. This analysis is drawn together in Section 6 which outlines the scope of alternative economic scenarios developed.
 - 1.8. Sections 7 outlines the scope of the three alternative scenarios for economic performance developed. The three alternative scenarios comprise:
 - Downside Macro Risks Scenario
 - Enhanced Performance Scenario
 - Enhanced Productivity Scenario
 - 1.9. Section 8 presents the results of the four scenarios, and provides a comparative assessment of economic performance in each.
 - 1.10. Section 9 models employment floorspace and land needed to support delivery of each of the four scenarios over the period to 2030.
 - 1.11. Section 10 concludes the report, drawing the analysis together to consider the relative merits of the four economic scenarios, and provides a high-level assessment of the relative risks to and likelihood of delivery.

2. BASELINE ECONOMIC SCENARIO FOR ASHFORD

Introduction

- 2.1. The Baseline economic scenario for Ashford presented in this report was developed using Cambridge Econometrics' (CE) Local Economy Forecasting Model (LEFM) tailored to the Ashford economy.
- 2.2. The results are 'projections' rather than 'forecasts', in the sense that they assume that relationships that held in the past between economic growth in Ashford relative to growth in the South East or UK (whichever is the stronger relationship), by sector, will continue to hold into the future. Thus, if the underlying growth performance of a sector in Ashford was stronger than in the same sector in the South East (or UK) in the past, then that sector will be projected to outperform the same sector in the South East (or UK) in the future. This is not the same as saying that growth rates by sector in Ashford will be the same as in the past, as the projections depend on CE's latest forecasts¹ by sector for the South East or UK.
- 2.3. It is important to note that there are many reasons why these 'projections' may not give an accurate representation of how the local economy will actually grow in the future.
- Past trends and relationships may not be a good guide for the future
 - changes in policy (eg investment in particular sectors) could lead to changing prospects for particular industries
 - in the past, Ashford has seen very strong population growth. In the baseline scenario this is projected to continue (based on ONS sub-national population projections), driving strong growth in population-dependent industries. If population in Ashford does not continue to grow so quickly, then the baseline scenario will overestimate economic growth.
 - Simple relationships
 - the relationships represented in the LEFM baseline scenario are necessarily simple, but there are many factors influencing economic performance, especially at the local level.
 - Driven by macro-level forecasts
 - the baseline projections take into account CE's latest UK Regional macroeconomic forecast. This was published in July 2011 and the economic outlook has been quite volatile since then.
 - The baseline scenario does not take into account very recent information or local knowledge
 - the historical employment data in the baseline scenario are to 2009. The projections do not incorporate any more recent information on employment.
 - the baseline scenario does not take account of any planned projects that are due to take place or started since 2009 (including domestic high-speed rail services).
- 2.4. Having listed many reasons why the baseline scenario projections are unlikely to provide an accurate forecast of economic prospects in Ashford, the reason for producing such a scenario is that it gives us a starting point for discussion and developing the forecasts and alternative scenarios.

¹ The baseline projections for Ashford presented here are consistent with CE's UK Regional forecasts published in July 2011.

EMPLOYMENT DATA

- 2.5. CE's historical estimates of employment in Ashford are based on Business Register and Employment Survey (BRES, and before that Annual Business Inquiry, ABI) employee data, with estimates for self-employment, and are made consistent with more up-to-date official regional data made available by the Office for National Statistics (ONS).

GVA DATA

- 2.6. CE's historical estimates of GVA in Ashford are made by applying productivity calculated from ONS sub-regional accounts data at appropriate NUTS2 level (Kent) to the district employment data.
- 2.7. The baseline economic scenario is discussed below within the context of CE's forecasts for the South East and UK.

MACRO-ECONOMIC INDICATORS

- 2.8. The projections and forecasts presented in Figures 1.1-1.3 show that in both the short-medium term and longer term, the Ashford economy as a whole is projected to grow faster than both the South East and UK as a whole in this scenario. This reflects the strong relative economic performance of the borough over the last ten years or so.
- 2.9. ONS projections for population in Ashford show the population in the borough is projected to continue to grow at rates well above the average for the South East and UK as a whole. Population growth is projected to grow around twice as fast as the UK average, and so GVA per capita, a key measure of the overall wealth of an area, is projected to grow more slowly in Ashford than the South East and UK over the whole of the forecast period, by some $\frac{1}{4}$ - $\frac{1}{2}$ percentage points (pp). GVA per capita is already estimated to be lower in Ashford (£17,600) than in the South East (£21,000) and UK (£18,600) in 2010, but the slower growth means that this gap is projected to widen.
- 2.10. Productivity (GVA per job) in Ashford (£35,100) is estimated to be lower than the South East (£41,700) and UK (£37,600) in 2010. In LEFM, productivity by sector in Ashford is projected to grow at the same rate as in the South East, and overall productivity in the borough is projected to grow slightly slower than in the South East and UK, reflecting the mix of industries in the borough. The result of fast GVA growth but slower productivity growth is that employment growth is projected to grow quite a bit faster in Ashford, about $\frac{1}{4}$ - $\frac{1}{2}$ pp, than the South East and UK average.

Figure 2.1: Key LEFM Indicators for Ashford, South East and UK

KEY LEFM INDICATORS FOR ASHFORD, SOUTH EAST AND UK							
	2010	1990 -2000	2000 -2005	2005 -2010	2010 -2015	2015 -2020	2020- 2030
GVA							
	£bn	% pa	% pa	% pa	% pa	% pa	% pa
Ashford	2.0	3.1	4.1	1.8	2.3	3.1	3.2
South East	177.6	3.1	2.4	0.4	2.2	3.0	3.2
UK	1,152.6	2.4	2.7	0.6	2.1	2.7	3.0
GVA per Capita							
	£000/person	% pa	% pa	% pa	% pa	% pa	% pa
Ashford	17.6	2.2	2.6	0.7	1.0	1.8	2.2
South East	21.0	2.6	2.0	-0.3	1.6	2.2	2.5
UK	18.6	2.1	2.3	0.0	1.5	2.1	2.4
Population							
	thousands	% pa	% pa	% pa	% pa	% pa	% pa
Ashford	115.5	0.9	1.5	1.1	1.3	1.3	1.0
South East	8,473.9	0.5	0.5	0.7	0.6	0.7	0.7
UK	62,068.2	0.3	0.5	0.6	0.6	0.6	0.5
Productivity							
	£000/job	% pa	% pa	% pa	% pa	% pa	% pa
Ashford	35.1	4.4	-1.4	0.9	1.8	1.9	2.1
South East	41.7	2.9	1.6	0.7	1.9	2.1	2.3
UK	37.6	2.3	1.7	0.8	1.9	2.0	2.2
Employment							
	thousands	% pa	% pa	% pa	% pa	% pa	% pa
Ashford	57.9	-1.2	5.5	1.0	0.5	1.2	1.1
South East	4,263.4	0.2	0.8	-0.3	0.3	0.8	0.9
UK	30,658.1	0.1	1.0	-0.2	0.2	0.7	0.8
<p>Note: GVA, GVA per Capita and GVA per job are chained volume measures (ie constant prices), reference year 2006.</p> <p>Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Economic Forecasts, July 2011.</p>							

Figure 2.2: GVA in Ashford, South East and UK

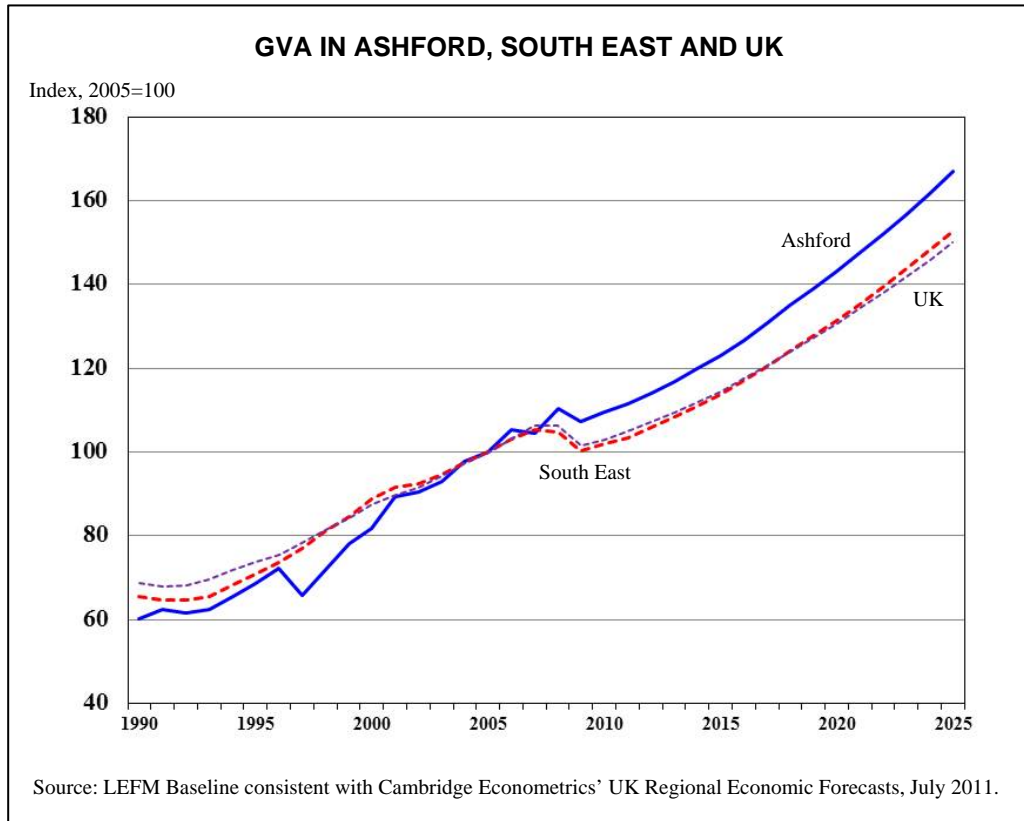
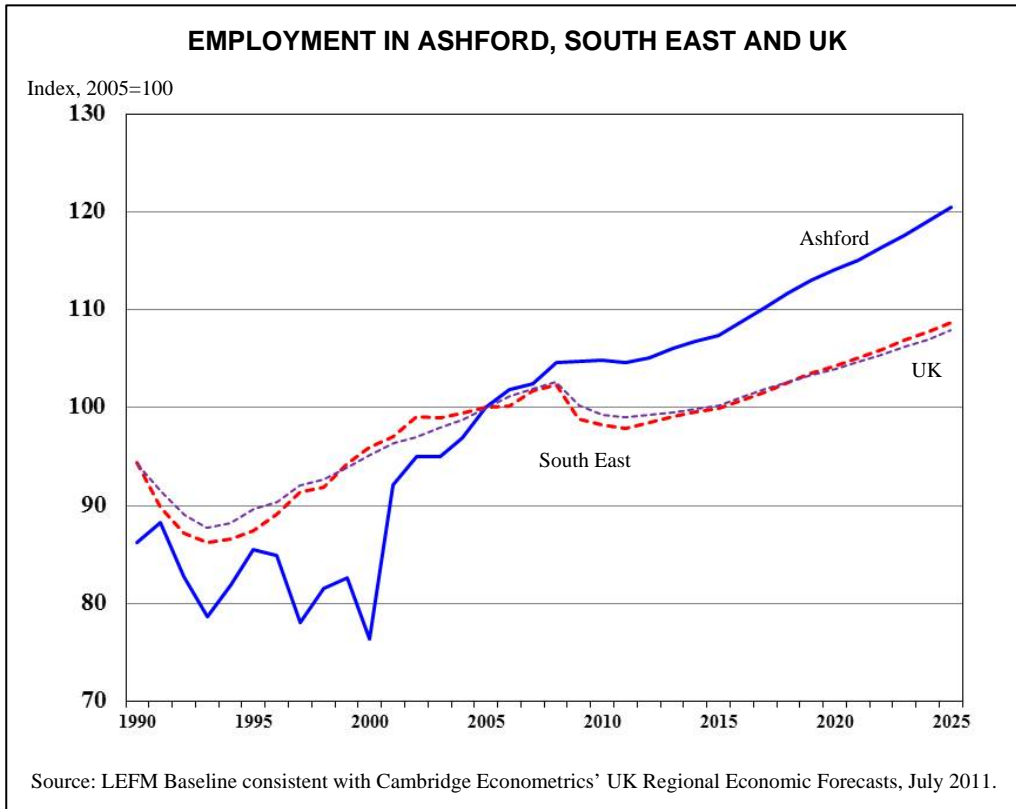


Figure 2.3: Employment in Ashford, South East and UK



Analysis by Sector

GVA

- 2.11. Figure 2.4 shows CE's Baseline projections for GVA by sector in Ashford and the South East to 2030. The table shows that the sectors in Ashford that are projected to grow faster than the South East are construction and government & other services. Within government & other services, all industries (public administration, education, health and miscellaneous services) are projected to grow faster in Ashford than the South East, reflecting in part the relatively strong population growth for Ashford.

Figure 2.4: GVA Growth by Sector in Ashford and the South East

	2000 -2005	2005 -2010	2010 -2015	2015 -2020	2020- 2030
Ashford					
Agriculture	..	..	..	..	..
Mining & quarrying	..	..	..	..	..
Manufacturing	-3.0	-4.4	3.2	1.8	1.5
Electricity, gas & water	..	..	..	..	..
Construction	12.7	1.3	2.8	4	3.3
Distribution, hotels & catering	6.2	3.2	3.1	3.2	3.1
Transport & communications	-0.2	-0.5	3.3	2.8	3.3
Financial & business services	2.8	4.3	3.3	4.3	5.3
Government & other services	9.0	2.6	0.7	3.5	3.1
Total	4.1	1.8	2.3	3.1	3.2
South East					
Agriculture	1.1	-3.3	1.5	1.2	1.3
Mining & quarrying	2.0	0.9	-3.7	-3.0	-2.8
Manufacturing	-0.3	-2.8	3.7	2.1	1.7
Electricity, gas & water	3.9	-1.1	0.2	1.0	1.3
Construction	3.2	-0.3	2.2	3.1	2.8
Distribution, hotels & catering	3.2	0.6	2.9	3.0	3.0
Transport & communications	3.2	-0.2	3.9	4.2	4.6
Financial & business services	1.7	1.1	3.5	4.3	5.1
Government & other services	2.5	0.9	0.2	2.4	2.4
Total	2.4	0.4	2.2	3.0	3.2
<p>Note: GVA, GVA per Capita and GVA per job are chained volume measures (ie constant prices), reference year 2006. Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Economic Forecasts, July 2011.</p>					

Productivity

- 2.12. Apart from government & other services, productivity in all broad sectors in Ashford is projected to grow at the same rate or more slowly than in the South East as a whole. The gap in productivity growth is projected to be largest in transport & communications, with growth in Ashford around ½-1 pp slower than the average for the South East.

Figure 2.5: Productivity Growth by Sector in Ashford and the South East

PRODUCTIVITY GROWTH BY SECTOR IN ASHFORD AND THE SOUTH EAST					
	2000 -2005	2005 -2010	2010 -2015	2015 -2020	2020- 2030
Ashford					
Agriculture	..	..	..	..	..
Mining & quarrying	..	..	..	..	..
Manufacturing	-0.1	-0.6	4.2	3.1	2.7
Electricity, gas & water	..	..	..	..	..
Construction	-4.0	-1.0	1.3	1.7	2.0
Distribution, hotels & catering	1.5	2.4	2.2	2.3	1.9
Transport & communications	-3.3	-7.4	3.0	2.1	2.9
Financial & business services	-2.7	1.8	2.2	2.8	4.0
Government & other services	-0.9	0.6	0.6	1.6	1.5
Total	-1.4	0.9	1.8	1.9	2.1
South East					
Agriculture	1.7	5.8	2.4	4.0	3.4
Mining & quarrying	8.6	-4.7	-2.7	-0.8	-1.4
Manufacturing	4.4	1.9	4.0	3.6	3.0
Electricity, gas & water	5.0	-5.3	1.2	5.0	4.2
Construction	1.3	-1.9	1.3	1.6	2.0
Distribution, hotels & catering	2.4	1.4	2.3	2.4	2.0
Transport & communications	2.6	2.1	3.5	3.2	3.9
Financial & business services	0.0	1.2	2.5	2.9	4.0
Government & other services	0.6	0.0	0.5	1.4	1.4
Total	1.6	0.7	1.9	2.1	2.3
Note: GVA per job is chained volume measure (ie constant prices), reference year 2006. Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Economic Forecasts, July 2011.					

