

Shepway in context:

a socio-economic and
property analysis

Folkestone

Hythe & Romney Marsh
Shepway District Council



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1. INTRODUCTION

- 1.1 This report sets out the main challenges and opportunities facing the District of Shepway at the current time. This provides the evidence base for the Shepway Economic Strategy 2015 to 2020 which sets out a range of activities and actions to address the issues and take forward economic growth opportunities in the District.
- 1.2 It is important to understand the characteristics of the local economy and the recent economic trends, in order to establish policy objectives and identify activities to address the issues. The strategic priorities set out in the Economic Development Strategy are based on the detailed analysis of the Shepway economy presented in this report.
- 1.3 The focus of the report is on the following key aspects of Shepway economy:
 - Social and economic composition;
 - Spatial characteristics of sub areas across the District; and the
 - Property market, particularly how this relates to our key commercial / employment sectors

2. SOCIO ECONOMIC PERSPECTIVE

- 2.1 This section draws upon a wide range of key baseline information for Shepway District to examine economic performance over recent years. This includes publically available data such as the 2011 Census of Population (which provides a robust and comprehensive baseline), sample-based surveys such as the Annual Population Survey and other data sources including economic projections from the East of England Forecasting Model.
- 2.2 The analysis compares the performance of Shepway with a number of other areas which are either close neighbours or competitor areas with similar characteristics. In terms of close neighbours, Ashford has been chosen; this is both an adjoining borough and one of Shepway's most likely competitors for inward investment. Rother District in East Sussex has also been selected. This is also an adjoining district which has close economic links to the western part of Shepway and is also part of the Romney Marsh Partnership area.
- 2.3 The districts of Lewes in East Sussex and Adur in West Sussex have been chosen as comparator areas. Both are south east coastal districts with a similar mix of urban and rural activities to Shepway. They also both have a mixture of good quality and more challenging residential and commercial areas, and have good, historic communication and commuting links to London. These areas therefore offer residents a variety of locally based employment opportunities and higher value options in London, similar to Shepway.
- 2.4 Finally, Shepway is also compared to the wider Kent and Medway area (the relevant federated area of the South East LEP), the South East region and England, in order to consider performance from a wider geographic perspective.

Key Findings

- Total population growth and working age population growth has been greater in Shepway than in all comparator areas, except Ashford between 2001 and 2011.
- Population projections suggest that Shepway will see relatively low population growth up to 2037, with the working age population expected to remain fairly static.
- The skills and qualifications profile of Shepway's working age population is poor in comparison to comparator areas, having the lowest percentage of residents qualified to NVQ level 4 (degree level).
- Shepway has relatively low economic activity and employment rates.
- Wage levels are relatively low for both residents and workers in Shepway, being significantly lower than the South East and England averages.
- Shepway is a net exporter of workers and this is particularly for those in higher level occupation groups.
- The largest employment sectors in Shepway are Health & Social Care and Retail & Wholesale Trade.
- Shepway has outperformed its comparator areas in terms of job growth over the longer term from 2000 to 2013. But in the more recent period since 2009, employment has decreased substantially.
- The Shepway economy is dynamic with new businesses representing an above average share of business stock in 2012.
- Business survival rates are relatively poor – the four-year survival rate was under 47% in 2012 compared to 52% across the South East region.

- Employment is projected to increase by 5.4% between 2015 and 2020, which is above the 4.5% projected for the South East. However, growth in GVA productivity is projected to be below the rate for the South East, which is a reflection of the low representation of Knowledge Economy jobs in Shepway at present.

Key Statistics

2.5 The figure below provides a summary of the key socio-economic indicators for Shepway and compares these to the South East region and England averages.

Figure 2.1: Key Statistics for Shepway

Indicators	Shepway's Position Percentage	Source	Date	Comparison with the South East average	Comparison with the England average
Working Age Population (all usual residents aged 16-74)	72.2%	Census	2011	↓ 72.7%	↓ 73.3%
Population Growth	12.2%	Census	2001-11	↑ 7.9%	↑ 7.9%
Working Age (all usual residents aged 16-74) Population Growth	15.4%	Census	2001-11	↑ 8.8%	↑ 9.4%
Employment Rate (percentage of working age residents 16-74 in employment)	59.7%	Census	2011	↓ 65.3%	↓ 62.1%
Self-employment Rate (percentage of all usual residents 16-74 in self-employment)	17.4%	Census	2011	↑ 16.6%	↑ 15.1%
Work at, or mainly from, home (as a % of residents aged 16-74)	3.5%	Census	2011	↓ 4.5%	→ 3.5%
Economically Active (as a % of residents aged 16-74)	67.2%	Census	2011	↓ 72.1%	↓ 69.9%
Economically Inactive (as a % of residents aged 16-74)	32.8%	Census	2011	↓ 27.9%	↓ 30.1%
Claimant Count rate (as a % of residents aged 16-64)	3.7%	ONS/ DWP	2011	↓ 2.5%	↓ 3.6%
Qualifications to NVQ4+ (as a % of residents aged 16-74)	26.8%	APS	2013	↓ 38.3%	↓ 35.0%
Qualifications to NVQ1 or below (as a % of residents aged 16-74)	21.2%	APS	2013	↓ 18.3%	↓ 21.3%
Business start-ups as a % of stock	14.4%	ONS Business Demography	2012	↑ 10.8%	↑ 11.6%
3 year survival rate among businesses set up in 2008	55.7%	ONS Business Demography	2008 birth	↓ 61.4%	↓ 57.9%

Context

- 2.6 Shepway is a south eastern coastal district in the County of Kent. The district shares boundaries with Dover to the east and north, with Ashford to the north and west and Rother in East Sussex County to the south and west.

Figure 2.1: Map of Shepway



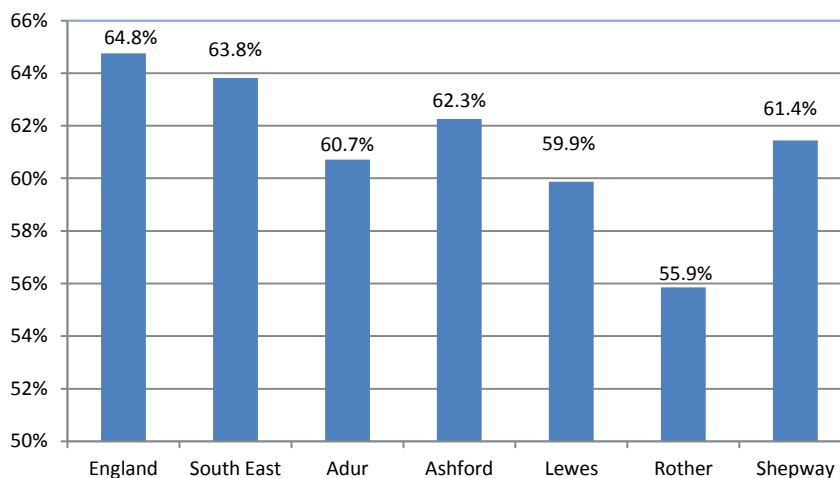
Source: Contains Ordnance Survey data © Crown copyright and database rights (2014). Licence number 100030994.

Socio-economic Profile

- 2.7 According to the latest Census of Population, there were 107,969 residents in Shepway in 2011. The district is a significantly rural area, with a population density of three persons per hectare. Most of the population lives in the coastal towns of Folkestone and Hythe.
- 2.8 In terms of deprivation, Shepway is the second most deprived area in Kent, ranking 89 out of 326 local authority districts¹.
- 2.9 In 2011 the working age population (residents aged 16-64 years) of 66,345 accounted for 61% of the total population. This is slightly lower than in the South East and England in general, but higher than in the other comparator areas. This means that in terms of the productive potential of residents, Shepway is at a slight advantage compared to other districts.

¹ Taken from the Index of Multiple Deprivation 2010 at local authority district level. It puts the 326 LAD into a rank order based on the population weighted average rank of all LSOAs in the LAD. A rank of 1 is the most deprived.

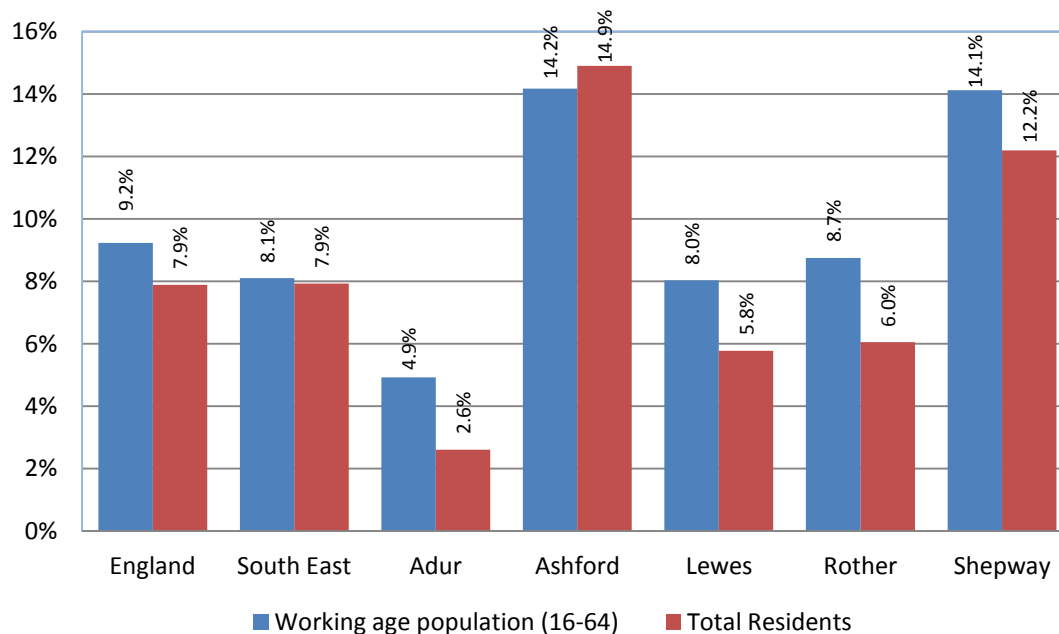
Figure 2.2: Percentage of the resident population who are of working age (aged 16-64 years)



Source: Census, 2011

2.10 Between 2001 and 2011 the resident population of Shepway increased by 12.2%. This is lower than the population growth in Ashford over the same period, but notably higher than in the other comparator areas (see Figure 2.3). Shepway also saw a 14.1% increase in working age residents (aged 16 to 64 years) which is similar to Ashford, but more than in the other comparator areas.

Figure 2.3: Percentage change in population 2001-2011



Source: Census 2001 and 2011

2.11 Shepway has an older age profile (see Figure 2.4) with a higher proportion of residents in the working age group from 45 years to retirement (28%), compared to Kent & Medway (26%) at large,

while there is low representation of residents in younger working age groups - 34% are aged 16 to 44 years, compared to 37% and 38% in Kent & Medway and the South East respectively.

Figure 2.4: Age profile of All Usual Residents at the time of the last Census (source: Census 2011)

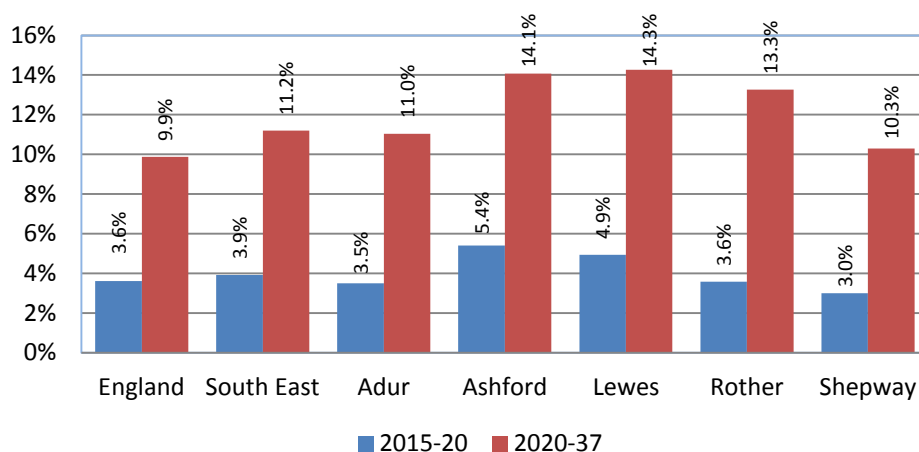
	Shepway		Kent and Medway		South East region	
	No.	%	No.	%	No.	%
All usual residents	107,969	100%	1,727,665	100%	8,634,750	100%
Age 0-15	19,209	18%	336,968	20%	1,642,084	19%
Age 16-24	11,483	11%	199,344	12%	969,055	11%
Age 25-44	25,123	23%	438,085	25%	2,289,335	27%
Age 45-64	29,739	28%	453,957	26%	2,252,256	26%
Age 65-74	11,593	11%	158,169	9%	763,695	9%
Age >74	10,822	10%	141,142	8%	718,325	total
Mean Age	42		n/a		40	
Median Age	43		n/a		40	

Source: Census 2011

Population Projections

- 2.12 The most recent population projections for local authority districts shows that while in the five years to 2020 total population is projected to increase by 3% in Shepway, which is below the England (+3.6%) and South East (+3.9%) and well below the rates for the comparator area (see Figure 2.5). While this trend is generally also expected for the period up to 2037 with Shepway having a relatively low increase (+10.3%) compared to the other areas, it will nevertheless be above the national average rate England (+9.9%).

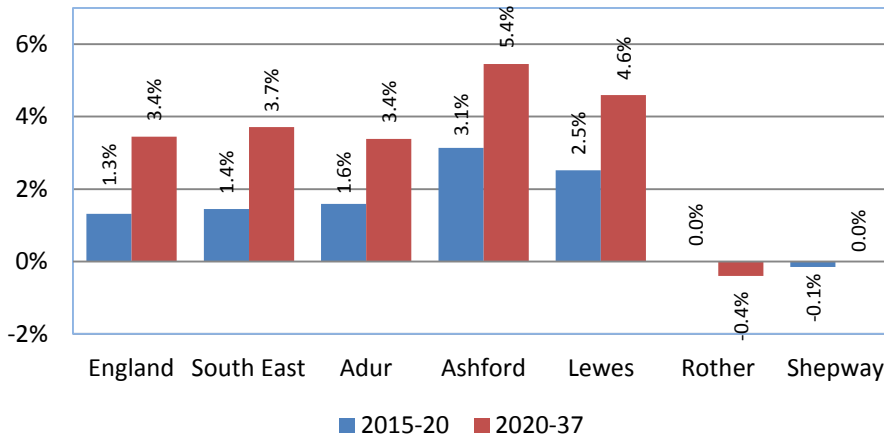
Figure 2.5 Total Population Projections 2015-20 and 2020-2037



Source: ONS 2012-based Sub national Population Projections

2.13 Population projections for the working age group shows that this is projected to remain static in Shepway over both the 2015-20 and 2020-37 periods which contrasts with higher growth nationally, regionally and in comparator areas.

Figure 2.6 Working age (15-64)² Population Projections 2015-20 and 2020-2037



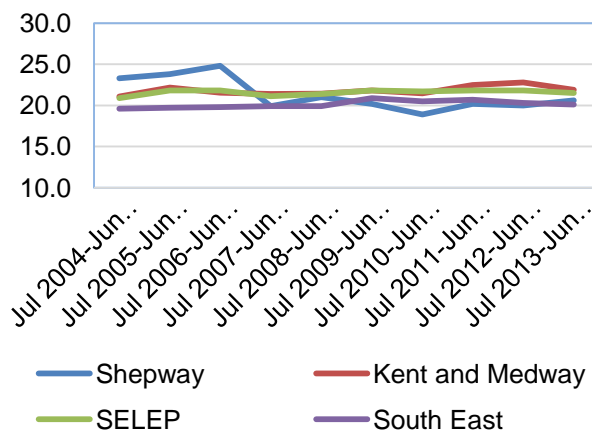
Source: ONS 2012-based Sub national Population Projections

Economic Activity

2.14 The 2011 Census indicated that 48,639 Shepway residents were in employment, which was equivalent to 70% of all those aged 16-64. The percentage of residents (aged 16 to 64) who are economically inactive is around 20%

2.15 Over recent years there have been some fairly significant fluctuations in the rate but currently the average for Kent & Medway is slightly higher and the South East regional rate is slightly lower (see Figure 2.7).