Employment

Figure 2.6: Employment Growth by Sector in Ashford and the South East

EMPLOYMENT GROWTH BY SECTOR IN ASHFORD AND THE SOUTH EAST					
	2000 -2005	2005 -2010	2010 -2015	2015 -2020	2020- 2030
Ashford					
Agriculture	..	..	..	..	..
Mining & quarrying	..	..	..	..	..
Manufacturing	-2.9	-3.9	-1.0	-1.3	-1.2
Electricity, gas & water	..	..	..	..	..
Construction	17.4	2.4	1.5	2.3	1.3
Distribution, hotels & catering	4.7	0.7	0.9	0.9	1.1
Transport & communications	3.2	7.5	0.2	0.6	0.4
Financial & business services	5.7	2.5	1.0	1.5	1.3
Government & other services	9.9	2.0	0.1	1.8	1.5
Total	5.5	1.0	0.5	1.2	1.1
South East					
Agriculture	-0.6	-8.7	-0.9	-2.6	-2.0
Mining & quarrying	-6.1	5.9	-1.0	-2.2	-1.5
Manufacturing	-4.5	-4.6	-0.3	-1.5	-1.3
Electricity, gas & water	-1.0	4.4	-1.1	-3.8	-2.8
Construction	1.9	1.6	0.9	1.4	0.8
Distribution, hotels & catering	0.8	-0.8	0.6	0.6	1.0
Transport & communications	0.6	-2.3	0.4	1.0	0.7
Financial & business services	1.7	0.0	1.1	1.4	1.1
Government & other services	1.9	1.0	-0.3	1.0	1.0
Total	0.8	-0.3	0.3	0.8	0.9
<p>Note: GVA, GVA per Capita and GVA per job are chained volume measures (ie constant prices), reference year 2006.</p> <p>Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Economic Forecasts, July 2011.</p>					

Relative Concentration & Employment Performance

- 2.13. Figure 2.7 shows an analysis of the detailed (30) industries, in which each industry is assigned to one of four groups based on the degree of specialisation of that industry relative to the South East (employment location quotient, LQ) and projected employment growth relative to the South East over 2010-20. It is worth noting that even though an industry in Ashford might be projected to see a 'better' employment performance relative to the South East, growth could still be negative.
- 2.14. The table shows that Ashford is specialised relative to the South East (left hand column, high LQ) in about half of the 30 industries. Of these, only five are projected to perform better than in the South East as a whole over 2010-20, and two of those still see employment falling over the period.
- 2.15. The industries in LEFM in which projected economic growth is driven by population growth are retailing, hotels & catering, public administration, education, health and miscellaneous ('other') services. Of these, all except public administration are projected to see a better relative employment performance than the South East over 2010-20.

Figure 2.7: Patterns of current specialization and projected future performance in employment in Ashford relative to the South East

	High employment LQ relative to South East, 2010	Low employment LQ relative to South East, 2010
Better relative employment performance, 2010-2020	<u>Wood & paper*</u> (2.8, -1.6, -2.3)	<u>Electronics, elect & inst eng*</u> (0.4, -2.0, -2.2)
	<u>Non-metallic mineral products*</u> (1.9, -1.5, -1.9)	Hotels & catering (0.9, 1.5, 0.8)
	Construction (1.3, 1.9, 1.2)	Other business services (0.8, 1.4, 1.3)
	Retailing (1.1, 0.8, 0.3)	Other services (0.9, 3.0, 1.7)
	Education & health (1.0, 0.8, 0.2)	
Weak relative employment performance, 2010-2020	<u>Food, drink & tobacco*</u> (1.7, -2.1, -1.6)	<u>Agriculture etc*</u> (0.3, -3.1, -1.7)
	<u>Printing & publishing*</u> (1.2, -1.3, -0.9)	<u>Other mining*</u> (1.0, -0.8, -0.3)
	<u>Chemicals & man-made fibres*</u> (3.4, -0.5, 0.1)	<u>Textiles, clothing & leather*</u> (0.6, -4.5, -2.7)
	<u>Rubber & plastic products*</u> (1.2, -0.6, -0.3)	<u>Mechanical engineering*</u> (0.5, -1.8, -0.2)
	<u>Basic metals & metal products*</u> (1.2, -0.6, -0.5)	<u>Other transport equipment*</u> (0.6, -0.6, -0.0)
	<u>Motor vehicles*</u> (1.3, -4.0, -3.5)	<u>Electricity, gas & water*</u> (0.6, -10.4, -2.5)
	Other manufacturing (1.8, 0.2, 0.7)	Banking & finance (0.8, 0.4, 0.9)
	Distribution (1.2, 0.4, 0.8)	<u>Insurance*</u> (0.1, -6.7, 1.5)
	Transport & communications (1.4, 0.4, 0.7)	<u>Public admin. & defence*</u> (0.6, -1.5, -0.7)

Note: Sectors shown in **bold** are projected to see absolute employment growth in Ashford over 2010-20, those shown underlined and with an asterisk are projected to see an absolute decline in employment.
 Figures in brackets show LQ, projected growth (% pa) in Ashford, and forecast growth (% pa) in South East over 2010-20.
 Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Economic Forecasts, July 2011.

- 2.16. Employment in almost all manufacturing industries falls over 2010-20 (in the UK and South East as well as Ashford), but the rate of fall (% pa) is greater in Ashford than the South East in all except wood & paper, non-metallic mineral products and electronics, electrical & instrument engineering.

- 2.17. Figure 1.8 shows a more detailed analysis of the sectoral composition and projected employment growth of industries in Ashford. The industries are ranked in order of projected employment growth over 2010-20, with the fastest growing first.
- 2.18. As well as the number of jobs (rounded to the nearest 100) in each industry in Ashford (and the proportion of total jobs in the borough that each industry accounts for), the table also shows the 'performance group' from Figure 1.7, the location quotient, the absolute change in jobs projected over 2010-20, and projected annual average growth rates over 2010-15 and 2015-20 for both Ashford and the South East.
- 2.19. Many of the industries in which the borough is projected to see the strongest growth are also among the largest in terms of employment, which is a positive sign. Often it is the smaller industries that are able and projected to see the fastest % pa growth (rather than largest absolute increase) overall. On the other hand, if these larger industries do not achieve the growth projected in the baseline then the impact on overall growth in the borough will be larger.
- 2.20. As discussed previously, the industries in LEFM in which projected economic growth is driven by population growth are retailing, hotels & catering, public administration, education, health and miscellaneous ('other') services. Of these, all except public administration are projected to see a better relative employment performance than the South East (ie they are in performance groups A or B) over 2010-20.
- 2.21. In terms of the absolute increase in jobs, these sectors are projected to account for around 3,000 (with only public administration projected to see a fall) of the total increase of 5,000 jobs over 2010-20 in the baseline scenario. This compares with the South East and UK forecast, where only around one third of employment growth is expected to come from population-related sectors. Employment in these sectors in Ashford is estimated to account for a little less of total employment in the Borough (47%) in 2010 compared with the South East and UK (48% and 49% respectively), and is still expected to account for a lower share in 2020 (still around 47%).
- 2.22. Most of the remaining increase in employment in Ashford is projected to come from construction and non-financial ('other') business services.
- 2.23. Within the public sector, which would be hit harder if further retrenchment and cost saving in the sector was to occur, employment in education and health (which together form the largest sector, with 12,900 jobs, or 22% of jobs in Ashford) falls only very slightly, and not as fast as in the South East as a whole (just over ½% pa), over 2010-15. Employment in education and health is then projected to grow relatively strongly, by 1¾% pa compared to the South East average of 1% pa, over 2015-20. Over 2010-20, the number of jobs in the sector is projected to increase by around 1,000.
- 2.24. Public administration, which employs around 2,000 in Ashford, is hit harder in the short term than the South East as a whole, falling by 4¼% pa over 2010-15 compared with a fall of 2% pa in the South East. In the medium to longer term however, employment in public administration in Ashford is projected to grow by 1¼% pa over 2015-20 compared with an increase of only ½% pa in the South East as a whole. Over the whole period 2010-20, however, employment in the sector is projected to fall by 300 jobs.
- 2.25. Service sector industries that could be affected by weaker growth in exports to Europe or the rest of the world include professional services (eg lawyers, architects), computing services and banking & financial services (subject to the specific market focus of these activities in Ashford). Professional services (which account for 4,100 jobs in Ashford) and computing services (800 jobs), which are included in 'other business services' in Table 1.6 are both projected to see better growth than the South East average over 2010-20 in the baseline scenario. Jobs in

- professional services in Ashford increase by 600 over 2010-20, and in computing services by around 100.
- 2.26. Banking & financial services in Ashford, which employs around 1,200 is projected to perform less strongly than professional services, with an increase of less than 50 jobs over 2010-20.
- 2.27. All manufacturing industries in Ashford are projected to see little or no growth in employment over 2010-20. Those that employ 500 people or more include chemicals (800), printing & publishing (700), other manufacturing (600), basic metals & metal products (500), food, drink & tobacco (500) and wood & wood products (500). Apart from wood & paper, which is still projected to see a fall in employment, all of these industries are projected to perform worse than the South East average over 2010-20. Weaker-than-forecast growth in Europe and the rest of the world could have a further negative impact on exports and so output and employment from these industries.

Figure 2.8: Sectoral Composition and Projected Growth of Employment in Ashford, 2010 and 2010-20

SECTORAL COMPOSITION AND PROJECTED GROWTH OF EMPLOYMENT IN ASHFORD									
- 2010 AND 2010-20									
	Ashford					South East			
	2010	% of total	Performance group	LQ relative to SE	Absolute change, 2010-20	2010-15 % pa	2015-20 % pa	2010-15 % pa	2015-20 % pa
Other services	3,000	5.2	B	0.9	1,000	3.3	2.7	2.0	1.5
Construction	5,900	10.2	A	1.3	1,200	1.5	2.3	0.9	1.4
Hotels & catering	3,500	6.0	B	0.9	600	1.7	1.3	1.0	0.7
Other business services	9,100	15.7	B	0.8	1,300	1.1	1.6	1.1	1.4
Retailing	5,800	9.9	A	1.1	500	0.7	0.9	0.2	0.4
Education & health	12,900	22.3	A	1.0	1,000	-0.1	1.7	-0.6	1.0
Distribution	5,000	8.5	C	1.2	200	0.4	0.5	0.8	0.8
Transport & communications	4,300	7.4	C	1.4	200	0.2	0.6	0.4	1.0
Banking & finance	1,200	2.0	D	0.8	0	0.2	0.6	0.6	1.2
Other manufacturing	600	1.1	C	1.8	0	0.3	0.1	0.8	0.5
Chemicals & man-made fibres	800	1.4	C	3.5	0	-1.0	0.0	-0.4	0.5
Other transport equipment	100	0.3	D	0.6	0	-0.1	-1.0	0.8	-0.9
Rubber & plastic products	300	0.5	C	1.3	0	0.4	-1.6	1.0	-1.7
Basic metals & metal products	500	0.9	C	1.2	0	0.6	-1.8	0.8	-1.8
Other mining	<50	0.1	D	1.2	0	-0.2	-1.3	0.3	-0.9
Printing & publishing	700	1.2	C	1.2	-100	-1.1	-1.5	-0.2	-1.5
Public admin. & defence	1,900	3.3	D	0.6	-300	-4.2	1.3	-1.9	0.6
Non-metallic mineral products	200	0.4	A	2.0	0	-0.9	-2.0	-1.0	-2.9
Wood & paper	500	0.8	A	2.9	-100	-1.8	-1.3	-2.8	-1.9
Mechanical engineering	200	0.4	D	0.5	0	-1.7	-1.9	1.9	-2.2
Electronics, elect & inst eng	300	0.5	B	0.4	0	-1.9	-2.0	-2.6	-1.9
Food, drink & tobacco	500	0.9	C	1.7	-100	-2.2	-1.9	-1.7	-1.5
Agriculture etc	100	0.2	D	0.3	0	-1.8	-4.4	-0.9	-2.6
Motor vehicles	200	0.4	C	1.4	-100	-3.7	-4.3	-2.9	-4.1
Textiles, clothing & leather	<50	0.1	D	0.6	0	-4.2	-4.9	-2.3	-3.0
Insurance	<50	0.0	D	0.1	0	-9.0	-4.3	1.3	1.8
Electricity, gas & water	100	0.2	D	0.6	-100	-13.1	-7.7	-1.1	-3.8
Total	57,900	100.0			5,100	0.5	1.2		

Notes: Industries are ranked according to employment growth over 2010-20, fastest growing first.
Employment level in 2010 and absolute employment change over 2010-20 are rounded to nearest 100.
LQ (location quotient) shows relative concentration of employment in Ashford compared with the South East. An LQ of 1.0 indicates that Ashford has the same degree of concentration of that industry as the South East. A value greater

than 1.0 indicates a higher concentration in Ashford and a value less than 1.0 a lower concentration in Ashford. Performance group compares LQ and projected employment performance in Ashford relative to South East over 2010-20. Group A: high LQ, better relative performance; Group B: low LQ, better relative performance; Group C: high LQ, worse relative performance; Group D: low LQ, worse relative performance.

Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Economic Forecasts, July 2011.

Analysis by Sub Area

- 2.28. As well as projections for Ashford Borough as a whole, projections for two sub-areas, defined as Urban and Rural Ashford, are also developed. Appendix 1 sets out the definition of the rural and urban parts of the Borough used for analytical purposes.
- 2.29. The sub-area projections are based on a similar 'business-as-usual' assumption as for the projections for the borough, but with the past relative performance of industries in the sub-areas relative to the borough as a whole being assumed to continue into the future.
- 2.30. The historical employment data for the sub-areas was estimated based on employment shares calculated from ward-level data from the latest Business Register and Employment Survey (BRES) for only 2008 and 2009, as ward-level data on a consistent basis are not available for earlier years. The shares going back are therefore held constant, and so movements in employment in the sub-areas are the same as for the Borough as a whole over 1981-2007.
- 2.31. The result of the above method to estimate employment data for the sub-areas is that the relationships between economic performance by industry in the sub-areas and the borough are very similar, and so the projections by industry follow similar growth paths. Differences in overall growth by sub-area are therefore due more to differences in industry mix than differences in growth by industry.
- 2.32. Figure 2.9 shows that, based on the above methods, overall growth rates in the rural sub-area is projected to be better than in the urban sub-area in terms of GVA, productivity and employment, reflecting the industry mix in the two areas (albeit that the urban area is a larger economy in absolute terms).

² Data for 2010 were not used, despite being available, as CE's district-level employment databank from July 2011 ends in 2009

Figure 2.9: Key LEFM Indicators for Ashford and the Urban and Rural Sub-areas

KEY LEFM INDICATORS FOR ASHFORD AND THE URBAN AND RURAL SUB-AREAS							
	2010	1990 -2000	2000 -2005	2005 -2010	2010 -2015	2015 -2020	2020- 2030
GVA							
	£bn	% pa	% pa	% pa	% pa	% pa	% pa
Ashford	2.0	3.1	4.1	1.8	2.3	3.1	3.2
Urban	1.5	3.0	4.0	3.4	2.3	3.1	3.2
Rural	0.5	3.3	4.5	-2.0	2.4	3.3	3.4
Productivity							
	£000/job	% pa	% pa	% pa	% pa	% pa	% pa
Ashford	35.1	4.4	-1.4	0.9	1.8	1.9	2.0
Urban	35.7	3.8	-1.5	1.6	1.9	1.9	2.1
Rural	33.4	5.6	-1.1	-0.9	1.7	1.9	2.2
Employment							
	thousands	% pa	% pa	% pa	% pa	% pa	% pa
Ashford	57.9	-1.2	5.5	1.0	0.5	1.2	1.1
Urban	42.2	-0.8	5.5	1.8	0.4	1.2	1.1
Rural	15.7	-2.1	5.6	-1.1	0.7	1.3	1.2
<p>Note: GVA and GVA per job are chained volume measures (ie constant prices), reference year 2006. Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Economic Forecasts, July 2011.</p>							

3. ECONOMIC PERFORMANCE AND OPPORTUNITIES

3.1. This section of the report considers the characteristics and performance of Ashford Borough's economy to identify economic opportunities and risk factors. It draws together the findings from the following:

- Review of existing policy and research documents;
- Selected discussions with key stakeholders;
- Discussion with the Council's officers and members.

Economic Performance and Structure

3.2. A detailed assessment of economic trends was undertaken to inform the Ashford Strategic Economic Framework in 2010. We have drawn on the baseline economic data which underpins the baseline projections to provide a headline assessment of performance and issues. Because of data issues our analysis relates to the 2001-10 period. It indicates:

- Employment in Ashford Borough has grown very strongly, with an increase in total employment of 7,000 (net) between 2001-10. This represents growth in employment at a rate of 1.4% a year compared to 0.3% across the UK and 0.1% across the South East³. Total employment has also continued to climb through the recession;
- Employment growth appears to have kept pace with population growth, with growth of 6,900 in the population aged 16-64 between 2001-10⁴ and an estimated 5,500 in the economically active population⁵. The Borough had an above average jobs density in 2009, with 82 jobs per 100 working-age residents compared to 80 across the South East and 78 nationally;
- The size of the local economy, as measured by Gross Value Added (GVA, the value of goods and services produced in the local economy), has grown by 2.3% a year between 2001-10. This is well above the 1.2% annual growth achieved across the South East and 1.6% across the UK over this period;
- Productivity (GVA per job) has not however quite kept pace with other areas, and while some quality jobs have been created, productivity in Ashford has declined from 86% of the South East average in 2001 to 84% in 2010. This reflects the Borough's economic structure, the type and quality of jobs created.