Figure 2.7: Economically inactive residents (16-64)



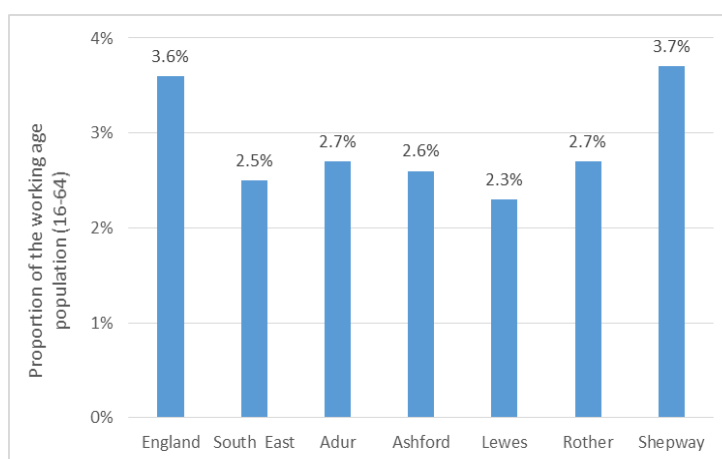
² Sub national Population Projections only available for working age 15 to 64 years

Source: APS

Worklessness

- 2.16 There are two main sources of data on residents out of work – those claiming Job Seekers Allowance (JSA Claimant) and those classified as being unemployed. JSA claimant counts are the unemployed that have been on the register less than 6 months and are eligible for this type of benefit. Broader unemployment statistics include those that have been out of work for a longer period.
- 2.17 Figure 2.8 shows that the latest JSA claimant count rate³ in Shepway is 3.7% which is higher than the local comparator areas and the South East (2.5%) and England (3.6%) averages.

Figure 2.8: JSA Claimant Count Rate



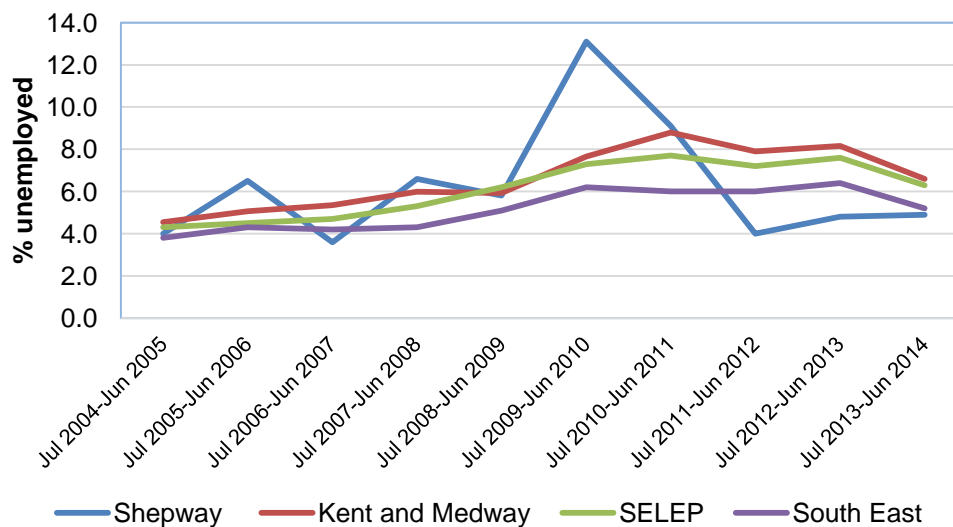
Source: ONS/DWP Claimant data,

- 2.18 The wider unemployment rate measure for Shepway is 4.9%⁴ which is lower than the rate for Kent and Medway (6.6%) and the wider South East region (5.2%). This suggests that while short term unemployment, as reflected in the JSA claimant rate, is fairly high in Shepway, longer term unemployment is relatively low. It should be noted, however, that the unemployment data at district level is subject to sampling errors and therefore needs to be treated with some caution.
- 2.19 Looking at unemployment rate trends since 2005, Figure 2.9 shows that there have been considerable fluctuations for Shepway over the period.

³ Calculated as a percentage of the 2013 mid year resident population estimate aged 16 to 64 years

⁴ Annual Population Survey July 2013-June 2014

Figure 2.9: Unemployment rate aged 16-64

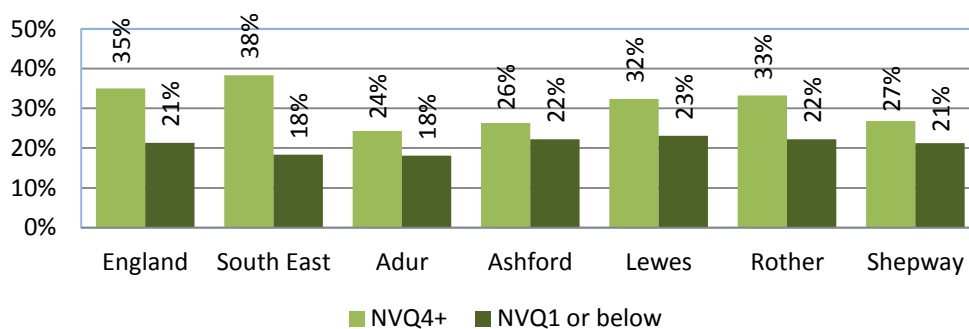


Source: APS

Qualification/Skills Profile

- 2.20 The qualifications profile of working age residents (Figure 2.10) in Shepway indicate that the percentage with no or low qualification (NVQ1 or no qualifications) is 21%⁵ which is the same as rate for Kent and Medway (21%) and England (21%). However, this is considerably higher than for the South East (18%) and in relation to the comparator areas the position is mixed; Ashford has a similar percentage to Shepway, Rother and Lewes and Adur lower.

Figure 2.10: Qualifications of the resident working age population (16-64)



Source: APS Jan - Dec 2013

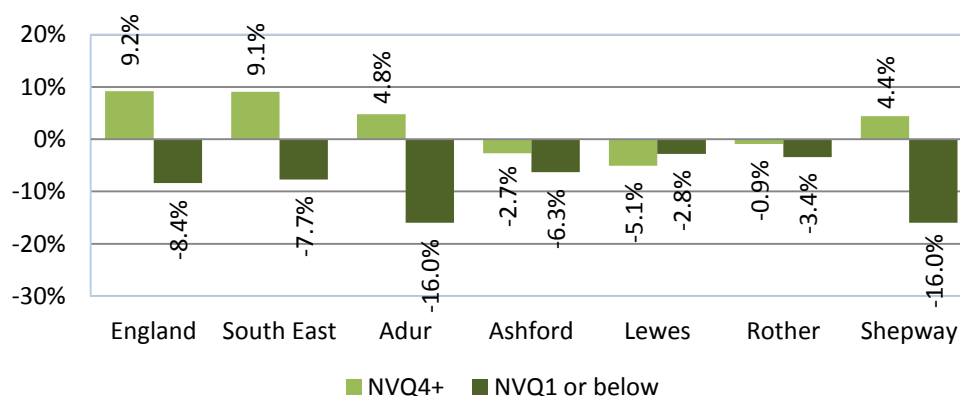
- 2.21 At the other end of the qualification spectrum, Shepway has considerably fewer residents with the highest qualification levels at NVQ 4 and above. Only 26.8% have at least an NVQ 4 (degree) qualification and this is considerably lower than the Kent & Medway (32.0%) and England average

⁵ Annual Population Survey Jan – Dec 2013

(35.0%). However, in relation to the comparator districts it is only lower in Adur (24.3%) and is on a par with Ashford (26.3%)

- 2.22 Looking at trends over time, the percentage of residents with no or low (NVQ1) qualifications has fallen considerably since 2004 in Shepway by 16 percentage points (Figure 2.11). This is considerably more than in all the comparator districts except Adur which saw a similar reduction.
- 2.23 In terms of the residents qualified NVQ level 4 there has been some increase since 2004 in Shepway, with a 4.4 percentage point improvement, but this has not been as great as the improvement in Kent & Medway (+9.0 pp), the South East (+9.1 pp) or nationally for England (+9.2 pp).

Figure 2.11: Change in qualifications of the resident working age population 2004-2013



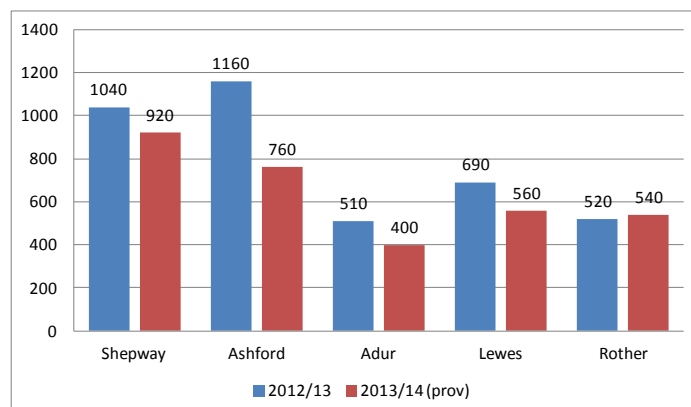
Source: APS Jan - Dec 2004, 2013

- 2.24 While Shepway has seen considerable improvement in resident's qualification levels since 2004 and the gap between Shepway and the wider Kent & Medway, South East and national profile has been closing at the lower end of the skills profile, this has not been the case for the higher level qualifications which has widened.

Apprenticeships

- 2.25 Statistics on the total number of apprenticeships undertaken by residents in Shepway are available for 2012/13 and 2013/14 and Figure 2.12 below shows the numbers in for Shepway and the comparator districts.

Figure 2.12: Total Apprenticeship Programme Starts



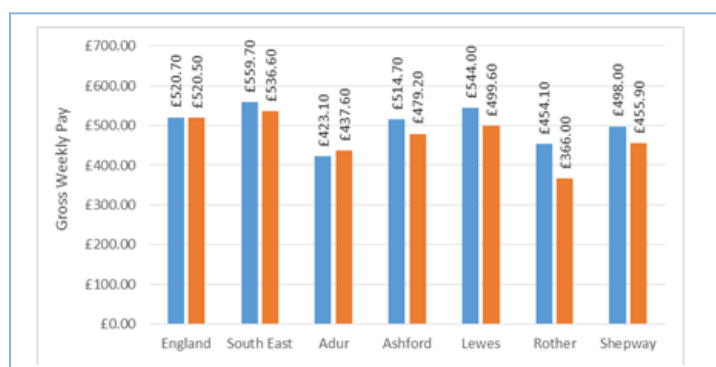
Source: SFA/BIS FE Data Service

- 2.26 Shepway had the second highest number of apprenticeship starts in 2012/13 to Ashford with 1,040 over the course of the year. In the last year, however, the provisional figures suggest that Shepway has had more starts than all other areas.

Earnings and Housing Affordability

- 2.27 Average earnings for Shepway residents (who don't necessarily work in the district) and the Shepway workforce (who don't necessarily live in the district) are below the South East and England averages. They are comparable, however, to average earnings in the comparator districts.
- 2.28 There is a significant differential between the average earnings of residents and workers in Shepway, with the latter being higher. This reflects the high levels of out-commuting from the District for those in higher status occupation groups who are likely to be travelling to generally better paid jobs than those available in the District. This reflects the relative importance of jobs outside the district, such as in nearby Ashford and Maidstone and in London.
- 2.29 This difference is a common feature across the comparator districts, with the exception of Adur (Figure 2.13). However, people who live in the district (and both work in Shepway and elsewhere) earn on average £42.10 per week more than those who work in the district.

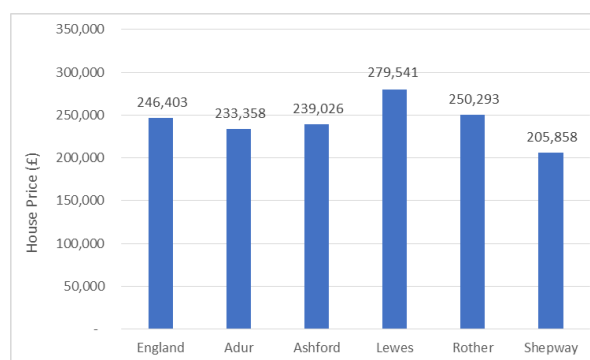
Figure 2.13: Median Gross Weekly Pay (2013)



Note: ASHE data does not include those who are self employed

2.30 The average price of a house in Shepway in 2012-2013 was £205,858; this was lower than in all comparison districts and to the England average (Figure 2.14).

Figure 2.14: Average House Price (Q2 2012 - Q2 2013)



Note: Data not available for the South East Source: CLG

2.31 Comparing house prices to earnings shows that housing in Shepway is relatively affordable (Figure 2.15). The ratio of median house price to median earnings ratio in Shepway is lower than for the comparator districts, but it is higher than the national average. In line with most of the comparator districts except Rother, housing has become more affordable in Shepway since 2010. However, this is counter to the trend for Kent County and to in London.

Figure 2.15: Ratio of median house price to median earnings by district

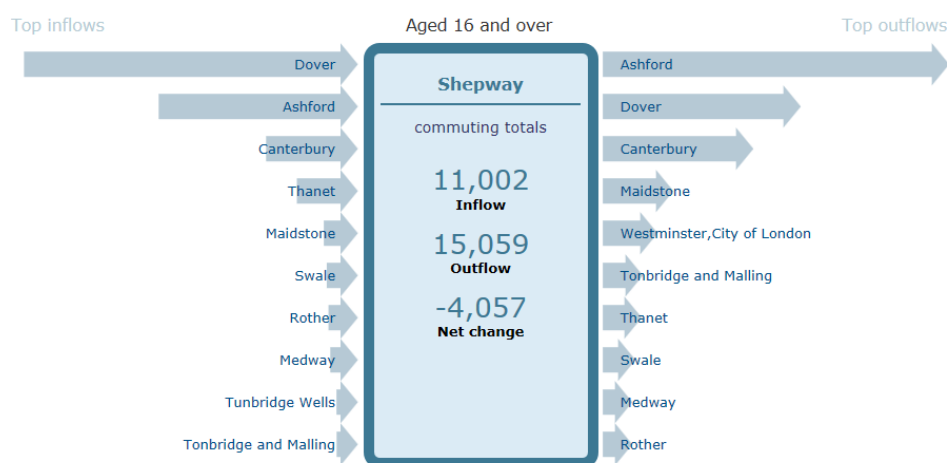
	2013	2010	2005	2000
Shepway DC	7.25	7.63	7.90	4.51
Ashford BC	7.38	7.96	7.67	5.42
Lewes DC	9.01	9.18	8.70	5.02
Rother DC	11.52	10.59	10.64	6.46
Adur DC	9.64	9.95	7.46	4.55
Medway	6.22	5.69	6.24	3.66
Kent County	7.75	7.66	7.91	4.84
Inner London	10.41	9.57	7.95	n/a
Outer London	9.10	8.52	8.41	n/a
England	6.72	7.01	6.81	4.21

Source: DCLG – Table 577

Commuting

- 2.32 The Census of Population provides information on district level commuting flows, although the data needs to be treated with some caution⁶:
- 2.33 The 2011 Census indicates that some 23,600 people both lived and worked in Shepway, which was 61% of the total residents in employment in the district. An additional 11,000 people commuted into the district to work and 15,000 residents commuted out to work elsewhere. Overall (see Figure 2.16) Shepway is therefore a net exporter of labour, with some 4,000 more people travelling to work outside the district that travelling in to work.
- 2.34 The percentage of residents in employment working in the district (as well as living) was considerably lower in 2011 than in 2001 when it was 70%. At that time Shepway was also a net exporter of labour with around 4,200 more people commuting out of the district to work than commuting in - similar in absolute terms to the net outflow in 2011.
- 2.35 The principal district that people commuted into Shepway to work from in 2011 was Dover (which accounts for 42% of in-commuters) which was similar to the situation in 2001 when 43% of in-commuters came from Dover.
- 2.36 For the Shepway residents commuting out of the district to work, the destination for the highest percentage of out-commuter was Ashford (32% of out-commuters) in 2011, followed by Dover (18% of out-commuters) and Canterbury (13% of out-commuters). Only 12% of out-commuters travelled to the London boroughs to work, which represented only around 5% of the working residents in Shepway.

Figure 2.16: Location of usual residence and place of work



Source: ONS Census 2011

- 2.37 This was very similar to the pattern in 2001 when most out-commuters travelled to work in Ashford (34% of out commuters), Dover (22% of out commuters) and Canterbury (12% of out commuters). The percentage travelling to London boroughs was also similar at 11%.

⁶ These figures do not include those that work at or mainly from home or individuals with no fixed place of work and are also subject to disclosure suppression where confidentiality issues apply.

Occupations

- 2.38 The occupation profile of Shepway residents in 2011 shows that three occupation groups are the most significant - Professional, Associated Professionals and Technical and Skilled Trades (Figure 2.17). These three groups together account for one third of Shepway residents in employment.