3.3. While some high quality jobs have been created over the last 10 years, including through investment and growth in employment in companies such as Commidea and Smiths Medical in Ashford, there is a need to develop more good quality jobs.

3.4. Looking more specifically at the employment in different economic sectors, the largest economic sectors are: education and health, other business services, construction, retailing and distribution. Relative to the South East as a whole, the Borough's economy is particularly influenced by the profile of employment in the town, which is synonymous with a large growing town on key transport arteries. Sectors which are strongly represented are: transport and communications; construction; distribution; and retail.

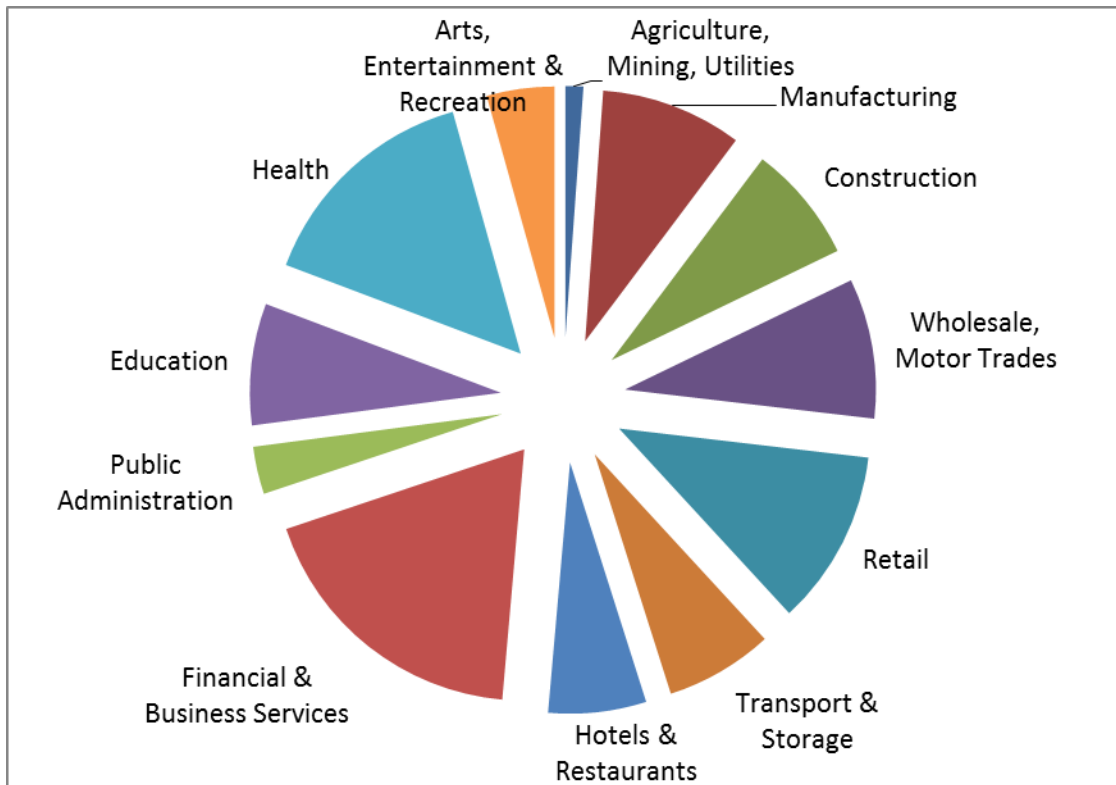
³ Source: CE Baseline Projections based on ABI/ BRES and other official data sources

⁴ Source: ONS Mid Year Population Estimates

⁵ Assuming 80% of the working-age population are economically active

3.5. Figure 3.1 indicates the distribution of employment in different sectors in Ashford Borough in 2010.

Figure 3.1: Employment by Broad Sector, 2010



Source: BRES

3.6. The most productive sectors (measured by GVA per job) in Ashford Borough are: manufacturing; transport & communications; and financial and business services. However output and employment in manufacturing have both fallen (with a 26% reduction in jobs) between 2001-10, albeit that output could grow moving forwards

3.7. Those sectors which have experienced employment growth between 2001-10 (in order of total additional jobs) are: government and other services; financial and business services; construction; distribution, hotels and catering.

3.8. Standing back from the data, the Borough's economy has performed well with strong (significantly above average) growth in both GVA and employment, including through the recession.

Ashford's Assets

Macro-economic conditions in the short-to-medium term are expected to be more challenging than in the pre-recession decade. This will increase competition between places for investment. However against this Context, Ashford Borough is relatively well placed. It now benefits from strong, fast transport links to London (with more capacity than other links to the capital) and key infrastructure is now in place to support development, including improvements to Junction 9. Few places, particularly within the South East, have a similar set of assets and opportunities.

Economic Opportunities

1) Connectivity / Strategic Accessibility

- 3.9. Ashford's strategic connectivity is clearly an important influence of the town's economic dynamics, and its future potential. This relates to:
- The town's location on the M20 which connects London to the Channel Tunnel and Europe;
 - The high-speed rail link to Europe . Ashford has a direct rail link to European capitals which cannot be said for many other locations in the UK. However the service frequency has been reduced since the opening of Ebbsfleet International. Currently there are 3 weekday services each way to Paris (c. 1h50), and 1-2 to Lille and Brussels (c. 1h40); and
 - Southeastern Highspeed services which now link Ashford (International) to London (St Pancras International) in 37 minutes. The high speed service runs half hourly on weekdays
- 3.10. The town's location on the M20, the major road corridor between the Channel Tunnel and M25/London, is an important asset. However in forecasting, it is necessary to consider what factors are materially different to those which have been operating in the past. It is the recent improvements to the rail links which could provide enhanced opportunities for economic growth moving forward.
- 3.11. The international rail services have been running since 1996. Moving forward, the economic impact of this will be influenced by competition from Ebbsfleet and Kings Cross/St Pancras, both of which have proposals for significant development of office space at locations offering access to international train services as well as a wider workforce catchment. There are however proposals for 'Transatlantic Metro' services to Northern France which if brought forward could support enhanced cross-channel economic integration.
- 3.12. Potentially, the impact on Ashford of the introduction of domestic high speed rail services could however be more significant economically for Ashford. This has more than halved the travel time from Ashford to London. However its potential impact needs to be understood both in terms of potential increases in commuting as well as on the attractiveness of the town for business investment.

- 3.13. An assessment of the Economic Impacts of High Speed 16 prepared in 2009 estimated that improved rail journey times (of which the impact from High Speed 1 is greatest at Ashford) would result in improvements in economic productivity through:
- Larger and deeper labour markets;
 - More competing and complimentary businesses (driving innovation & efficiency);
 - Deeper, larger client markets; and
 - Greater potential for contact and knowledge sharing.
- 3.14. Of the agglomeration benefits arising (the benefits from firms being located nearer to one another), the Study estimated 5.7% would be to Ashford (relative to 16.1% to Ebbsfleet and 55.3% to Inner London).
- 3.15. Improved journey times were particularly considered likely to increase commuting to London. The Study estimated an absolute increase in commuting to London from Ashford District of 1,040 persons. Of these 108 were estimated to be of existing residents⁷. To consider these issues further, we have sought to compare house prices of towns within a similar commuting time of London (and a number of other towns in Kent). The analysis indicates that Ashford offers a significant discount of housing costs on Sevenoaks which is closer to the M25, as well as strong commuter towns in Sussex and Surrey such as Guildford and Haywards Heath. However house prices are lower in some potential competitor locations, such as Milton Keynes, Crawley and Chelmsford.

Figure 3.2: Travel Towns and House Prices for Competitor Towns

	Journey Time (Mins)	London Mainline Stn	Average House Price
Milton Keynes	35	Euston	£204,600
Crawley	36	Victoria	£222,600
Chelmsford	38	Liverpool St	£254,600
Ashford (Urban)	37	St Pancras	£290,500
Tonbridge	42-44	Canon St/ Charing X	£328,500
Tunbridge Wells	54-60	Canon St/ Charing X	£332,200
Haywards Heath	45	Victoria	£338,100
Guildford	38	Waterloo	£415,000
Sevenoaks	34	Canon St/ Charing X	£486,900

- 3.16. A key current advantage of Ashford is the enhanced rail capacity to London in the peak times (which for instance increases the likelihood of securing a seat for commuting journeys).
- 3.17. It seems likely that commuting will increase over time as householders are attracted by the relative value proposition of the town/ borough, the high quality of life, coupled with the strong rail

⁶ Colin Buchanan & Volterra for London & Continental Railways (Jan 2009) *Economic Impacts of High Speed 1: Final Report*

⁷ The Study estimated of these 108, 23 would be qualified to NVQ2, 24 at NVQ3 and 61 at NVQ4

connections. In time this could bring economic benefits as commuters seek local employment opportunities or establish their own businesses.

- 3.18. The strong rail services (domestic high speed and international) are also considered to enhance the town's attractiveness as an employment centre, particularly in supporting the potential for commercial office development. We return later in this report to consider this in further detail.
- 3.19. Our consultations with developers indicate that the transport improvements (particularly domestic rail) are supporting the commercial appeal of the town⁸. It is clear that against increasing competition for investment, Ashford is relatively well-placed (particularly given the macro-economic context in the short-term).

2) Business Costs for Office Occupiers

- 3.20. There is currently a property cost incentive for locating in Ashford relative to other locations in Kent and the wider South East. Current office rents of c. £15 psf are lower than in competing centres such as Sevenoaks and Tunbridge Wells (£17-18 psf) and Maidstone (£22 psf)⁹. This partly reflects the size and (lack of) critical mass of the local market.
- 3.21. Speculative development of office floorspace at Eureka Park has made some headway in improving the rental tone for office floorspace in the town, with £19.50 psf achieved. Further increases in rents will be necessary to support development of town centre office floorspace¹⁰.
- 3.22. However property costs are just one of a number of factors which influence the locational decisions of office occupiers. The Ashford Office Market Report¹¹ identifies the following key factors:
- Availability of skilled labour
 - Accessibility
 - Lease flexibility/ ability to expand
 - Quality environment
 - Rental levels
 - Proximity to clients/ competitors
- 3.23. Ashford continues to offer a significant rental discount to London and other competing centres in Kent and elsewhere in the region. However the Town Centre Area Action Plan Review¹² identified that while a regular supply of sites and good quality product is important, **it is labour availability, quality and cost which were the key success factors for decentralised business centres**. We concur with this.
- 3.24. Salaries are competitive relative to London and other parts of the South East: with average salaries 20% less than in London, and 10% less than the rest of the South East¹³. Overall, the costs savings offered to businesses are stronger than those in towns close to the M25.

⁸ GLH has consulted with Quadrant Estates, HCA and Stanhope

⁹ Data based on *2011 Kent Property Market Report*

¹⁰ Given development format and higher construction costs

¹¹ Knight Frank Research (May 2008) *Ashford Office Market Report*

¹² Jones Lang LaSalle (March 2009) *Ashford Town Centre Area Action Plan Review*

¹³ Ashford Best Placed: Ashford – The Smart Choice for Business

3) Skills Base and Labour Supply

- 3.25. The skills profile, and particularly the representation of higher-level skills of Ashford's catchment is weaker relative to many other parts of the greater South East (including successful commercial corridors such as the M3 and M4). This acts as a disincentive to higher-value/ knowledge-based investment.
- 3.26. There is however some opportunity to change this over time. K College propose to bring forward a new **Learning Campus** on land at Station Road on the edge of the Town Centre. This has planning consent for a 10,000 sq m development over two phases, with the intention that the £20 million first phase would open in 2013. Its potential benefit is primarily in improving the quality of skills (there is not expected to be a significant increase in direct employment).
- 3.27. Over the longer-term, the Council aspires to develop a higher education presence within the town (such as through provision of a satellite campus to an existing university). It seems realistic to assume that this would follow, rather than lead, the growth of higher value-added employment in the town.
- 3.28. Over the longer-term, housing development does also provide some potential to improve the skills mix. This is partly linked to demographics; with an older demographic and housing supply constraints potentially affecting growth in labour supply in other parts of the region over the next 20 years; and opportunities through housing growth to develop workforce skills. In this context, it is also important to recognise the role housing provision could play in supporting Ashford's commercial appeal.
- 3.29. House prices in Ashford are relatively competitive in a regional context, and with enhanced accessibility to London, the town might attract better paid, younger households keen to get on the housing ladder and seeking affordable family housing. Over time this does provide the opportunity to develop workforce skills – albeit that the town / catchment is starting at a disadvantage to a number of other areas in the region.
- 3.30. Ashford has been one of the most strongly growing towns in the region since 1993. The Borough's population has grown by 24% compared to 11% across Kent and the South East (1993-2010) and indeed Ashford has **seen the second fastest growing population of all the local authorities in the region**. It was designated a Growth Area in 2003. Over the last 10 years (2000-10), the population has grown by 13.9% which is only surpassed by Milton Keynes (15.9%).
- 3.31. Local skills/ training programmes provide an important role, but on their own seem unlikely to break the dynamics of selective migration described in the Draft East Kent Growth Strategy which has contributed to a larger retired population in the sub-region, concentrations of higher unemployment in the coastal towns and relatively lower skilled jobs and workforce skills.

4) Broadband Infrastructure

- 3.32. Access to superfast broadband infrastructure could also provide some economic opportunities, for instance in the digital sector and new media.
- 3.33. Our understanding is that the quality of broadband connections varies across the Borough. In the urban area, it is excellent in some areas, good in others, but poor in some. BT's Ashford exchange is 'infinity enabled' whilst cable provider Virgin Media can provide excellent services of up to 200mB.

5) Rural Economy

- 3.34. The final opportunity identified relates to capitalising on/ driving the inherent strengths of the rural economy, which include:
- High quality of life;
 - Small business base; and
 - Connectivity (albeit that this varies across the Borough).
- 3.35. GLH's experience of other areas within the South East demonstrates strong levels of enterprise in rural areas which offer a high quality of life. This can include both businesses with growth potential and 'lifestyle' businesses (where this is less apparent). A potential advantage in regard to the growth of rural-based enterprises in Ashford Borough is the strong connectivity of the area, including access to the motorway network; to the continent; and to London. However connectivity varies across the rural parts of the Borough.
- 3.36. The Council's economic aspirations are also to **support and develop the tourism sector in the rural parts of the borough.**

Opportunities: Summary

To summarise, we consider key opportunities as follows:

1. Enhanced connectivity – supporting the development of commercial office floorspace, as well as over time enterprise and skills development;
2. Business costs – lower office rents than competing centres, and particularly relative to London (albeit that these may rise) and lower labour costs; but offset to some degree by issues around labour quality and catchment;
3. Skills base & labour supply – potential to enhance the skills base over time through delivery of the Learning Campus, and perhaps over the longer-term a university campus. Further opportunities to develop the skills base through housing growth;
4. Broadband infrastructure – potential for strong broadband infrastructure available in parts of the Borough to attract investment, and support development of digital/ new media sectors;
5. Rural economy – opportunities for development of rural enterprise capitalising on quality of life and accessibility, and including the tourism economy.

This combination of factors, if worked hard, provides opportunities for a 'non-linear future' whereby future growth patterns are not a simple extrapolation of past relative performance.

- 3.37. We turn next to consider economic risks at the strategic level, before addressing supply-side factors (in regard to both schemes in Ashford and competitor locations).

Economic Risks

- 3.38. It is important to consider downside factors ('risks') alongside those factors which might drive and inform an economic strategy for the Borough in developing a balanced set of scenarios for economic performance. We consider that economic risks can be sub-divided into risks at the macro-economic level, together with local level risks.

6) Macro-Economic Risks

- 3.39. At the time of writing there is a strong degree of uncertainty surrounding economic performance in the short-term, let alone looking over longer-term horizons¹⁴.
- 3.40. In November 2011, the OECD forecast that the UK economy would return to recession with a 0.03% contraction this quarter, and a further 0.15% next. It forecast overall economic growth (GDP) of 0.9% in 2011 and 0.5% in 2012.
- 3.41. There is an external risk related to weaker prospects for global growth, particularly in Europe. The UK is expected to be affected by the sovereign debt crisis within the Eurozone, a key trading area for UK businesses. If not addressed, the OECD consider that recent contagion could spread to countries thought to have relatively safe public finances. Weaker global growth, especially in the Eurozone, would particularly impact on exporting sectors (both manufacturing and services) within Ashford Borough's economy.
- 3.42. Pressures on bank funding and balance sheets increase the risk of a further credit crunch. This would impact on the ability of UK businesses to borrow, and thus on levels of business investment.
- 3.43. These are clear and identifiable short-term downside risks to the baseline forecasts (July 2011) which reflect recent economic trends. This said, the outlook of businesses in Ashford seems (surprisingly) positive at the time of writing (see box below).