Figure 2.17: Occupational profile of the resident and workplace based populations

	Workplace population	Resident population	Balance	Workplace %	Resident %
1. Managers, directors and senior officials	4,500	5,290	- 790	10%	11%
2. Professional occupations	5,240	6,400	- 1,160	12%	13%
3. Associate professional and technical occupations	6,000	6,200	- 200	14%	13%
4. Administrative and secretarial occupations	4,720	5,120	- 400	11%	11%
5. Skilled trades occupations	5,720	6,150	- 420	13%	13%
6. Caring, leisure and other service occupations	5,460	5,710	- 250	12%	12%
7. Sales and customer service occupations	4,630	4,680	- 50	10%	10%
8. Process plant and machine operatives	2,770	3,340	- 570	6%	7%
9. Elementary occupations	5,210	5,390	- 180	12%	11%

Note: Numbers rounded to nearest 10. Source: ONS Census, 2011

- 2.39 Comparison of the occupational profile of Shepway residents with that for the districts workforce shows that almost half (48%) of the net outflow of commuters from Shepway are accounted for by the top two professional occupational groups - Managers, directors & senior officials and Professionals.
- 2.40 This, together with differences in the profiles, indicates that out-commuters are generally residents in the higher occupational groups, while those coming into the district are generally coming to jobs in lower occupation groups, such as to elementary occupations and associate professional and technical occupations.

Business and Enterprise

- 2.41 The most recent data on the number of enterprises in Shepway indicates that there were 3,690 in 2012 and most (68%) had fewer than four employees (Figure 2.18).
- 2.42 The size distribution of businesses in Shepway in 2012 was very similar to elsewhere; it had a slightly higher incidence of larger businesses (as compared to Rother and Ashford), but Shepway's profile was similar to the national and regional profiles.

Figure 2.18: Proportion of active Businesses by size (number of employees)

	0-4	5-49	50-99	100-249	250+
England	68.6%	28.1%	1.9%	1.0%	0.4%
South East	70.6%	26.3%	1.7%	0.9%	0.4%
Adur	70.7%	26.4%	1.8%	0.7%	0.4%
Ashford	71.5%	26.1%	1.4%	0.8%	0.2%
Lewes	70.5%	27.3%	1.4%	0.6%	0.2%
Rother	74.8%	23.3%	1.4%	0.5%	0.0%
Shepway	68.0%	29.0%	1.6%	1.0%	0.4%

Source: ONS IDBR

- 2.43 There were 530 'births' of new enterprises in 2012 and Shepway had the second highest count of new enterprises among the comparator districts in that year. As Figure 2.19 shows, new businesses accounted for 14% of Shepway's business stock; this was higher than the other districts and also higher than both the South East (11%) and England (12%) averages.

Figure 2.19: Business Demography 2012

	Number of Active Enterprises	Count of births of new enterprises	Business Start Ups as a % of Business stock
Adur	2,275	220	10%
Ashford	5,340	565	11%
Lewes	4,110	375	9%
Rother	3,870	340	9%
Shepway	3,690	530	14%

Source: ONS Business Demography 2012

Business Survival

- 2.44 Despite the encouraging level of new start-ups, business survival rates are low. Both the 3 year and 4 year business survival rates were lower at 55.7% and 47% respectively, than in the comparator districts and in comparison with the South East and England averages. This suggests strongly that more needs to be done to support small, early stage, enterprises in Shepway.

Figure 2.20: Survival of newly born enterprises (2008 birth)

2012	1 year survival	2 year survival	3 year survival	4 year survival
England	92.1 %	73.9 %	57.9 %	48.8 %
South East	93.2 %	76.6 %	61.4 %	52.1 %
Adur	97.6 %	78.6 %	61.9 %	57.1 %
Ashford	93.8 %	72.7 %	57.0 %	48.4 %
Lewes	92.8 %	75.9 %	59.0 %	51.8 %
Rother	95.7 %	78.3 %	62.3 %	49.3 %
Shepway	93.7 %	73.4 %	55.7 %	46.8 %

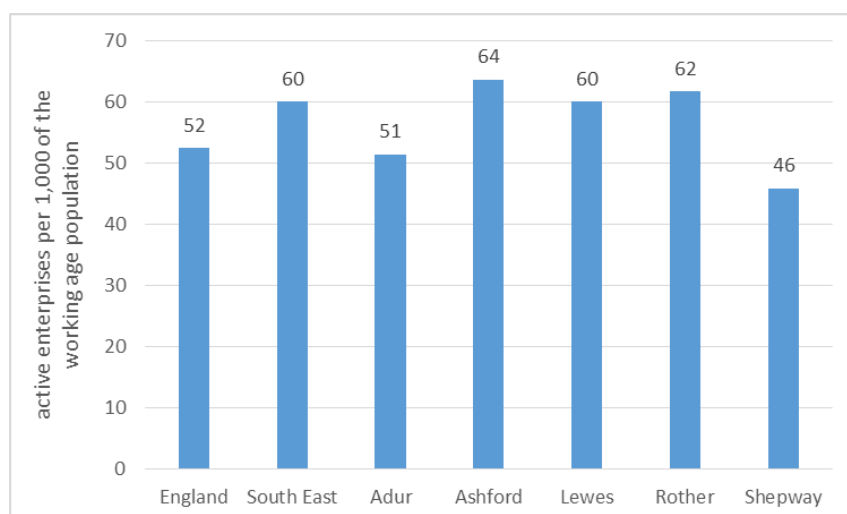
Source: ONS Business Demography

Note: A business is deemed to have survived if having been a birth in that year or having survived to that year; plus it is active in terms of employment and/or turnover in any part of the year following.

Business Density

- 2.45 Business density can be used as a proxy to indicate the level of competition in the economy (Figure 2.21). Shepway has around 46 active enterprises per 1,000 of the working age population, which is lower than the South East (60), England (52) and for the comparator districts.

Figure 2.21: Business Density (2011)



Source: ONS Business Demography, Census 2011
Note: Business Demography data from 2011 has been used here to be directly comparable to the 2011 Census working age population

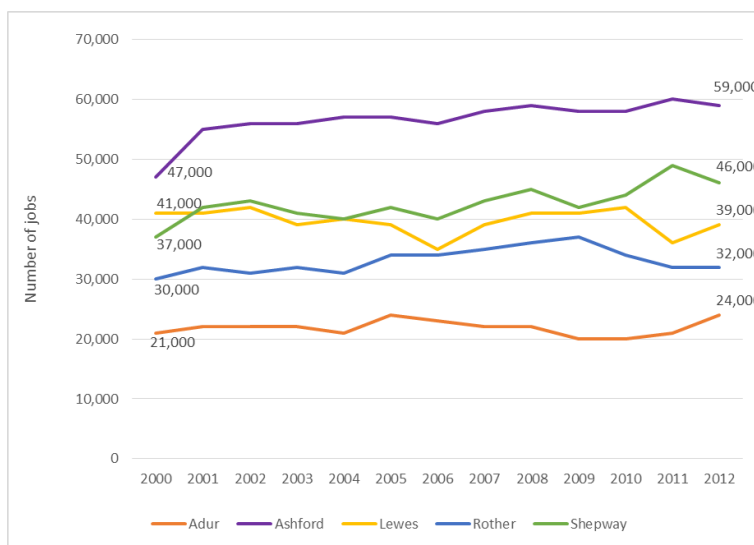
Employment

- 2.46 Due to changes in the sources of employment data, two data sets have been used to examine employment change. ONS data enables longer term trends to be examined as it spans a longer time period, whereas the Business Register and Employment Survey (BRES) which is only available from 2009 to 2013, enable more detailed analysis of sector trends. Both sources have been used for the analysis.

Employment Trends

- 2.47 Over the longer term, total employment, which includes both employees and the self-employed, has increased substantially in Shepway between 2000 and 2012, with around 9,000 jobs created which represents 24% growth (Figure 2.22). Of the comparator areas, only Ashford has seen a similar rate of job growth (25.5%) over this period, while Adur (+14.3%) and Rother (+6.7%) had substantially lower growth and Lewes (-4.8%) saw a decrease in jobs.

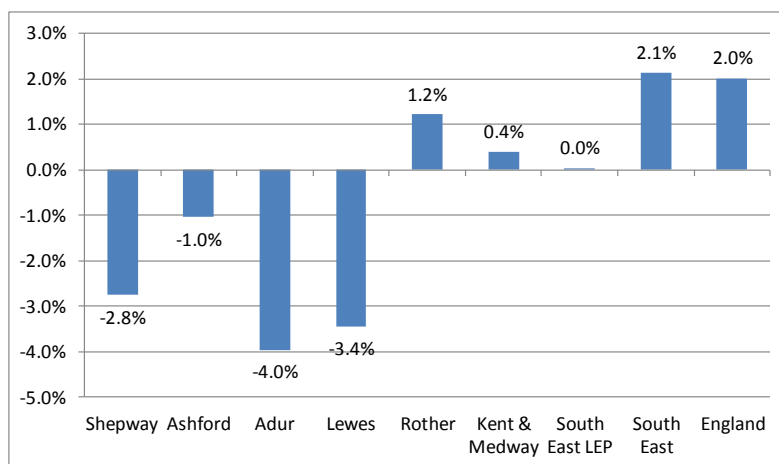
Figure 2.22: Total Employment Trends 2000 to 2012



Source: ONS Job Density

2.48 Over the more recent period from 2009 to 2013, employment trends in Shepway have not been so positive and total employment has decreased by 2.8% (Figure 2.23). While both Adur and Lewes suffered even greater total employment losses over this period, Ashford did not fare so badly with a 1% decrease. This contrasts with Rother, where there was growth of 1.2%, and at the Kent & Medway, South east and England levels there was also job growth over this period.