Local Business Sentiment – Ashford Business Survey, November 2011

115 companies responded to the Council's Business Survey in November 2011. The responses while not representative of all businesses in the Borough provide an indication of business sentiment. The findings indicated that the local businesses surveyed were quite positive in outlook: 48% anticipate expanding in the next 5 years. Of those looking to move, three quarters want to stay in Ashford.

We have also used the survey to consider what proportion of businesses trade internationally. 31% of businesses responding to the survey trade internationally. Of the 34 businesses responding who traded internationally, 17 (54%) was less than 10% of their business generated in the international market, whilst 7 (22.5%) businesses saw more than 50% of their business generated internationally.

¹⁴ This strengthens the case for a scenarios-based approach to forecasting as adopted herein

- 3.44. A further macro-economic risk is associated with continuing public sector spending restraint beyond the current Comprehensive Spending Review (CSR) period to 2015 in order to bring the current budget deficit under control. Continuing constraints on government spending over a sustained period will impact on output and employment associated with government spending.

7) Local Level Risks

- 3.45. In addition to the micro-level risks, we have distilled a number of risks at the local level which could impact on economic performance. These comprise:
- Competition for Investment;
 - Infrastructure Constraints;
 - Potential loss of international rail services;
 - Disinvestment (potentially associated with the above).
- 3.46. We consider these below.
- 3.47. The short-term outlook is of relative weak economic performance in a historical context, or relative for instance to the pre-2008 decade. Against this context we can expect increased competition between places (both domestically and internationally) for investment. Competition for investment has been considered through analysis of potentially competing commercial propositions to those within Ashford, and is considered further in Section 4 through assessment of key supply-side proposals particularly for office floorspace.
- 3.48. A risk specific to Ashford is the potential loss of international rail services from the International Station. This will be influenced by the future commercial decisions of train operators (both the current Eurostar and potentially other future operators). The economic impact of this is difficult to quantify, not least as there are no examples of UK towns which have had an international rail service and then lost it; nonetheless there is a threat that over time, if this occurred, it could lead to an element of disinvestment, including existing businesses moving out of the Borough. It will be important that the Council and other local stakeholders work to proactively support the retention of international rail services including from new operators.
- 3.49. More broadly, the risk of disinvestment relates to the possibility that key local employers might move abroad (through off-shoring) or consolidate their operations to other sites within the region or UK.
- 3.50. Dealing next with infrastructure, works have just been completed on Junction 9, funded through the Regional Infrastructure Fund. This releases remaining development at Eureka Park as well as a number of primarily residential development schemes. However delivery of M20 Junction 10A (a new junction) has been deferred, as the Government's 2010 Comprehensive Spending Review denied the scheme funding. This could impact on the potential to bring forward a number of development schemes.
- 3.51. In 2001 the Council adopted SPG6 (revised in 2004) which sets out policy regarding developer contributions to upgrading the transport system in the south of the town, and allocating the capacity provided by the upgrade to Junction 10 (now completed) and new Junction 10A. The Council now proposes to optimise the use of the capacity created by the upgrade to Junction 10 and ensure where possible that development is not stifled. The Council's current proposals would support delivery of a number of residential development schemes (or initial phases of key schemes). This may support development of the southern edge of the Sevington Employment Site. The Council however consider that is unlikely that significant development at Waterbook

and of the undeveloped central parcel of land at Orbital Park¹⁵ will come forward in advance of Junction 10A and the upgrading of the A2070 Orbital Park Junction. Delivery of Junction 10A significantly impacts on the potential for development at Sevington (c. 46 hectares) which is identified primarily for B2/B8 uses.

- 3.52. Based on a high-level analysis of current employment land supply, any substantial non-delivery of employment land at Sevington and Waterbrook could potentially constrain the supply of industrial sites/ premises beyond 2020 should alternative land allocations (which are not constrained by infrastructure) not be brought forward.
- 3.53. Our understanding is that the preferred scheme is unlikely to be delivered before 2020, but that a first phase (partial new junction) could be implemented between 2015-20, which could support some initial employment development at Sevington and Waterbrook.

¹⁵ The majority of land at Orbital Park is built out

4. SUPPLY SIDE PROPOSALS

- 4.1. This section moves on to review key supply-side proposals which may contribute to employment growth in order to inform scenario development. It considers initially key supply-side proposals for investment in Ashford, before moving on to assess proposals in other parts of Kent and competitor locations to assess the potential impact on the market potential and phasing of development at Ashford.
- 4.2. It is important to recognise that past economic performance and trends have been enabled and supported by development schemes and provision of new commercial floorspace. For the purposes of developing the alternative economic scenarios, it is necessary to consider whether supply side proposals are materially different to those in the past, and might result in a sustained shift (either up or down) in take-up of different types of commercial floorspace.
- 4.3. This section thus first considers supply-side proposals in Ashford Borough, then considers the competition to these. It concludes by considering the implications of this analysis for scenario modelling.

Current Policy Context / Site Allocations

- 4.4. The Ashford Borough Core Strategy (adopted 2008) sets out a target for 17,500 jobs in the Growth Area between 2001-21 and the potential to deliver 28,000 jobs over the longer-term period to 2031. It identifies a number of key areas in which employment growth is expected to be concentrated, comprising:
- Ashford Town Centre – through development of additional retail, leisure and office floorspace and education facilities;
 - Ashford Urban Area – through delivery of a new business park, Eureka Park, and further development at existing employment sites, including Henwood and Orbital Park, as well as intensification of existing sites;
 - Urban Extensions – urban extensions at Cheesmans Green and Chilmington Green were expected to include some employment, including within neighbourhood centres.
- 4.5. Of the two proposed urban extensions, Cheesman's Green includes provision for 70,000 sq.m of employment development within the outline consent, however we understand that the landowner does not have immediate plans to bring forward employment floorspace. The proposals at Chilmington Green include limited employment proposals outside of the district centre.
- 4.6. No specific jobs target was set for the rural parts of the Borough; but there was a policy objective to maintain the jobs-homes ratio. The overall policy objective was to achieve no net loss of employment floorspace. Provision was made for small-scale B1-8 development to be able to come forward as windfall sites within and adjoining the larger settlements.
- 4.7. The Council is progressing an Urban Sites and Infrastructure DPD which will allocate development sites within the Urban Area to 2017. This aims to support delivery of the current target of 6625 jobs to 2021 in the Core Strategy. The employment site proposals put forward are as follows:

Figure 4.1: Employment Generating Proposals in Urban Sites & Infrastructure DPD

Ref	Site Name	Proposals
U2	Newton Works	700 homes plus up to 7,000 sq.m in A1-A5, B1, D1 or D2 (Gymnasium) Uses
U3	Chart Industrial Estate	Supports intensification for B1, B2, B8 uses or tourism, leisure, health, education and limited retail warehousing
U15	Henwood Industrial Estate	Supports redevelopment for B1, B2 and B8 uses
U16	Orbital Park	Remaining plots available for B-class uses
U17	Eureka Business Park	Outline planning consent for B1 uses. C. 100,000 sq.m remaining
U19	Sevington	Suitable primarily for B2 & B8 Use. Full release dependent on J10A.

- 4.8. Policy U20 within the draft Urban Sites and Infrastructure DPD proposes to guard against losses/ redevelopment of employment sites.
- 4.9. The Council adopted a Town Centre Area Action Plan (AAP) in February 2010. The table below summarises the development proposals. The AAP supports these with specific site allocations.

Figure 4.2: Employment Generating Proposals in Town Centre AAP

Sq.M GEA Floorspace	Retail/Leisure	Commercial	Residential	Other
Town Centre Core	50500	16000	1000	4000
Commercial	2500	55000	150	
Southern Expansion	8350	8880	1750	Learning Campus
International Station	4000	10000	100	
Civic	1000	3000	0	
Residential Transition	2000	2000	100	
Total	68350	94880	3100	4000

Assessing the Potential Impact of Supply-Side Proposals

- 4.10. To inform scenario development, it is necessary to consider whether the supply side proposals are materially different to those which have been brought forward in the past: considering in effect whether the proposals could potentially support a notable shift in demand (take-up).
- 4.11. To consider this, we have assessed the proposals against the past delivery of employment floorspace. The Council's monitoring information does not include long timeseries data on other employment-generating uses.

Figure 4.3: Employment Completions Trends Per Annum (Gross)

sq.m GEA	20 Year	15 Year	10 Year	5 Year
B1 Mixed	7,162	7,619	5,313	5,788
B1 Total	8,239	9,057	7,469	10,100
A2/B1 Total	8,344	9,131	7,580	10,321
B2	6,541	6,427	4,608	4,521
B8	5,743	6,176	6,708	7,262
B1-8 Mixed	160	213	319	638
A2/B1-B8 Mixed	20,788	21,947	19,215	22,743
B1-B8 Total	20,683	21,873	19,104	22,521

- 4.12. The analysis broadly indicates delivery of between 7,500 – 10,000 sq.m of B1 floorspace per annum, around 4,500 – 4,600 sq.m per annum of B2 floorspace and between 6,000 – 7,300 sq.m per annum of B8 floorspace (with a clear upward trend).
- 4.13. We have also met with selected developers/landowners, including the Homes and Communities Agency, Stanhope and Quadrant Estates.

Office / Business Park Market

- 4.14. Looking first at office/ R&D floorspace (B1a and B1b), the main proposals are:
- Town Centre Offices: c. 95,000 sq.m of which 55,000 sq.m is within the Commercial Quarter; and
 - Eureka Business Park: c. 100,000 sq.m of employment floorspace remaining to be built out.
- 4.15. Including other sites within the urban area, there is potential for over 200,000 sq.m of office/ R&D floorspace. This might take 20-27+ years to deliver if past take-up rates persisted¹⁶. We have therefore sought to examine the scope and potential for an uplift in take-up.

¹⁶ Based on the gross B1 completions trends indicated

Eureka Park

- 4.16. Eureka Park is a 96 acre business park adjacent to M20 Junction 9 has consent for 115,000 sq.m of office development. It represents a major business park which could attract corporate occupiers to Ashford. The first two phases of development have been completed as well as a new retail centre. To date 112,000 sq.ft of office space has been delivered. This includes Northdown 1 and the first phase of Northdown 2 (comprising 26,000 sq.ft of office space in two buildings¹⁷).
- 4.17. There is 100,980 sq.m GEA B1 floorspace remaining to be developed (based on the Outline Consent). The consent allows for B1c light industrial development (although none has been built to-date). We understand from Quadrant Estates that there has also been interest in development of data centres on the site.
- 4.18. Consider the phasing of development, 4432 sq.m have been completed per annum between 2007-10. If development continued at this rate it would take 23 years to build out the remaining space. However we understand that a neighbourhood centre is now in place providing key amenities, there are no longer any infrastructure constraints which will affect the pace of development, and additional car parking has now been built. Domestic high speed rail services are also now operational. Past delivery rates are also set against wider macro-economic conditions. Against this context we consider it reasonable to assume some uplift in take-up rates moving forwards.

Commercial Quarter

- 4.19. Provision of 55,000 sq.m of office floorspace within the Town Centre is proposed at the Commercial Quarter, which sits adjacent to Ashford International Station, between the Station and Town Centre. The scheme is being promoted by the Homes and Communities Agency (HCA), which is the major landowner, working with Ashford Borough Council.
- 4.20. We consider that there is particular degree of additionality associated with the proposals for establishing a specific 'commercial quarter' adjoining the Town Centre and International Station (against a context of very limited completions of new town centre B1 space over several decades). This relates specifically to the potential of the Commercial Quarter to deliver in-town commercial office floorspace close to the international station which can attract inward investment and grow the size of the town's office market.
- 4.21. There are however a number of risks to delivery of the scheme. The rental tone is insufficient to support speculative investment in town centre offices, and it is likely either that a pre-let would need to be secured to deliver an initial phase, or public sector subsidy. There have been few significant in-town office schemes delivered in the UK in the recent years outside of major City Centres. Thus while we do not doubt the Council and HCA's resolve to deliver the Commercial Quarter, it is important to recognise the commercial delivery risks to bringing forward schemes such as this.

Industrial Market

- 4.22. Turning next to consider proposals for B2 and B8 floorspace, there are a range of opportunities for development and intensification on existing employment sites. We consider that there is little

¹⁷ At the time of writing, this has yet to be occupied

additionality associated with these as they will primarily cater for and support continuing take-up of industrial floorspace much as the previous generation of sites has in the past.

- 4.23. Our review of potential development sites has however identified some potential for additional to arise from delivery of strategic distribution floorspace at the Sevington site on the south side of the town. This partly reflects Ashford's strategic location adjacent to the M20 between London and the Channel Tunnel/Dover. However delivery of significant development at Sevington is dependent on the delivery of Junction 10A.

Town Centre Regeneration

- 4.24. Finally, we turn to consider the potential impacts of Town Centre regeneration proposals. This includes current development proposals at Elwick Place.
- 4.25. Elwick Place is a 2.6 hectare site to the south of the Town Centre, adjoining Ashford International Station. The site is owned by HCA, and Stanhope has been appointed preferred development partner to bring forward mixed-use development comprising retail, leisure and residential uses (as well as potentially an office component). The SEEDA (now The Homes and Communities Agency) signed a developer agreement with Stanhope Plc to progress the development in March 2010.
- 4.26. The impact of the Elwick Place proposals however needs to be understood against the context whereby previous retail development schemes have been brought forward over the preceding decade, including most recently the County Square shopping centre extension which opened in 2008.

Competing Sites/ Locations

- 4.27. Consideration of the impact and phasing of key development proposals within Ashford needs to be assessed in the context of other competing sites and locations.
- 4.28. We have considered key competing sites/ locations primarily against the context of the key supply-side proposals identified above.
- 4.29. Looking firstly at the office market, occupier demand currently remains weak set against wider macro-economic factors. There is an absence of large deals and limited speculative developments (besides Quadrant Estates' Eureka Park scheme) across Kent. In-town office rents of £15 per square foot (psf) in Ashford are below those in Maidstone (£21-22 psf) and Sevenoaks and Tunbridge Wells (£17-18 psf).
- 4.30. Significant competing sites with a strong development pipeline would include:
- Kings Hill, West Malling
 - Crossways, Dartford
 - Rochester Riverside
 - Chatham Maritime
 - Ebbsfleet Valley (longer-term)
- 4.31. In addition we have examined the potential impact of Kent Science Park, Sittingbourne and, moving forward, Discovery Park, Sandwich on the potential to capture investment in science/ pharmaceuticals sectors.

Kings Hill, West Malling

- 4.32. Kings Hill Business Park has been developed as part of a mixed use development of the former West Malling Airfield. It is located two miles from M20 Junction 4, so is not a 'motorway location' but accessible from the M20. A bus service links the site to West Malling Station. The nearest major town is Maidstone (11 miles). The business park is being delivered as part of a wider, substantial mixed use development; and the site therefore includes a district centre and a range of amenities; together with residential development.
- 4.33. To date 800,000 sq.ft of offices have been developed, housing 100 companies; with consent existing for a further 1.2m sq.ft of office floorspace. Key tenants include Yell, Kimberley Clark, and Barclays. The site supported rental growth to £24.50 at its peak, however take-up in recent years has been relatively poor. Between 2006-10 take-up averaged 31,900 sq.ft per annum, falling some way behind the more successful business park locations within the South East (particularly those on the M4 Corridor).
- 4.34. In our view the site suffers from being located outside an established market, and at a location which does not have strong public transport access, direct access from a motorway; and which does not relate strongly to an existing main town.
- 4.35. This is particularly a competitor location to Eureka Park, Ashford. While the business park at Kings Hill is more developed, Eureka benefits from its location on the edge of an existing main town, and one with a strong rail link to London. It has proved in the last few years that it can attract businesses from elsewhere in Kent, who could have gone to Kings Hill.

Crossways, Dartford

- 4.36. Crossways is one of the biggest mixed-use development schemes on the M25, located adjacent to Bluewater Shopping Centre. It includes both office and warehouse development. The site benefits from its location on the M25 and offers a range of amenities.
- 4.37. While the site is clearly a competitor to Eureka Park, particularly for attracting inward investment to Kent, however there are a number of differentiating factors, including the labour market characteristics and costs.