Figure 2.23: Percentage change in total employment 2009-2013



Source: BRES 2009, 2013

Employment Sectors

- 2.49 The sector composition of employment in Shepway is shown in Figure 2.24 below for sectors with at least 1,000 jobs in the district. Data for these sectors is also shown for the Kent and Medway, the South East and England.

Figure 2.24: Percentage of total employment by sectors 1,000+ jobs in Shepway District in 2013

	Shepway	Kent & Medway	South East Region	England
Manufacturing	4%	7%	6%	8%
Construction	6%	7%	5%	4%
Retail & Wholesale Trade	15%	19%	17%	16%
Transportation & Storage	6%	5%	4%	4%
Accommodation & Food Services	8%	7%	7%	7%
Financial & Insurance	5%	3%	3%	4%
Professional, Scientific & Technical Activities	4%	5%	8%	8%
Administrative & Support Services	11%	9%	8%	8%
Public Administration & Defence	8%	4%	3%	4%
Education	9%	11%	10%	9%
Health & Social Care	13%	13%	12%	13%
Arts, Entertainment & Recreation	3%	2%	3%	2%

Source: BRES

- 2.50 Retail & Wholesale Trade is the largest employment sector in Shepway in 2013, providing 15% all jobs. However, in comparison to the wider areas, this sector is not as important in Shepway as elsewhere, with the sector accounting for a higher share of jobs in all of the wider geographic areas.
- 2.51 The three public-orientated sectors - Health & Social Care, Education and Public Administration & Defence, together account for 30% of jobs in Shepway which is more than in Kent & Medway (28%), in South East (25%) and nationally (26%). This highlights the need to diversify the Shepway economy away from this reliance on the public sector and encourage more private sector employment growth.
- 2.52 Other sectors which are relatively more important in the Shepway economy are Transportation & Storage, Financial & Insurance and Administrative & Support Services

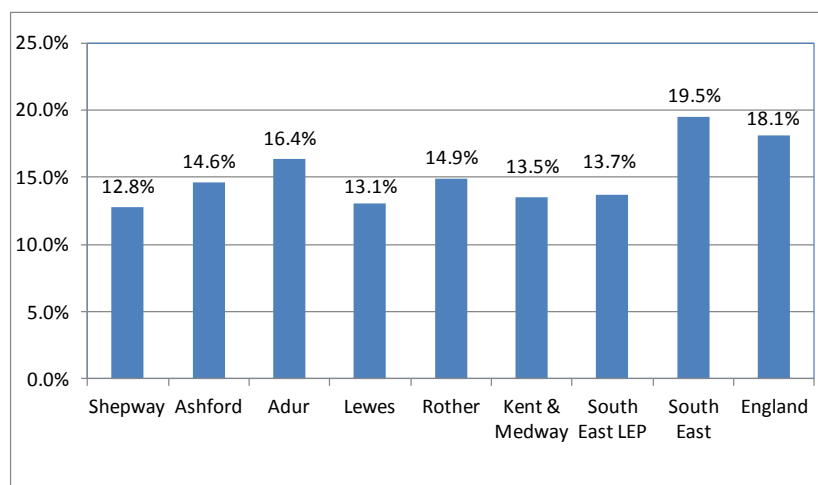
Knowledge Economy

- 2.53 Knowledge economy⁷ jobs are those that deal extensively with the processing, exchange and communication of information and knowledge and are likely to contribute a higher level of “value added” to the economy. These are often seen as being key drivers for economic growth.

⁷ KCC SIC 2007 definition of Knowledge Economy includes SIC 18,58,60-62,64-66,69-70,72,74,82,91, 262,263,591,631,639,711,712,731,732,854

2.54 Figure 2.25 below shows that Shepway has the lowest percentage of knowledge economy jobs amongst all the comparator districts and substantially fewer than in the wider geographic areas. This is related to the relatively low wage levels in Shepway compare to the other areas and highlights the importance of encouraging higher value employers to the district in the future.

Figure 2.25: Percentage of total employment in Knowledge Economy jobs in 2013



Source: BRES 2013

Sector Employment Change

2.55 Oxford Economics' (OE) East of England Forecasting Model (EEFM) provides local area projections for a number of economic indicators, including employment in 31 industry sectors and estimates of GVA⁸. The most recent EEFM forecasts are based on OE's 2013 economic outlook and the sector projections reflect the national outlook for the sector, also taking into account the relative past performance at a local level.

2.56 The EEFM can be used to look at recent employment changes to 2015 and Figure 2.26 below shows the changes since 2013, with the sectors that have shown the most significant job growth highlighted.

Figure 2.26 Employment Change 2013 to 2015 in Shepway District

	Employment Change 2013-2015	
	No (000)	%
Agriculture	-20	-3.8
Mining & Quarrying	-	-29.7
Manufacturing	-20	-0.7
Utilities (incl electricity) & Waste	-60	-4.2
Construction	+60	+1.9
Retail & Wholesale Trade	+240	+3.8
Transportation & Storage	+90	+2.9
Accommodation & Food Services	+120	+3.0
Information & Communication	+20	+3.5

⁸ GVA - Gross Value Added is a measure of the value of goods and services produced and is a measure of productivity

Financial & Insurance Services	+20	+1.0
Property	+30	+6.4
Professional, Scientific & Technical Services	+160	+6.0
Administrative & Support Services	+240	+4.5
Public Administration & Defence	-170	-5.2
Education	-70	-1.7
Health & Social Care	-120	-2.1
Arts & Entertainment	+60	+4.6
Other Services	+10	+0.9
TOTAL	595	+1.3

Note: Numbers rounded to nearest 10; Source: EEFM

- 2.57 The sector that have performed best in terms of jobs growth in Shepway since 2013 are Retail & Wholesale Trade and Administrative & Support Services; both of these sectors are estimated to have around 240 more jobs than in 2013. Other sectors which also are also estimated to have seen jobs growth over the last two years are Professional, Scientific & Technical Services, Accommodation & Food Services and Transportation & Storage.

Employment Projections 2015 to 2020

- 2.58 Looking further ahead to the period from 2015 to 2020 - the timeframe of the Shepway Economic Development Strategy, Figure 2.27 highlights the sectors that have a workforce of over 1,000 that are forecast to grow.

Figure 2.27 Sector Employment Projections for Shepway District 2015 and 2020

	2015 Employment	2020 Employment	Employment Change 2015-2020	
			No	%
Agriculture	500	450	-50	-9.3
Mining & Quarrying	10	0	-10	-58.7
Manufacturing	2,180	2,110	-70	-3.3
Utilities (incl electricity)	850	800	-50	-6.7
Waste & Remediation	480	400	-80	-17.6
Construction	3,380	3,600	210	6.12
Retail & Wholesale Trade	6,410	7,200	830	13.0
Transportation & Storage	2,960	3,100	170	5.8
Accommodation & Food Services	3,870	4,200	370	9.5
Information & Communication	610	700	60	10.2
Financial & Insurance Services	2,180	2,200	60	2.9
Property	520	600	120	23.1
Professional, Scientific & Technical Services	2,610	3,200	570	21.7
Administrative & Support Services	5,300	6,200	880	16.5
Public Administration & Defence	3,260	2,900	-380	-11.7
Education	3,950	3,800	-110	-2.8
Health & Social Care	5,760	5,500	-240	-4.2
Arts & Entertainment	1,370	1,600	240	17.8
Other Services	790	820	30	3.5
TOTAL	47,000	49,540	2,550	5.4