Kent Science Park, Sittingbourne

- 4.38. Kent Science Park is located close to the A2 near Sittingbourne. It has been marketed as a science park since its acquisition by LaSalle Investment Management in 2002. Currently a 55 acre site with 63 tenants (employing c. 1200 staff) and c. 77% occupancy, outline planning consent exists for a 4ha expansion. Delivery of c. 15,000 sq.ft of analytical labs and 35,000 sq.m of technology units (clean space) is likely in the short-term.
- 4.39. We would expect the site to face some competition from Discovery Park, albeit that this Science Park is better located in terms of transport links and access to markets. Given the limited scope of further development proposals, we would expect any impact on Ashford to be very moderate.

Discovery Park, Sandwich

- 4.40. Following Pfizer's imminent withdrawal from Sandwich (over the next 2 years), the 86 hectare Pfizer site is being marketed as Discovery Park with land/ buildings available on a freehold or leasehold basis. The site provides 280,000 sq.m of accommodation comprising 126,300 sq.m of lab space; 67,700 sq.m of office space, 20,000 sq.m of warehouse space and 20,600 sq.m of

- specialist floorspace. There are additional opportunities (subject to planning) for residential and ancillary retail/leisure uses.
- 4.41. The site benefits from a number of financial benefits from its Assisted Area Status as well as its designation as an Enterprise Zone, offering potential for a simplified planning regime and reduced business rates.
- 4.42. We understand that CBRE, the agents, are focused on advancing sale of the whole site to an institutional investor. It has recently been announced that Pfizer is negotiating to a consortium led by London and Metropolitan to close a deal to sell the site. Pfizer is to retain 650 people on site, but there are a number of other companies which have expressed an interest in relocating; including a mix of local companies keen on the EZ benefits, and those from further afield attracted by the lab space, technological know-how/innovation, and the workforce skills which exist. With 3 million sq.ft of space however, it will take some time to occupy.
- 4.43. The site is at some distance from Ashford (c. 50 mins journey time) we would expect limited relocations, however the business rate incentives (c. £55,000 pa) could affect inward investment potential in key sectors (high-tech; life sciences etc).

Rochester Riverside

- 4.44. Rochester Riverside is a 32-hectare brownfield development site, owned by HCA and Medway Council. Mixed use development is proposed, with the masterplan including up to 2000 homes as well as 12,000 sq.m of business use. However a deal to deliver the site with housebuilder Crest Nicholson collapsed in 2010. Following preparatory work, Hyde Housing Group is now appointed to deliver the first phase of the scheme. It is unclear whether a developer has been appointed to deliver the commercial elements of the masterplan. Although the location benefits from high-speed domestic rail services, the scale of commercial development proposed is relatively modest and not considered to provide significant competition to Ashford.

Chatham Maritime

- 4.45. SEEDA has delivered in recent years one of the top business locations in Kent at Chatham Maritime with 120,000sqm of office space providing over 3,500 jobs. The scheme has been successful in attracting major corporate occupiers, and benefits from the location of a new University Campus. There is further mixed-use development in the pipeline.

Ebbsfleet Valley

- 4.46. A total of 6,000,000 sq.ft (557,500 sq.m) of office floorspace are proposed at Ebbsfleet, which benefits from a 17 minute journey time to St Pancras International. This provides clear competition to the Commercial Quarter and Ashford Town Centre.

- 4.47. As with Dartford, while this site benefits from proximity to the M25 and London, as a result there is a degree of competition with London for labour and labour costs would likely be higher.

Implications of Key Supply-Side Proposals and Competition

The analysis of key supply-side proposals and competition from competing centres and development projects indicates that there is an opportunity for enhanced performance of office-related sectors associated with the development of an in-town office market in Ashford over the plan period, alongside the build-out of out-of-town business park floorspace. There is an opportunity to develop and reposition Ashford's office market, improving its performance relative to competing centres. The domestic highspeed rail link supports this. However it needs to be recognised that development of substantial in-town office schemes outside of established regional markets is challenging. The associated delivery risks need to be recognised.

More widely there is potential for a continuing trend of growth in warehouse/distribution-related activities, so long as supply-side factors do not constrain growth in take-up. This reflects and capitalises on Ashford's strategic location on the M20 between London and the Channel Tunnel/Dover, with limited current competition from other sites along the M20 corridor.

There are continuing opportunities for development of Ashford Town Centre, however these need to be understood in the context of past investment including the development of the Designer Outlet and County Square.

5. POLICY AMBITIONS

- 5.1. This section reviews key documents and summarises discussions held with the Council's Planning Policy Task Group on 23rd November 2011 to draw out key local strategic policy priorities of Ashford BC in order to inform scenario development.

Policy Review

- 5.2. Headline local aspirations within Ashford have been set out in the Sustainable Communities Strategy 2008-18 developed by the Ashford Partnership. This highlights a strong priority to ensure that new housing is accompanied by new jobs and the necessary social and community infrastructure. In supporting economic development, it identifies a focus on:
- Skills development – including through delivery of the Learning Campus;
 - Higher skilled jobs – commanding higher wages;
 - Ashford Town Centre Regeneration; and
 - Diversifying and growing the rural economy (including through tourism).
- 5.3. The Learning Campus is to be delivered by K College at Elwick Road on the edge of the Town Centre, and will provide modern facilities, improved access and an enhanced course offering.
- 5.4. More detailed economic objectives are outlined in the Ashford Strategic Economic Framework, prepared by Shared Intelligence in 2009-10. This:
- Identifies potential for the town to develop as the economic powerhouse of Kent, building on its strategic accessibility, housing growth and infrastructure investment;
 - Reiterates the strategic focus on higher-skilled/ paid jobs, particularly knowledge-based, with workforce skills development;
 - Emphasises the importance of delivering the Commercial Quarter proposals in achieving this.
- 5.5. The focus of the economic strategy on more office-based employment differs from the current situation in which the town's office market is limited in scale (but has been growing), and key recent economic growth has focused on industrial/ distribution activities as well as the retail and construction sectors.
- 5.6. The Council's Cabinet published a Framework, entitled Ashford 2030 – the Way Forward. Although it is important to recognise that this document does not constitute formal Council policy, it does provide an indication of strategic ambitions of the Council's new administration. These include to:
- Capitalise on the Borough's infrastructure;
 - Focus on higher-value jobs;
 - Achieve a 'level of acceptable growth' that will sustain long-term economic prosperity;
 - Achieve a 'sea change' in the skills base, supported by major expansion of further and higher education opportunities;
 - Support direct intervention to stimulate the office and retail sectors, invigorating the town centre and urban economy;
 - Support a diverse rural economy, with increased support including to the tourism sector.

Planning Policy Task Group

- 5.7. The Borough Council's economic aspirations and the potential scope of scenarios were discussed at a meeting of the Planning Policy Task Group on 23rd November 2011. We have sought to summarise the discussion by dividing points raised in the discussion into:

- Key policy aspirations;
- Factors to be considered in developing scenarios (opportunities/ risks);
- Points of clarification.

5.8. We summarise the discussion in regard to the first two of these below.

Key Policy Aspirations

- 5.9. From the discussion it was clear that the Council's aspiration is for a **jobs-led strategy** to development (with employment growth prospects forming the basis for considering future housing provision). Within this there is a clear aspiration to see **higher paid, higher quality jobs in industries with a long-term future** (resulting in sustained improvements in productivity).
- 5.10. There is an **aspiration to develop the Town Centre**, to reduce the leakage of retail spending to competing centres such as Canterbury and Maidstone. There was potential for housing development to support this, by attracting higher-paid households to live in the area (some of whom will commute but over time might decide to seek more local employment). As well as delivery of the Commercial Quarter (which we will come onto), there is an aspiration to develop a **Cultural Quarter** as a further element of the Town Centre's offer and an important component of the town's wider investment offer.
- 5.11. A long-term aspiration for **provision of University courses** within the Town was also discussed (potentially through provision of a satellite campus to an existing Kent-based University), building on the planned investment by K College. An aspiration to support **rural tourism** was also described.
- 5.12. The potential role which Ashford Borough Council could take in being proactive in support of the economy and creating opportunities was also discussed (with appropriate assessment of risks).

Factors to consider in developing Scenarios

- 5.13. A number of points were also raised in regard to the development and interpretation of scenarios:
- While transport connectivity has improved (particularly with the commencement of the domestic HS1 services), most of the Borough remains rural and relatively isolated;
 - The potential that International rail services could either increase (as new operators were brought in), with potential for stronger economic interaction with Europe, but could also cease;
 - The difficulties in accurately forecasting future economic trends, particularly in the current economic climate, need to be clearly recognised;
 - In assessing the scenarios, guidance should be provided on the probability of different scenarios being achieved;
 - A need to recognise the difficulty in commercial terms in successfully bringing forward a new town centre office quarter; and
 - A need to consider the opportunities for employment growth / diversification within the rural parts of the Borough.
- 5.14. In developing the economic scenarios, it is very important that the relationship between population/housing and employment growth is understood and quantified.

6. FRAMEWORK OF ALTERNATIVE SCENARIOS

6.1. This section draws together the analysis from Sections 3-5 to scope the three alternative economic scenarios. The scenarios proposed seek to draw together the range of factors outlined in Figure 1.1.

6.2. **The scenarios are not intended to be mutually exclusive and are set out in no particular order.** They consider the implications of alternative economic trajectories, taking into account external factors which could influence economic performance and potential policy choices for Ashford BC. The scenarios are set out in no particular order.

1) Baseline Projection

6.3. The baseline projection has been presented in Chapter 2. This takes account of:

- Ashford Borough's economic structure;
- Past relative performance of Ashford Borough against the wider South East economy;
- Trend-based projections for population growth; and
- Macro-economic forecasts at a 41-sector level (as at July 2011).

6.4. We have analysed the baseline projection to disaggregate the proportion of employment growth which is linked to population growth dynamics.

2) Downside Macro Level Risks

6.5. This scenario models downside macro-economic risks, relating to:

- Weaker prospects for global growth, particularly in Europe, and its impact on overall growth prospects, and prospects for individual sectors (particularly exporting sectors, both manufacturing and services).
- Risks associated with a further credit crunch, and retrenchment in bank lending, and the impact of this on business investment; and
- Continuing public sector spending restraints beyond the Comprehensive Spending Review period to 2015 (as is assumed in the baseline projection), as mooted by the Treasury's Autumn Statement this week.

6.6. The scenario also assumes for modelling purposes that population growth in Ashford Borough is consistent with forecasts for the South East. This is more moderate than forecast population growth in the baseline scenario.

6.7. The scenario also considers, at a local level, the threat that international rail services from Ashford could cease. This is considered in qualitative terms given the identified difficulties in quantifying the potential impact which this might have.

The Enhanced Performance and Enhanced Productivity Scenarios considered below build on the Downside Risks Scenario, taking account of assumptions within this, the impact of the macro-economic outlook and future population growth.

3) Enhanced Performance

- 6.8. The third scenario seeks to maximise the opportunities for economic growth within Ashford Borough, specifically taking account of:
- The opportunities for enhanced economic performance which the first rate transport infrastructure (road and rail) provides, in providing Ashford with a competitive advantage in an increasingly competitive environment for investment;
 - Enhanced performance of office-related sectors associated with the development of an in-town office market over the plan period to 2030 with delivery of the Commercial Quarter, as well as build out of a Eureka Park, a major out-of-town business park;
 - A continuing trend of growth in warehouse/ distribution-related activities, assuming that supply-side factors do not limit the upward trend in take-up;
 - An increase in employment and output from the retail and leisure sectors associated with delivery of improvements to Ashford Town Centre which cater not just for population growth within the Borough but see some clawback of expenditure leakage to other centres;
 - Growth opportunities arising in new higher value-added sectors such as IT/ computing and new media attracted by the high quality of life and excellent broadband infrastructure available; and
 - Enhanced economic performance in the rural parts of the Borough including growth in the small business base and tourism/leisure.
- 6.9. This scenario considers the potential economic benefits of 'maximising the economic potential' of the Borough.

4) Enhanced Productivity

- 6.10. This fourth scenario is particularly driven by policy aspirations to improve the quality of jobs, and reduce the gap in productivity between Ashford and the South East. It thus focuses on supporting value creation, productivity and higher-quality / skilled jobs (rather than simply jobs numbers).
- 6.11. This scenario moderates Scenario 3 to focus on higher value-added activities. This is to be achieved particularly by:
- Continuing to exploit the full opportunity which the first rate transport infrastructure, as well as broadband connections provide;
 - Improvements in the skills profile of the local workforce, including through investment in education/training provision; and
 - Exploiting the inherent strengths of the rural economy for enterprise and growth of higher value-added small businesses.
- 6.12. Relative to Scenario 3, this scenario focused to a greater degree on higher value-added sectors such as computing, digital/creative, office-related activities (professional and business services.)

with some growth in pharma/medical. It sees greater policy support and investment for the manufacturing sector in line with the Government's Plan for Growth (2011).

7. DEVELOPING THE ALTERNATIVE SCENARIOS

Downside Macro Risks Scenario

- 7.1. The Downside Risks economic scenario takes into account a number of external risks that are likely to impact on the Borough and were not fully foreseen at the time the Baseline scenario was prepared.
- 7.2. The Baseline economic scenario is consistent with Cambridge Econometrics' UK Regional forecast as published in July 2011. The prospects for both domestic and global (especially European Union) growth, at least in the short and medium term, have worsened since that time, and this is likely to have some impact on economic growth in Ashford.
- 7.3. Since that time, further public sector retrenchment has also been announced, and the Office for Budgetary Responsibility (OBR) has released updated forecasts of expected losses of general government employment in the short and medium term.
- 7.4. The Baseline scenario also assumes that population in Ashford will continue to grow strongly into the future (based, as it is, on the 2008-based Office for National Statistics sub-national population projections published in May 2010). This assumption is for modelling purposes to support disaggregation of growth which is population-driven and that which is not. The growth assumed in the local population has implications in particular for the growth in population-dependent industries such as retailing, public administration, health and education.
- 7.5. A further threat to growth in Ashford is the risk that international passenger rail services to the town may be withdrawn (albeit that this is by no means a given). This could potentially lead to the withdrawal of a number of firms that are reliant on such services. Adjustments for this risk have not been made in the quantitative modelling of economic impacts as there is no robust basis on which to accurately quantify the potential impact which this could have on the local economy.

Assumptions

- 7.6. Various adjustments are made to the assumptions of the Baseline scenario to reflect the potential impact of the downside risks.
- 7.7. Firstly, prospects for growth in value added are adjusted to take into account the impact of weaker global and domestic growth on firms in Ashford. This involves several steps:
- Estimates are made for how much of the output of each industry in Ashford goes to the domestic market (ie UK), or is exported to Europe or the rest of the World, based on UK-level data.
 - The Baseline scenario forecast growth in output in each industry is then adjusted, based on an analysis of recent forecasts¹⁸ for growth in these areas (ie UK, Europe, rest of World) compared with similar forecasts approximately six months ago, according to the proportion of

¹⁸ Forecasts from the National Institute for Economic and Social Research, Oxford Economics, and the International Monetary Fund (Cambridge Econometrics does not currently have a more recent forecast than that published in July 2011) were analysed to form a view of how much the growth in demand from each destination should be revised downwards.

output going to each of the destinations¹⁹. The assumptions for the impact of poorer prospects for domestic and export demand are shown in Figure 7.1.

Figure 7.1: Assumptions for Impact of reduced Domestic and Export Demand

	2011	2012	2013
	pp	pp	pp
UK domestic demand	-0.5	-0.7	0.0
investment goods	-0.75	-1.0	0.0
EU export demand	-1.0	-1.2	0.0
investment goods	-1.25	-1.5	0.0
Rest of World export demand	-0.75	-0.9	0.0
investment goods	-1.0	-1.25	0.0

Note: pp = percentage point adjustment.
The negative impact on investment goods (mechanical engineering, electronics, electrical engineering, motor vehicles, other transport equipment) is assumed to be stronger than on other goods and services.

- 7.8. Secondly, the forecasts for employment growth in the three public sectors (Public Administration, Health and Education) in the model are revised down, based on a comparison of the revisions to forecasts for general government employment made by the OBR.

Figure 7.2: Assumptions for impact of Further Retrenchment in Public Sector Employment

	2011	2012	2013
	pp	pp	pp
Impact on employment in public sectors	-2.7	-1.8	-0.5

Note: pp = percentage point adjustment.
Public sectors in the Local Economy Forecasting Model are public administration & defence, education and health. The reduction in growth was applied equally across all three sectors.

- 7.9. Finally, the assumptions for population growth are adjusted so that the overall population in Ashford grows at the same rate as Cambridge Econometrics forecasts for the South East (See Figure 7.3).