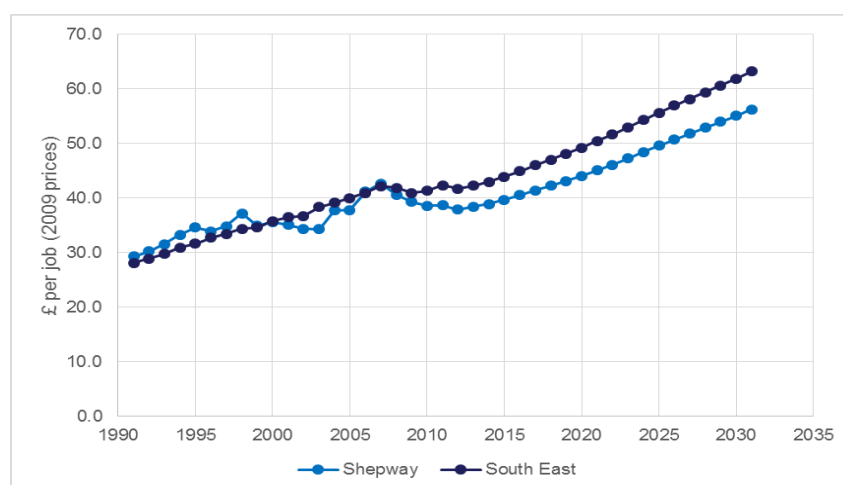
Note: Numbers rounded to nearest 10; Source: EEFM

- 2.59 Between 2015 and 2020 total employment is projected to increase by 5.4% in Shepway, which is above the rate of 4.5% for the South East. The sectors projected to see the greatest absolute jobs growth in Shepway are Administrative & Support Services (+880 jobs), Retail & Wholesale Trade (+830 jobs), Professional, Scientific & Technical Services (+570 jobs), Accommodation & Food services (+380 jobs) and Arts & Entertainment (+240 jobs)
- 2.60 In contrast, public service sectors, including Public Administration & Defence (-380 jobs), Health & Social Care (-240 jobs) and Education (-110 jobs) are all expected to decline.

GVA per Job

- 2.61 GVA per job is a measure of productivity which can be used to assess the economic health of an area. Data from the EEFM are available for the 1990 to 2031 period (Figure 2.28) and this shows that Shepway initially performed better than the regional average until about the year 2000. Since then Shepway has under-performed the regional average and this pattern is projected to continue in the future.

Figure 2.28 Modelled GVA per job - historic and projected future



Source: EEFM, 2013

- 2.62 This suggests that although Shepway is expected to see employment grow at faster than the regional rate, the growth will be in lower value sectors rather than in the higher value Knowledge Economy type jobs. However, it should be noted that the above Sector based projections are modelled outputs and therefore need to be interpreted with caution. This projection has the potential to change with interventions.
- 2.63 Drawing the above analysis there are some key conclusions which can be drawn, in order to drive the approach to Sector development and growth over the next few years, and to address the objective of achieving more, higher value jobs in the District.
- 2.64 Such an approach should concentrate on Sectors that:
- Have some existing scale within the area, and which have seen good growth
 - Are forecast to achieving growth over the next five years
 - Have seen investment over recent years
 - Are capable of achieving scale through future development and growth and have the prospect of attracting further investment in the future

- Shepway offers key advantages for the sector, such as location or infrastructure advantages
- Provide an essential support infrastructure to growth in other economic sectors

2.65 Figure 2.29 below provides a summary of those sectors which offer particular potential for growth in Shepway in the future, based on the criteria outlined above, and looking at growth prospects over the longer 2013 to 2030 time horizon.

Figure 2.29: Sector Priorities for Shepway Economic Development Strategy

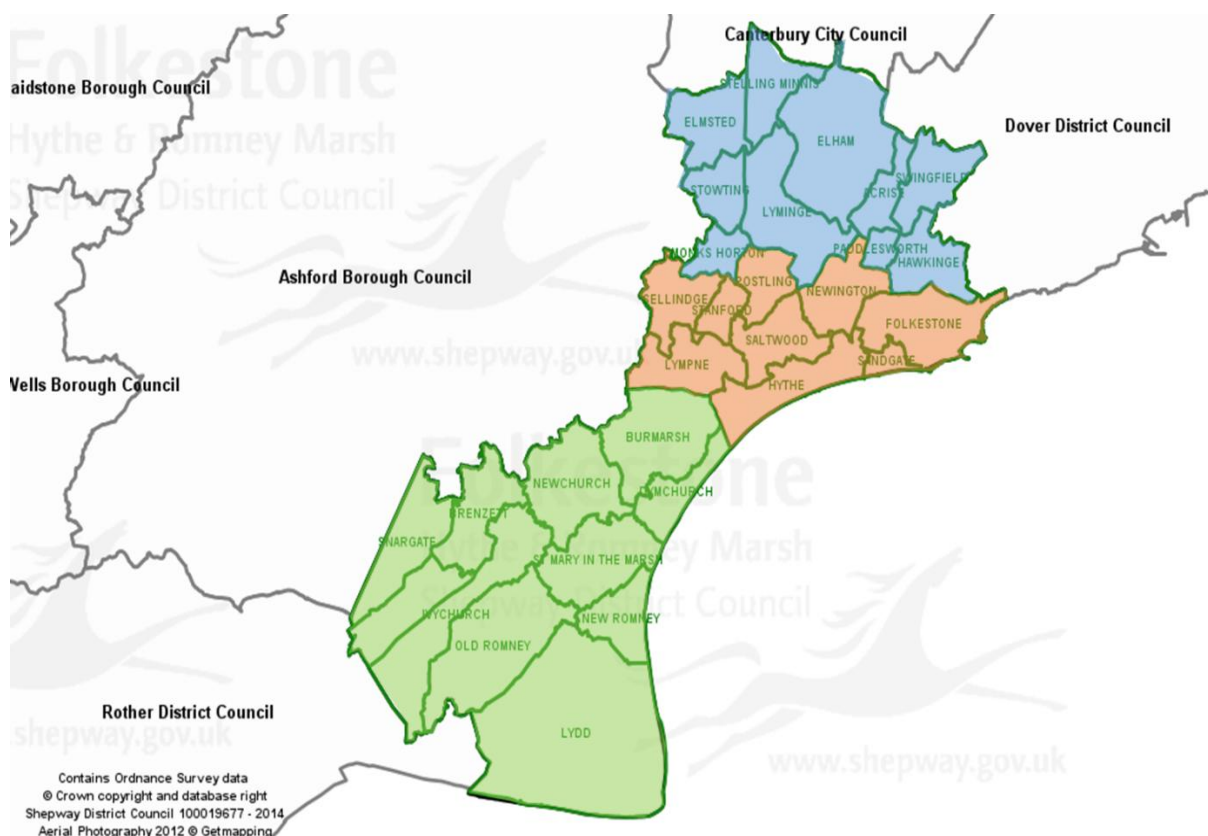
Broad Sectors providing 1,000+ jobs by 2030 AND growth over next 15 years
FINANCIAL SERVICES (including insurance and pensions)
BUSINESS & PROFESSIONAL SERVICES (including engineering-related scientific consultancy and R&D)
TRANSPORT AND LOGISTICS
TOURISM, CULTURE, RETAIL & RECREATION
Sectors where strong investment has occurred or is likely in the future
CREATIVE INDUSTRIES (including media & IT)
Sectors where Shepway has key market advantage to exploit
ENERGY
Knowledge Economy high value sectors
ADVANCED MANUFACTURING -
Cross cutting Support Sectors - which will respond to general growth in economic activities
CONSTRUCTION

Note: the 2 digit SIC codes of the sectors are set out in Annex

3. THE SHEPWAY SPATIAL CONTEXT

- 3.1 Shepway District has three distinct economic “sub areas” - Folkestone and Hythe, Romney Marsh and the North Downs, each with their own distinct economies and spatial characteristics. These inevitably therefore have their own strengths, weaknesses and opportunities which will be outlined in this section.

Figure 3.1: Shepway’s three distinct sub areas



Folkestone and Hythe

- 3.2 The Folkestone and Hythe sub area has a population in the region of 65,000 people, and is where the majority of the economic activity in the district takes place. It is also where the majority of growth will take place for the period up to 2026, with the Shepway Local Plan indicating that around 75% (6,000) of the 8,000 new homes built in the district over this period are likely to come forward in this urban area.
- 3.3 This area of the district also enjoys unsurpassed connections – with both Folkestone West and Folkestone Central railway stations offering HS1 services and easy access to the M20, Eurotunnel and the Port of Dover.