Thus, if, in a particular period, growth in demand in Europe is expected to be 0.5 percentage points (pp) lower than in the Baseline scenario, and 50% of a particular industry's output is estimated to go to Europe, then the forecast for growth in output in that industry and period would be revised downwards by 0.25 pp. Similar adjustments would also be made for the parts of output going to the UK and rest of World.

Figure 7.3: Population Assumptions

	2010	2030	2010 -30	2005 -10	2010 -15	2015 -20	2020 -30	2010 -30
	'000	'000	'000	% pa	% pa	% pa	% pa	%
Baseline	115.5	144.4	28.9	1.1	1.3	1.3	1.0	25
Downside Risks	115.5	132.1	16.6	1.1	0.6	0.7	0.7	14

- 7.10. The threat that international rail services cease has been assessed in qualitative terms. Ashford BC undertook a survey of 115 businesses in the Borough in Winter 2011. 21% of the businesses surveyed served international markets, with 23% of business being derived from overseas. However just 6% of the businesses surveyed suggested that they came to or would stay in Ashford because of the international rail links. None suggested that they were looking to move overseas.
- 7.11. The business survey however highlighted that good transport links as one of the Borough's key attributes. We suspect that the direct impact from loss of international services would particularly impact the tourism sector locally. However the loss of international rail services from Ashford International Station would also be likely to harm the perception and brand of Ashford as a gateway to Europe and highly-connected place.
- 7.12. It should be recognised that the loss of international services is by no means a given, but should be recognised as a risk. It will be important that the Council and its partners work proactively (with the train operating companies) to seek to retain and develop international rail links.

Economic Performance Scenario

- 7.13. The Enhanced Performance scenario is based on an analysis of the potential for jobs growth in Ashford. It seeks to maximise the opportunities for economic growth within Ashford Borough, specifically taking account of:
- The opportunities for enhanced economic performance which the favourable transport infrastructure (road and rail) provides, in providing Ashford with a competitive advantage in an increasingly competitive environment for investment;
 - Enhanced performance of office-related sectors associated with the development of an in-town office market over the plan period to 2030 together with the build-out of out-of-town business park floorspace;
 - A continuing trend of growth in warehouse/ distribution-related activities, assuming that supply-side factors do not limit the upward trend in take-up;
 - An increase in employment and output from the retail and leisure sectors associated with delivery of improvements to Ashford Town Centre;
 - Growth opportunities arising in new higher value-added sectors such as IT/ computing and new media attracted by the high quality of life and excellent broadband infrastructure available; and
 - Enhanced economic performance in the rural parts of the Borough including growth in the small business base and tourism/leisure.

- 7.14. This scenario considers the potential economic benefits of 'maximising the economic potential' of the Borough.

Assumptions

- 7.15. The starting point for this scenario is the Downside Risks scenario which is seen as a more likely outcome than the Baseline scenario. The scenario assumes for modelling purposes below-trend population growth consistent with the Downside Risks scenario.
- 7.16. The key assumptions for this scenario focus on the potential employment that could be generated in particular sectors, based on an analysis of demand for the types of development that might go forward in the Borough.
- 7.17. The sectors assumed to see enhanced employment growth in this scenario are:
- Pharmaceuticals
 - Construction
 - Distribution
 - Retailing
 - hotels & catering
 - land transport
 - communications
 - banking & finance
 - insurance
 - computing services
 - professional services
 - non-financial business services
 - miscellaneous services

Enhanced Productivity Scenario

- 7.18. The Enhanced Productivity scenario is driven in particular by policy aspirations to improve the quality of jobs, and reduce the gap in productivity between Ashford and the South East. It thus focuses on supporting value creation, productivity and higher-quality / skilled jobs (rather than simply boosting the number of jobs).
- 7.19. This scenario moderates the Enhanced Performance scenario to focus on higher value-added activities. This is to be achieved particularly by:
- Continuing to exploit the full opportunity which the first rate transport infrastructure, as well as broadband connections provide;
 - Improving the skills profile of the local workforce, including through investment in education/training provision; and
 - Exploiting the inherent strengths of the rural economy for enterprise and growth of higher value-added small businesses.
- 7.20. Relative to the Enhanced Performance scenario, this scenario focuses to a greater degree on higher value-added sectors such as computing, digital/creative and office-related activities (professional and business services) with some additional growth also occurring in pharma/medical. It sees greater policy support and investment for the manufacturing sector in line with the Government's Plan for Growth (2011).

Assumptions

7.21. This scenario focuses on high-tech manufacturing, pharmaceuticals and office-based services. The sectors assumed to see enhanced productivity growth are:

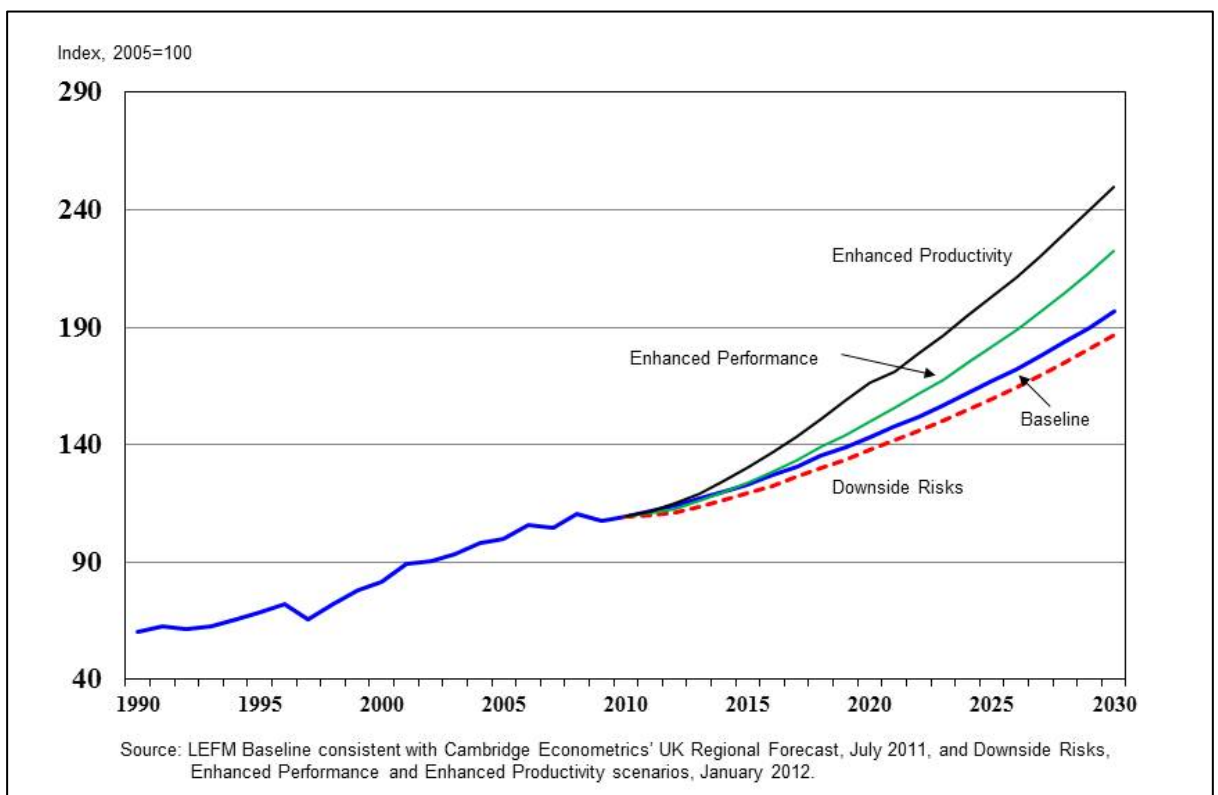
- Pharmaceuticals
- mechanical engineering
- electronics
- electrical engineering & instruments
- communications
- banking & finance
- insurance
- computing services
- professional services
- non-financial business services
- miscellaneous services

7.22. In this scenario, it is assumed that productivity in the specified industries will grow faster than forecast in the other scenarios, and will reach the productivity forecast for the same sectors in the South East as a whole in 2030. Although this is a strong assumption to make, it will show the impact on wealth (through GVA) in the borough of achieving more rapid productivity growth.

8. COMPARISON OF THE SCENARIO RESULTS

- 8.1. This chapter compares the results for key variables for each of the scenarios. Several of the tables include Cambridge Econometrics' forecasts for the South East and UK, for comparison. However, it should be remembered that those forecasts were published in July 2011 and do not reflect the developments that have happened in the global (especially Europe) and domestic economies since then. They do, however, still give a useful comparison of prospects for growth in the longer term.

Figure 8.1: GVA in Ashford



- 8.2. Figures 8.1 and 8.2 show GVA in Ashford to 2030 under the alternative scenarios. Figure 8.1 shows the impact of the adjustments made to the Baseline scenario to develop the Downside Risks scenario.
- 8.3. It can be seen that the impact is mainly felt in the short term, with growth of 1¾% pa forecast for 2010-15 rather than 2¼-½% pa in the Baseline scenario. In the longer term, the slower population growth that is assumed has a small negative impact on overall GVA growth.
- 8.4. The outcome for GVA growth in the two 'Enhanced' scenarios is particularly strong, especially in the Enhanced Productivity scenario. While we consider the employment numbers for both scenarios to be achievable, the Enhanced Productivity scenario assumes that productivity improvements match those forecast across the South East. The resultant forecasts of GVA growth of 4-5% pa over a 10-15 year period in the Enhanced Productivity scenario would represent an unprecedented outcome. Achieving it will depend on many different factors 'coming

right' in Ashford, not least the investment decisions made by the LEP (and the wider public sector) and, crucially, key businesses. In practice there are significant downside risks to achieving this growth in productivity – but the scenario itself does demonstrate what could, in principle be achieved. Specifically, it shows that if jobs growth was focused on the higher value added sectors, and rapid increases in productivity were achieved, then the overall wealth of the Borough's economy could grow faster even than in the Enhanced Performance scenario with less growth in employment.

Figure 8.2: GVA Growth

	2005 -10	2010 -15	2015 -20	2020 -30	2010 -30
	% pa	% pa	% pa	% pa	%
Baseline	1.8	2.3	3.1	3.2	79
Downside Risks	1.8	1.7	2.9	3.1	70
Enhanced Performance	1.8	2.5	4.1	4.3	112
Enhanced Productivity	1.8	3.5	5.0	4.1	128
South East	0.4	2.2	3.0	3.2	77
UK	0.6	2.1	2.7	3.0	70
Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Forecast, July 2011, and Downside Risks, Enhanced Performance and Enhanced Productivity scenarios, January 2012.					

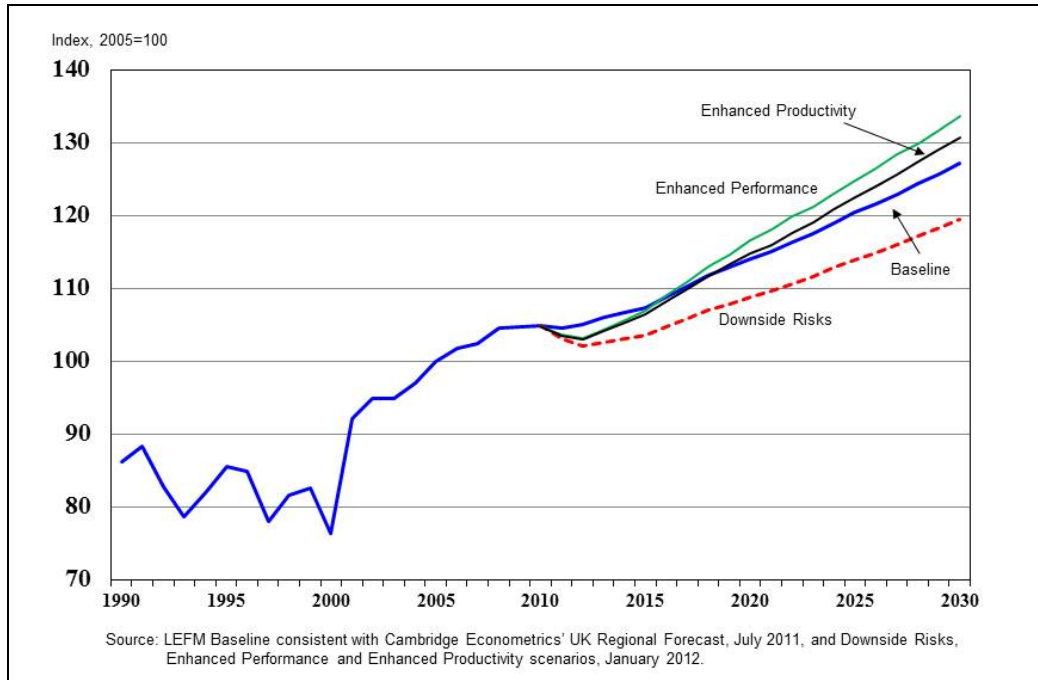
- 8.5. Figure 8.3 shows overall productivity growth in each of the scenarios. It shows that although the assumptions for productivity by industry in the Enhanced Performance scenario are the same as in the Downside Risks scenario, overall productivity growth is faster, due to the particular mix of sectors that are assumed to see growth in employment in that scenario.
- 8.6. The table also shows that over 2010-30 total productivity in Ashford in the Enhanced Performance scenario (as well as in the Enhanced Productivity scenario) would grow by more than forecast (in July 2011) for the UK and South East. This scenario sees stronger job creation in higher value-added sectors.

Figure 8.3: Productivity Growth

	2005 -10	2010 -15	2015 -20	2020 -30	2010 -30
	% pa	% pa	% pa	% pa	%
Baseline	0.9	1.8	1.9	2.1	48
Downside Risks	0.9	1.9	1.9	2.2	49
Enhanced Performance	0.9	2.1	2.4	2.9	66
Enhanced Productivity	0.9	3.2	3.5	2.8	83
South East	0.7	1.9	2.1	2.4	53
UK	0.8	1.9	2.0	2.2	50
Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Forecast, July 2011, and Downside Risks, Enhanced Performance and Enhanced Productivity scenarios, January 2012.					

- 8.7. Figures 8.4 and 8.5 show employment growth in each scenario. In the Downside Risks scenario, overall employment increases by just 14% over 2010-30 (although this is still just faster than forecast (in July 2011) for the UK. In the Enhanced Performance scenario, growth over this period would be almost twice as fast, at 27%.

Figure 8.4: Employment in Ashford



- 8.8. Annual growth of around 1½% pa over 2010-30 in the Enhanced Performance Scenario represents strong growth in comparison to past performance, especially over such a prolonged period, and does represent something of an upper band. However, it is based on plausible assumptions for the sort of growth that could be achieved in the Borough if the right conditions come together.
- 8.9. Employment growth in the Enhanced Productivity scenario is a little slower than in the Enhanced Performance scenario, but is focused on higher value added jobs. Even so, employment would still grow by 25% over 2010-30 in this scenario

Figure 8.5: Employment Levels and Growth

	2010	2030	2010 -30	2005 -10	2010 -15	2015 -20	2020 -30	2010 -30
	'000	'000	000	% pa	% pa	% pa	% pa	%
Baseline	57.9	70.3	12.4	1.0	0.5	1.2	1.1	21
Downside Risks	57.9	66.1	8.1	1.0	-0.2	1.0	0.9	14
Enhanced Performance	57.9	73.8	15.9	1.0	0.4	1.7	1.4	27
Enhanced Productivity	57.9	72.3	14.3	1.0	0.3	1.5	1.3	25
South East	4,263	4,925	662	-0.3	0.3	0.8	0.9	16
UK	30,658	34,633	3,975	-0.2	0.2	0.7	0.8	13
Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Forecast, July 2011, and Downside Risks, Enhanced Performance and Enhanced Productivity scenarios, January 2012.								

- 8.10. As discussed previously, the ONS-based population projections used as assumptions in the Baseline scenario project continued rapid growth right up to 2030. For the remaining scenarios the population projections were adjusted to give the same growth as forecast by Cambridge Econometrics for the South East for modelling purposes. It should however be recognised that there are good reasons why Ashford Borough's population might grow more strongly than projected for the South East.
- 8.11. Figure 8.6 shows that the population assumptions used for the Baseline scenario project growth twice as fast as that forecast for the UK as a whole over 2010-30.

Figure 8.6: Population

	2010	2030	2010 -30	2005 -10	2010 -15	2015 -20	2020 -30	2010 -30
	'000	'000	000	% pa	% pa	% pa	% pa	%
Baseline	115.5	144.4	28.9	1.1	1.3	1.3	1.0	25
Downside Risks	115.5	132.1	16.6	1.1	0.6	0.7	0.7	14
Enhanced Performance	115.5	132.1	16.6	1.1	0.6	0.7	0.7	14
Enhanced Productivity	115.5	132.1	16.6	1.1	0.6	0.7	0.7	14
South East	8,474	9,689	1,215	0.7	0.6	0.7	0.7	14
UK	62,068	69,479	7,410	0.6	0.6	0.6	0.5	12
Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Forecast, July 2011, and Downside Risks, Enhanced Performance and Enhanced Productivity scenarios, January 2012.								

- 8.12. Figure 8.7 shows employment growth by broad industrial sector under the different scenarios. The top section of the table shows annual growth rates, while the first column of the bottom half of the table shows the level of employment in 2010 and the remaining columns show the absolute change in employment over 2010-15 and 2015-30. Figures have been removed from some cells for very small sectors where small absolute changes can show up as very large growth rates.
- 8.13. The table shows that in the Downside Risks scenario, the sharp reduction in jobs in government & other services over 2010-15 means that over the whole period 2010-30, a similar amount of jobs (around 2,500) are forecast to be generated in financial & business services as in the government & other services (which is the largest sector in the Borough) sector.
- 8.14. Under the Enhanced Performance scenario, however, a total of almost 8,000 jobs are forecast to be generated by the financial & business services sector over 2010-30. That is around half the total number of jobs forecast to be created in the Borough over that period.
- 8.15. In the Enhanced Productivity scenario, a similar number of jobs are forecast to be generated in the higher value added financial & business services sector that is the main focus of growth in that scenario.
- 8.16. Employment in manufacturing is forecast to remain static at best, and only in the short term, but to continue falling in the long term in all scenarios. Manufacturing will however remain important to wealth creation and value added.

Figure 8.7: Employment Growth by Sector

	Baseline			Downside Risks		Enhanced Performance		Enhanced Productivity	
	2005 -10	2010 -15	2015 -30	2010 -15	2015 -30	2010 -15	2015 -30	2010 -15	2015 -30
	% pa	% pa	% pa	% pa	% pa	% pa	% pa	% pa	% pa
Agriculture	..	..	..	..	..	..	..	..	..
Mining & quarrying	..	..	..	..	..	..	..	..	..
Manufacturing	-3.9	-1.0	-1.2	-1.3	-1.2	0.2	-0.8	0.0	-0.6
Electricity, gas & water	..	..	..	..	..	..	..	..	..
Construction	2.4	1.5	1.6	1.0	1.5	1.3	1.7	1.0	1.4
Distrib., hotels & cater.	0.7	0.9	1.0	0.4	0.9	0.5	1.2	0.4	0.9
Transport & comms.	7.5	0.2	0.5	-0.1	0.4	-0.1	1.3	-0.2	1.1
Fin. & business services	2.5	1.0	1.3	0.6	1.2	3.1	2.8	3.1	2.8
Government & other serv.	2.0	0.1	1.6	-1.4	1.3	-1.4	1.3	-1.4	1.3
Total	1.0	0.5	1.1	-0.2	1.0	0.4	1.5	0.3	1.4
	2010	2010 -15	2015 -30	2010 -15	2015 -30	2010 -15	2015 -30	2010 -15	2015 -30
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
Agriculture	0.1	..	..	..	..	..	..	..	..
Mining & quarrying	0.0	..	..	..	..	..	..	..	..
Manufacturing	5.1	-0.3	-0.8	-0.4	-0.7	0.0	-0.6	0.0	-0.5
Electricity, gas & water	0.1	..	..	..	..	..	..	..	..
Construction	5.9	0.4	1.8	0.3	1.5	0.4	1.8	0.3	1.5
Distrib., hotels & cater.	14.2	0.6	2.5	0.3	2.1	0.4	2.7	0.3	2.0
Transport & comms.	4.3	0.1	0.3	0.0	0.3	0.0	0.9	0.0	0.7
Fin. & business services	10.3	0.5	2.4	0.3	2.1	1.7	6.2	1.7	6.2
Government & other serv.	17.9	0.0	5.0	-1.2	3.7	-1.2	3.6	-1.3	3.6
Total	57.9	1.4	11.0	-0.7	8.9	1.2	14.7	0.9	13.5

<p>Source: LEFM Baseline consistent with Cambridge Econometrics' UK Regional Forecast, July 2011, and Downside Risks, Enhanced Performance and Enhanced Productivity scenarios, January 2012.</p>									

9. EMPLOYMENT LAND REQUIREMENTS

9.1. In this section we consider the implications of the four economic forecasts for employment land and floorspace requirements. The analysis focuses on 'B Class Uses' comprising office, industrial and warehouse floorspace.

Approach

9.2. To relate the forecasts for employment growth by sector to future requirements for office, industrial and warehouse property and land, a stepped approach has been used:

1. The structure of the local economy was analysed at 4-digit SIC Code level²⁰ to consider the proportion of employment in each of the 41 sectors in the CE forecast which was likely to take place in different use class categories (B1a and B1b; B1c and B2, and B8).
2. These proportions have then been applied to each of the 41 sectors in the forecast to estimate the change in employment by use class (B1a and B1b; B1c and B2, and B8) in Ashford Borough between 2010-2030.
3. Employment densities have then been used to convert these estimates of net change in employment by use class into estimates of change in floorspace. Employment densities describe the typical volume of floorspace per employee in different types of property. The average densities used have been based on the 2010 Homes & Communities Agency Guidance²¹. We have calculated and used figures for Gross External Area (GEA).
4. The process above has been used to calculate **net** additional floorspace requirements based on the economic forecasts.
5. However a considerable proportion of demand for employment floorspace and land within the District arises from existing businesses. We have therefore sought to calculate **gross** floorspace requirements through analysis of the past relationships in Ashford Borough between gross development and net change in floorspace over the last 10 years. This allowance (over and above net forecast changes) is necessary to support churn in the local market and provide a choice of sites/premises.

9.3. This process is used to derive a forecast of future employment land requirements based on anticipated performance of the economy and sectors. This is then compared to past net completions.

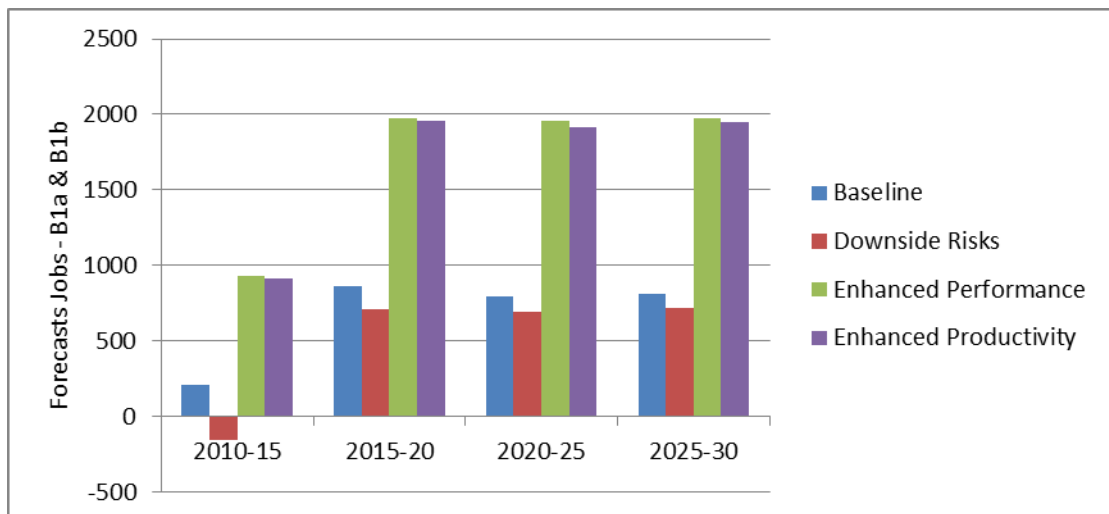
²⁰ Standard Industrial Classification (SIC) Codes at a sub-sector level

²¹ Drivers Jonas Deloitte (2010) Employment Densities Guide: 2nd Edition (for Homes & Communities Agency)

Results

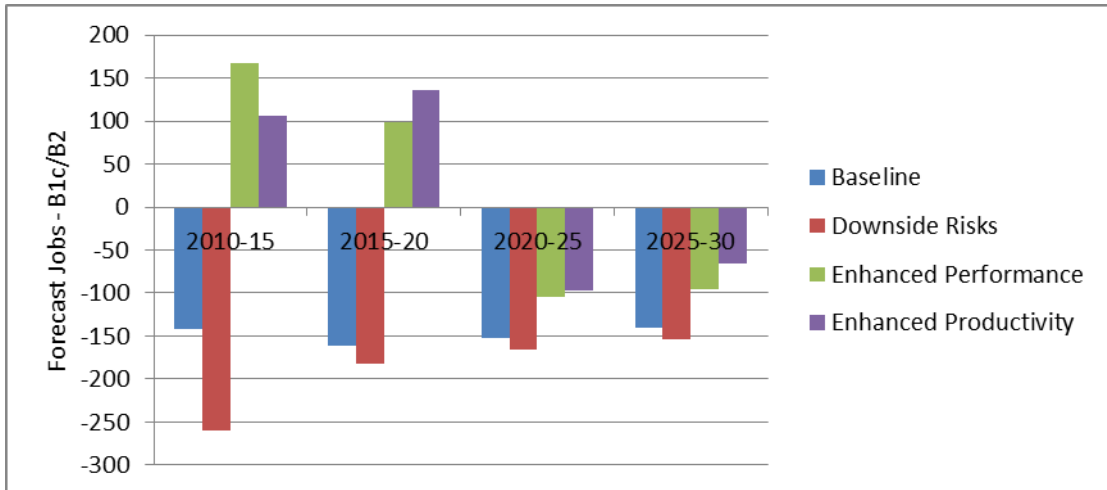
- 9.4. The four economic scenarios have been analysed to estimate how the distribution of employment by sector relates to employment use classes (B Class Uses). This is informed by a detailed interrogation of the composition of employment in individual sectors in Ashford Borough at 4-digit SIC level.
- 9.5. Figures 9.1 – 9.3 indicate the forecast net changes in employment in B Class uses over the 2010-30 plan period in each of the four scenarios.
- 9.6. Figure 9.1 indicates forecast jobs in office-based and R&D activities. The scenario modelling assumes significantly stronger demand for office-based activities in the enhanced performance and productivity scenarios.

Figure 9.1: Forecast Trends in Jobs in Office-based and R&D Activities (B1a & B1b)



- 9.7. Figure 9.2 indicates forecast jobs in industrial activities. The scenario modelling assumes that there is some, albeit moderate, growth in jobs in industrial activities in the enhanced performance and productivity scenarios in the period to 2020.

Figure 9.2: Forecast Trends in Jobs in Industrial Activities (B1b & B2)



- 9.8. The risks to growth in exports in the short-term related to Eurozone performance influence industrial jobs in the Downside Risks scenario in the short-term.
- 9.9. Figure 9.3 indicates forecast trends in jobs in warehouse and distribution activities. Relative to B1a/b activities, the forecasts of job growth are relatively moderate. Forecast growth in jobs is stronger in the Enhanced Performance scenario than in the Enhanced Productivity scenario.

Figure 9.3: Forecast Trends in Jobs in Warehouse & Distribution Activities (B8)



- 9.10. The next step in the modelling is to apply assumptions on employment densities (the average square meters of floorspace per worker) in different use classes to the forecast changes in employment. This is used to estimate net changes in floorspace in B-Class Uses.
- 9.11. The 2011 HCA Employment Densities Guide (2nd Edition) sets out standard employment densities for different types of uses. These are set out below:

Figure 9.4: Standard Employment Densities

Use Class	Use	Floorspace per Worker
B1a	General Office	12 sq.m NIA
B1a	Call Centres	18 sq.m NIA
B1a	IT Data Centres	47 sq.m NIA
B1a	Business Park	10 sq.m NIA
B1a	Serviced Office	10 sq.m NIA
B1c	Light Industrial	47 sq.m NIA
B2	General Industrial	36 sq.m GIA
B8	General	70 sq.m GEA
B8	Large Scale	80 sq.m GEA

Source: Drivers Jonas Deloitte for HCA (2011) Employment Densities Guide – 2nd Edition

- 9.12. The densities vary slightly from those in the previous version of the guide. Employment densities for office floorspace have for instance increased (i.e. office space is being occupied more intensely).
- 9.13. To consider appropriate densities for modelling purposes, the employment densities assumed within Ashford Borough Council's previous Employment Land Review (NLP, 2008) have been assessed. This Study assumed a density of 20 sq.m GEA per job for office floorspace, 30 sq.m GEA per job for industrial floorspace. For warehouse/distribution floorspace it a proportion of smaller units at 40 sq.m GEA per job, with 30% of jobs in strategic distribution units at a lower density of 1 job per 80 sq.m GEA.
- 9.14. Considering both the HCA Guidance and the assumptions within the previous ELR, we have adopted the following assumptions on employment densities:
- Office/R&D (B1a and B1b): 15 sq.m GEA per job
 - Industrial (B1c and B2): 40 sq.m GEA per job
 - Warehouse/Distribution: 70 sq.m GEA per job
- 9.15. The assumed employment densities for office and R&D space are higher than those assumed in the 2008 ELR reflecting the trend towards higher employment densities in recent years and the potential for a range of B1a activities to be accommodated on business park sites at varying densities across the Borough. Industrial density assumptions represent a blend between the densities in the HCA Guidance for light and general industrial floorspace. Warehouse/distribution densities assumptions assume a mix of provision between warehousing units of varying sizes.
- 9.16. Drawing the analysis together, the tables below indicate forecast net changes in floorspace over the plan period to 2030.

Figure 9.5: Forecast Net Changes in Office & R&D Floorspace

B1a/b sq.m GEA	2010-15	2015-20	2020-25	2025-30
Baseline	3,100	12,900	11,900	12,200
Downside Risks	-2,400	10,700	10,400	10,700
Enhanced Performance	14,000	29,700	29,300	29,600
Enhanced Productivity	13,700	29,400	28,700	29,200

Figure 9.6: Forecast Net Changes in Industrial Floorspace

B1c/B2 sq.m GEA	2010-15	2015-20	2020-25	2025-30
Baseline	-5,700	-6,400	-6,100	-5,600
Downside Risks	-10,400	-7,300	-6,700	-6,100
Enhanced Performance	-10,400	-7,300	-6,700	-6,100
Enhanced Productivity	4,300	5,400	-3,900	-2,600

Figure 9.7: Forecast Net Changes in Warehouse/Distribution Floorspace

B8 sq.m GEA	2010-15	2015-20	2020-25	2025-30
Baseline	7,000	8,700	10,000	9,400
Downside Risks	1,200	6,300	8,100	7,400
Enhanced Performance	2,300	12,300	13,400	12,900
Enhanced Productivity	2,000	7,300	8,200	8,400

9.17. The process above has been used to calculate forecasts of net change in total floorspace based on the economic forecasts. However in considering how much land to allocate for development there are two further issues which warrant consideration:

- Losses of existing employment floorspace – over the last 10 years an average of 19,100 sq.m of employment floorspace has been lost each year. It will be important what new land will be needed moving forward to compensate for losses of existing floorspace through redevelopment;
- Margin for choice and competition – it is also necessary to provide a ‘margin’ within calculations to provide a choice of sites and premises within the local market to support competition, to allow for land which is being developed or redeveloped at any one time, and provide a degree of flexibility to ensure that land supply does not unduly constrain future economic growth.

9.18. In preparing this report, GLH has not undertaken a detailed assessment of the existing supply of employment sites and premises in the Borough in order to provide a considered view on potential future losses of existing employment floorspace. On this basis we have therefore simply assumed that future net loss of employment floorspace continues over the plan period at rates consistent with those over the past 10 years.

9.19. GLH has used Ashford Borough Council’s employment monitoring data to estimate losses of employment floorspace over the past 10 years (2001-2011). Rates of loss of employment floorspace are set out below:

Figure 9.8: Rates of Loss of Employment Floorspace, 2001-11

Use Class	Sq.M Floorspace (GEA) Lost Per Annum, 2001-11	Indicative Forecast of Future Floorspace Losses 2010-30 (sq.m GEA)
Losses B1	1611	32,220
Losses B2	4019	80,380
Losses B8	3903	78,060

Source: GLH based on ABC Monitoring Data

- 9.20. **These assumptions on future losses of employment floorspace should be regarded as indicative.** They assume that the rate of redevelopment of employment land and floorspace continues in line with past trends. The assumptions should be reviewed through assessment of the existing employment sites in the Borough which can inform identification of specific sites which can be expected to be released for alternative uses over the plan period to 2030.
- 9.21. Including this allowance for the loss of employment floorspace over the plan period, GLH has calculated **gross** floorspace requirements.

Figure 9.9: Gross Forecasts of Employment Floorspace, 2010-30

	2000-10	2010-15	2015-20	2020-25	2025-30
B1a/b: Office/R&D					
Baseline	67632	11120	20959	19963	20262
Downside Risks	67629	5694	18744	18440	18796
Enhanced Performance	67628	22044	37725	37356	37697
Enhanced Productivity	67632	21795	37419	36728	37276
B1c/B2: Industrial					
Baseline	-8392	14422	13651	13989	14464
Downside Risks	-8400	9712	12832	13441	13947
Enhanced Performance	-8404	12708	10874	12273	12792
Enhanced Productivity	-8392	24350	25507	16200	17470
B8: Warehouse/Distribution					
Baseline	146514	26566	28239	29512	28959
Downside Risks	146514	20753	25798	27617	26910
Enhanced Performance	146514	26797	28814	29960	29279
Enhanced Productivity	146514	21590	26819	27752	27894

- 9.22. To convert the gross floorspace forecasts above into land we have used the concept of plot ratios, which assess the density of development in terms of the relationship between the volume of employment floorspace and total site area. We consider that the plot ratios assumed within the 2008 ELR are reasonable, and have adopted these for consistency purposes. The assumed plot ratios are thus:
- Office/ R&D Uses: Assume 30% of floorspace delivered post 2015 is within Ashford Town Centre at a plot ratio of 2.5. Remaining floorspace, including all development pre 2015, is delivered elsewhere in the Borough at a plot ratio of 0.4.
 - Industrial, Warehouse and Distribution Uses: Assume an average plot ratio of 0.4.

9.23. The resultant forecasts of employment land requirements over the plan period to 2030 in each of the scenarios are set out in the tables below.

9.24. The forecasts indicate a requirement for between 12 – 27 hectares of land for office and R&D uses.

Figure 9.10: Forecast Land Requirements (Gross) for Office and R&D Uses

B1a/b (Hectares)	2010-15	2015-20	2020-25	2025-30	Total
Baseline	2.8	3.9	3.7	3.8	14.2
Downside Risks	1.4	3.5	3.4	3.5	11.9
Enhanced Performance	5.5	7.1	7.0	7.0	26.6
Enhanced Productivity	5.4	7.0	6.9	7.0	26.3

9.25. A gross requirement for between 12 – 21 hectares of industrial land is required to support recycling of land and provision of modern industrial premises.

Figure 9.11: Forecast Land Requirements (Gross) for Industrial Uses

B1c/B2 (Hectares)	2010-15	2015-20	2020-25	2025-30	Total
Baseline	3.6	3.4	3.5	3.6	14.1
Downside Risks	2.4	3.2	3.4	3.5	12.5
Enhanced Performance	3.2	2.7	3.1	3.2	12.2
Enhanced Productivity	6.1	6.4	4.1	4.4	20.9

9.26. A requirement for between 25-28 hectares of land for warehouse/distribution activities is forecast.

Figure 9.12: Forecast Land Requirements (Gross) for Warehouse/Distribution Uses

B8 (Hectares)	2010-15	2015-20	2020-25	2025-30	Total
Baseline	6.6	7.1	7.4	7.2	28.3
Downside Risks	5.2	6.4	6.9	6.7	25.3
Enhanced Performance	6.7	7.2	7.5	7.3	28.7
Enhanced Productivity	5.4	6.7	6.9	7.0	26.0

9.27. Figure 9.13 provides a composition analysis of total (gross) employment land requirements over the plan period to 2030. The forecast land requirements vary between 50 hectares for the Downside Risks Scenario to 73 hectares in the Enhanced Productivity Scenario.

- 9.28. The land requirement forecast is lower in the short-term to 2015 reflecting more subdued forecast demand.

Figure 9.13: Forecast Land Requirements (Gross) – All B-Class Uses

Total Land (Hectares)	2010-15	2015-20	2020-25	2025-30	Total
Baseline	13.0	14.4	14.6	14.6	56.7
Downside Risks	9.0	13.2	13.7	13.7	49.6
Enhanced Performance	15.4	17.0	17.5	17.6	67.5
Enhanced Productivity	16.9	20.1	17.9	18.3	73.2

- 9.29. For comparison, we estimate that 96 hectares of land would be required if development trends between 2000-10 in Ashford Borough continued forward on a linear basis.
- 9.30. While employment growth will result in demand for additional floorspace, an element of demand will also arise from existing companies moving premises within the local market. This can occur for a range of reasons, including due to obsolescence of their existing property, desire for higher quality or lower cost of premises, for improved amenities or simply for strategic reasons. This form of demand is often termed replacement demand or 'churn' and reflects the general turnover of business premises within the market.
- 9.31. Much of this churn can take place on existing employment sites, with selective redevelopment of premises over time to provide more modern employment space. However at any one time there is likely to be some vacant premises and land within the local market. Around 7-10% vacancy is generally required to support movement within a local market. GLH has not assessed in detail the supply of existing employment land nor vacancy levels on existing sites. Thus it is not possible at this stage to accurately estimate whether existing supply conditions for different types of property are tight, or not.
- 9.32. Nonetheless we consider it appropriate to allow for a 'margin' to provide a choice of sites within the local market to accommodate the qualitative requirements of different occupiers, and to support competition in the commercial development sector. A margin is also necessary to reflect that forecasting is not an exact science, seeking to ensure that land supply does not unduly constrain future economic performance.
- 9.33. GLH consider that a margin of 25% over and above the gross forecasts set out above is appropriate for strategic planning purposes. This will effectively provide for an additional 5 year land supply over the plan period.

Figure 9.14: Gross Land Requirements including 25% Margin – All B-Class Uses

Total Land (Hectares)	2010-15	2015-20	2020-25	2025-30	Total
Baseline	16.3	18.0	18.3	18.3	70.9
Downside Risks	11.3	16.5	17.1	17.1	62.0
Enhanced Performance	19.3	21.3	21.9	22.0	84.4
Enhanced Productivity	21.1	25.1	22.4	22.9	91.5

- 9.34. The 25% margin is added herein to forecast gross land requirements. This effectively assumes that a 25 year land supply is provided for the 20 year period. The approach is similar to that proposed for housing in the draft National Planning Policy Framework which considers that a 20% allowance is made to ensure choice and competition within the local market. GLH consider that the delivery barriers to some sites can be more challenging for commercial uses and therefore that a slightly higher margin should be provided for.
- 9.35. In managing the supply of employment land in the Borough, we would advise the Council to seek to ensure that a 5-year rolling supply of land is maintained over the plan period. This should be monitored on an annual basis. This would be assessed against the gross land requirements identified (see Figure 9.14 above).
- 9.36. A high-level analysis by Ashford Borough Council estimates that there was 96 hectares of land allocated or committed in the Borough as at April 2011. This however includes 20 hectares at Cheesman's Green which now seems unlikely to be delivered, as well as land where delivery could potentially be constrained by non-delivery of Junction 10A.

10. CONCLUSIONS

- 10.1. In this final section we draw the analysis together to assess the relative merits of the four economic scenarios, and provide a high-level assessment of the relative risks to and likelihood of delivery.
- 10.2. The Baseline and Downside Risks Scenarios take account of the macro-economic outlook and assume that historical relationships between the performance of individual economic sectors relative to the South East region hold true moving forwards. The Enhanced Performance and Productivity Scenarios build on these, but also take into account the particular opportunities which exist in Ashford Borough for improved performance in particular parts of the local economy based on local circumstances.
- 10.3. The commentary provides an assessment of the realism and potential deliverability of the Scenarios, however it does not conclude on a preferred scenario. This could be a hybrid of the scenarios presented. The scenarios provide an evidence base which the Council can draw on and use, alongside other relevant considerations, to inform the setting of jobs and housing targets to 2030 through the Core Strategy Review.

Baseline Projection

- 10.4. The baseline projection indicates growth in employment of 12,400 over the 2010-30 period. However it is based on the economic outlook as at July 2011 which now seems somewhat optimistic given a downturn in economic confidence, a contraction in the UK economy in Q4 2011 by 0.2% and the Eurozone outlook. There are also downside risks to the strong population growth, particularly in the short-term, associated with continued weak housing market performance with transactions levels remaining significantly down on pre-2008 levels.
- 10.5. Against this context the Downside Risks Scenario looks like a more likely 'baseline' assessment of economic performance at the time of writing.
- 10.6. However the Baseline Projection (and Downside Risks Scenario) do not take account of the specific, local opportunities which exist in Ashford Borough for 'above trend' performance in key sectors, nor the Council's economic growth aspirations. They do not take specific account of the opportunities which the new domestic Highspeed Rail Service and recent and planned investment in infrastructure provide (together with policy support) for attracting economic investment, against a context of increasing competition from other areas. The impact of improved domestic connectivity could indeed have a transformational impact on economic prospects moving forward, and represents a notable upside risk to performance in these two scenarios.

Downside Risks Scenario

- 10.7. The Downside Risks Scenario indicates growth in employment of 8,100 jobs over the 2010-30 period. This represents growth in employment of 14% relative to 21% over the plan period in the Baseline Scenario.
- 10.8. This Scenario to some degree provides an 'updated baseline' which takes account of weaker forecast World and Eurozone growth, as well as the prospect of continuing restrictions on bank lending in the short-term which could influence both business investment and lending to homeowners (and thus the housing market). It also takes account of the latest Office for Budget Responsibility (OBR) forecasts for public spending.

- 10.9. While this scenario is clearly feasible, we would regard the risks to it as falling mainly on the 'upside' linked to:
- The opportunity to capitalise on the Borough's strategic accessibility, first-rate transport infrastructure and improved broadband connectivity provide to capture investment;
 - Continuing international rail services, and the prospect that these could be enhanced. Combined with improved travel times to London, this enhances the attractiveness of the town and potential for investment from existing and new businesses;
 - Opportunities which exist for enhanced performance of the rural economy including through growth in small business and tourism/leisure;
 - The opportunities which key development schemes provide to attract and deliver growth in key higher value-added activities, particularly in office-based services and R&D.
- 10.10. There are some downside risks to this scenario, but on balance most of the risks fall on the upside. Indeed this scenario, to some degree, underplays the economic potential which exists. We conclude that the Borough's economy could perform better than this, should the Council elect to take a positive approach to economic growth and development.

Enhanced Performance

- 10.11. The Enhanced Performance Scenario indicates stronger growth in employment of 15,900 jobs over the 2010-30 period, representing a 28% increase in employment in the Borough. This represents achieving a strong rate of employment growth (equivalent to c. 1.5% growth pa) over a sustained period, albeit that Ashford Borough did achieve this between 2001-8. Delivery of the Scenario would require sustained policy support.
- 10.12. This Scenario assumes stronger performance of the manufacturing sector (which thus sheds less jobs). However it is much stronger growth in office-based services in particular which supports overall job growth. It assumes that regeneration of Ashford Town Centre is delivered, as well as continuing development of warehouse/distribution floorspace capitalising on the Borough's strategic location astride the M20.
- 10.13. There are a number of clear risks to delivery of this scenario. It requires a significant uplift in take-up of office floorspace to be achieved. Office take-up would need to increase to around 1.7 times the pre-recession trend, albeit to a level consistent with a number of other towns of a similar size in the region such as Welwyn Garden City. Office take-up would remain below other second tier office markets in the region such as Newbury or Stevenage. There is no reason to believe that Eureka Business Park would not be built out in accordance with prevailing economic conditions. However it needs to be recognised that there are challenges to delivery of an office quarter in Ashford Town Centre. However this needs to be balanced against the strategic importance of this scheme to Ashford's economic (and commercial) repositioning – and shifting the balance of economic activity towards higher value-added activities.
- 10.14. There are potential land supply constraints to delivery of land for industrial/warehouse development post 2020 (albeit that this could be resolved through the allocation of sites where development is not dependent on delivery of M20 Junction 10A). It also assumes the retention and growth of key manufacturing employers against a context of competition overseas and from areas within the UK which benefit from Assisted Area Status or Enterprise Zone benefits. Moreover it should be recognised that there are risks to the viability and delivery of new development within Ashford Town Centre, particularly in the short-term should the economic climate worsen further.

- 10.15. To achieve this Scenario would also require further industrial land to come forward post 2020. This could either be through resolving infrastructure constraints through delivery of Junction 10A or allocation of alternative sites not constrained by this.
- 10.16. Notwithstanding the above, the Scenario capitalises on the opportunities which exist within the Borough. An assessment of the potential risks to delivery has informed, and been taken account of in, the construction of the Scenario. Overall, we regard the scenario as providing an upper band for potential employment growth over the plan period.

Enhanced Productivity Scenario

- 10.17. The Enhanced Productivity Scenario modifies the Enhanced Performance Scenario to focus on higher-value added sectors and assess how feasible it is for the Borough to achieve productivity improvements in line with regional trends. It forecasts employment growth of 14,300 jobs, an increase of 25% over the 2010-30 plan period.
- 10.18. The Scenario sees stronger performance of the manufacturing sector, which drives wealth creation albeit that it is unlikely to create significant additional employment. Less manufacturing job losses are forecast relative to the other scenarios. The numbers of higher value added jobs in office-based sectors are forecast to grow strongly. The Scenario does however align with the Government's *Plan for Growth* in respect of the investment in higher value-added sectors in which the UK can achieve long-term competitive advantage, and in increasing exports to emerging economies. For Ashford, the growth in productivity and value-added would over time feed into higher wages.
- 10.19. The risks to achieving this scenario are similar to those in the Enhanced Performance Scenario, particularly in respect of developing the office market. The Scenario is less dependent on industrial land supply, albeit that this could still have some constraining effect.
- 10.20. The level of finance available to support investment and innovation by existing businesses is a potential risk to delivery of this Scenario, particularly in the short-term. Similarly there are risks, as discussed above, to retention and growth of manufacturing employers given trends in outsourcing and overseas competition, combined with investment incentives available in other areas of the UK (including Assisted Areas and Enterprise Zones).
- 10.21. Overall the employment numbers forecast in this scenario remain high, and there are notable delivery risks. Significant policy support would be required to achieve the forecast job numbers, and the Scenario would require a strategy to support existing firms, as well as new. Matching South East trends in productivity growth can be regarded as extremely challenging.

Comparing the Scenarios to Past Trends/Targets

- 10.22. The four Scenarios forecast employment growth of between 8,100 jobs (Downside Risks) to 15,900 jobs (Enhanced Performance) over the 2010-30 period. For comparative purposes, the equivalent target set out through the former Labour Government's Growth Agenda would be for 20,000 jobs over this period. All of the scenarios forecast are therefore for more moderate employment growth in relative terms.
- 10.23. On an annual basis, over the 2010-30 plan period as a whole the four forecasts indicate employment growth of between 405 jobs per annum in the Downside Risks Scenario, 620 jobs per annum in the Baseline, 715 jobs per annum in the Enhanced Productivity Scenario, and 795 jobs per annum in the Enhanced Performance Scenario. For comparative purposes, employment growth over the period 2001 – 2010 averaged 780 jobs per annum – at the higher end of the Scenario range.

- 10.24. Drawing this together, the Scenarios together can be considered as providing a realistic range for future employment growth. It is for Ashford Borough Council to consider the fit of the scenarios with its economic and wider corporate policy ambitions, as well as the interaction of projected economic growth with potential population growth and housing requirements in considering policy options for the LDF.

Future Monitoring

- 10.25. This report and the scenarios contained within it for future economic performance have been prepared at a time of some uncertainty regarding future economic performance. This has informed the scenarios-based approach adopted which has sought to address key risks and uncertainties as well as take account of local factors and opportunities to provide a framework for strategic planning.
- 10.26. There is however an important role for future monitoring and review. We would recommend that the Council monitors future performance against the four scenarios developed. We understand that the Council intends to use this report to consider its long-term planning assumptions for economic and housing growth. A significant and sustained divergence of economic performance from these assumptions (such as over a five year period or more) could therefore trigger the need to review strategic planning policies.

APPENDIX 1: RURAL / URBAN DEFINITION

Figure A1: Urban and Rural Sub-areas Defined in Terms of Wards

URBAN AND RURAL SUB-AREAS DEFINED IN TERMS OF WARDS	
Urban	Rural
Aylesford Green	Biddenden
Beaver	Charing
Bockhanger	Downs North
Boughton Aluph & Eastwell	Downs West
Bybrook	Great Chart with Singleton North
Godinton	Isle of Oxney
Highfield	Rolvenden & Tenterden West
Kennington	Saxon Shore
Little Burton Farm	St Michaels
Norman	Tenterden North
North Willesborough	Tenterden South
Park Farm North	Weald Central
Park Farm South	Weald East
Singleton South	Weald North
South Willesborough	Weald South
Stanhope	Wye
Stour	Biddenden
Victoria	
Washford	

Boughton Aluph and Eastwell ward is described as 'urban' as recent employment growth in the ward over the last 5 years has been particularly related to development and business growth at Eureka Business Park which falls partly within the ward, but is considered to relate more strongly to urban Ashford. Eureka Business Park is also projected to see considerable growth in the next 20 years through the implementation of the existing outline planning consent.