- 3.4 The main centre of economic activity is in Folkestone itself, which contains the largest retail centre in the district, several industrial estates (including Park Farm and the Shearway Business Park which adjoins the M20). It also contains significant private sector insurance and financial services companies, and is developing a role as a focus for cultural, creative and IT companies especially in the Old Town (Creative Quarter).
- 3.5 Hythe, the other main centre in this conurbation, is home to a number of well established businesses, especially on its Industrial Estates. It has a successful town centre, dominated by independent retailers, but supported by key anchor stores – such as Sainsbury’s, Waitrose and WH Smith. It also has a strong visitor / tourist economy supported by the Royal Military Canal, St Leonard’s Church, the Romney Hythe and Dymchurch Railway and beaches.
- 3.6 The sub area clearly has a function as an ‘economic entity’ within Shepway, with the main employment locations serving both Folkestone and Hythe, as well as retail provision in Folkestone’s town centre, education facilities (particularly FE), a common coastline and other direct communication routes.
- 3.7 Whilst large parts of this sub area have low unemployment levels, there are pockets of higher unemployment in East and Central Folkestone, with rates in the region of 8% in some areas (June 2014). This clearly provides the opportunity for businesses to expand and recruit locally (subject to appropriate skill levels). This has been the case in recent months as illustrated by a drop in JSA claimant numbers.

Romney Marsh

- 3.8 The Romney Marsh sub area has a distinct identity – there are some very remote parts to this predominantly agricultural area, which also has a long tourist tradition.
- 3.9 Approximately 20,000 people live in the sub area and housing growth is likely to be relatively modest in the period up to 2026. The Shepway Local Plan indicates that around 800 new homes (10% of the total for the district) will be built in Romney Marsh, with many likely to be in and around the more urban areas.
- 3.10 Unemployment rates tend to be low, with many wards having a JSA claimant rate below 2%. The new Marsh Academy and the work of the Romney Resource Centre are both supporting the creation of a strong future workforce.
- 3.11 Since the 1950s, the west of the area has been dominated by two nuclear power stations at Dungeness. One of these facilities is currently being decommissioned, and although a significant number of jobs were involved in that process, this is due to decline significantly over the next two years. Dungeness B, which continues to employ over 500 people, is expected to be granted an extension to its operations through until 2028, and will therefore continue to be a major economic driver over the foreseeable future.
- 3.12 The sub area also contains Lydd Airport, which has recently had exciting plans approved for the construction of a new terminal building and the extension of its runway to accommodate larger passenger planes. There is an aspiration over the next few years to achieve 500,000 passengers per annum using the airport services. This is particularly significant in view of the recent closure of Manston Airport. Once fully operational, this airport facility will have the potential to attract new support and other service based businesses into the area.

Figure 3.2: Spatial characteristics of the Romney Marsh sub area



- 3.13 Due to its geographic location, this area looks as much towards Ashford and Rother as it does towards Folkestone and Hythe, as reflected in shopping and commuting patterns for the area. This is also reflected in the Romney Marsh Partnership, which straddles all three districts.
- 3.14 This area has seen considerable public investment over the last decade, including in sea defence at Dymchurch, in education and skills provision at the Marsh Academy and Romney Resource Centre and in the decommissioning of the nuclear plant.

North Downs

- 3.15 The North Downs sub area comprises the geography to the north of Folkestone and Hythe and the M20 corridor, including settlements such as Hawkinge, Sellindge, Lyminge, Elham and Densole.
- 3.16 The area is characterised by the predominance of agricultural activities, its quality natural landscape, its vibrant and varied villages, and a variety of recreational activities in the Kent Downs Area of Outstanding Natural Beauty.
- 3.17 The Shepway Local Plan indicates that around 15% (1,200) of housing growth for the period up to 2026 will be built in this sub area.
- 3.18 This area performs exceptionally well economically, with unemployment rates being exceptionally low. There are also some key development opportunities to be driven forward in Hawkinge, with its ready access to the M20. Commuting and shopping patterns suggest that people in this area are linked economically with Canterbury and Ashford, as much as they are with Folkestone and Hythe.
- 3.19 The sub area has a number of challenges, but also some distinct opportunities to strengthen the economy by working to maximise its advantages around the outstanding natural environment - as both a business opportunity, and as specific opportunities in the visitor, tourism and leisure sectors.

4. THE PROPERTY MARKET CONTEXT

Introduction

- 4.1 This section reviews the property market in respect of employment / commercial uses across the District. In particular the position in each of the sub areas set out above is considered, and the characteristics and performance of the market for sites and accommodation, serving the different sectors highlighted in the socio economic analysis in Section 2 are also considered. The balance of demand and supply is addressed and key issues around the suitability of the existing supply of employment land and property are highlighted. This is based on a literature review, consultations with local property agents and other stakeholders including Locate in Kent.
- 4.2 The wider context is one where following the 2008 financial crisis the UK economy is in recovery mode experiencing relatively strong growth in GDP. This is feeding through to the property market as occupier demand strengthens and investors return to the sector. These factors, combined with a shortage of supply, due to a lack of development activity in recent years, have led to rises in property values in London and the Home Counties for office, industrial and retail property.
- 4.3 Against this backdrop there are a number of important trends affecting the property market. These include:
- Technological enhancements and increasingly competitive global labour markets leading to increased global competition.
 - Strong corporate pressure to achieve operational cost effectiveness – implying consolidation of multiple locations bringing benefits in terms of cost, collaboration/networking.
 - Cloud and wireless technologies promoting more home working and flexible working practises – growth in small serviced offices and co-working spaces – ‘clusters’ increasingly effective as attractors of businesses.
 - The growth of e-commerce is a driver for increased demand for industrial and logistics space with commentators forecasting a denser network of urban logistics facilities and innovation in the parcel delivery and courier sector.
 - Retailers are actively rolling out ‘dark stores’ in order to fulfil on line grocery orders.
 - Waste to Energy plants are also a source of future industrial demand, as the government promotes their use through Renewable Obligations Certificates and the Feed in Tariff.
 - Significant growth in the creative and cultural sector is generating demand for ‘flexi space’ in our towns and cities and driving new types of working environments.

Kent and Shepway

- 4.4 Across the county average growth in rents in the office sector has improved to -0.01% from -2.60% in 2012-2013⁹ with improving yields as business confidence improves. High street rents have fallen though partly reflecting changes in consumer behaviour toward on-line shopping. Retail warehousing rents have fallen slightly but yields continued to harden reflecting investor appetite for

⁹ Kent Property Market Report, July 2014

UK property. Industrial rents have improved for the fifth year in a row and are now outperforming those for the South East and UK.

- 4.5 Locate in Kent's East Kent report published July 2013, shows office demand in East Kent picking up significantly in 2012 and 2013, although supply still exceeds demand the gap has started to close since 2012. The report indicates an over-supply in the smaller office sizes in 2013, and under-supply over 5,000 sq. ft., the largest enquiry was for 60,000 sq. ft.
- 4.6 In Shepway there are 38,000 jobs of which approximately one third are based in 'B' use class properties (offices, industrial and warehouses) and two thirds in non-'B' use class including accommodation, food and culture, wholesale and retail, education and healthcare. Sizes of firms in Shepway broadly mirror Kent and national averages.
- 4.7 Key Shepway employers include insurance provider SAGA (which employs 2,500 people in Folkestone, Sandgate and Cheriton), and health and beauty products manufacturer Church & Dwight (which employs 300 people in Folkestone) spread across multiple sites. In 2010, Dungeness Power Station employed around 1,000 people, although Dungeness A is in the process of being decommissioned, and Dungeness B is coming to the end of its initial life. Bouverie Place shopping centre employs around 1,000 people across its 25 retail and leisure units. Consultation with local commercial property agents suggested an over-reliance on the public sector in the office market, with large occupiers including Shepway District Council and HMRC.
- 4.8 However, Shepway, along with other east Kent districts, suffers from poor perceptions. Locate in Kent's 2014 perception study reveals that only 11% of key business figures (ranging across businesses that have and have not considered locating in Kent, developers and investors, and advisors) consider East Kent to be the most favourable sub-region of Kent, compared to 33% for Thames Gateway and 29% for Maidstone/Ashford. Negative perceptions about Folkestone from the previous (2010) survey included its remoteness and a perception of it being 'run-down' as well as having a poor stock of commercial premises and workforce skills.

Figure 2: Property market characteristics of Shepway's three sub areas



Folkestone / Hythe including M20 corridor

- 4.9 Whilst the overall quantum of office floorspace in Folkestone/Hythe compares favourably with neighbouring districts, this picture is skewed as 22% of the space is occupied by SAGA. Half of the office space within the Folkestone / Hythe urban area is located in and around Folkestone town centre, with a further one-fifth located in the M20 corridor. This includes the serviced workspace at the Basepoint Enterprise Centre, Shearway and premises occupied by SAGA at Cheriton Parc House.
- 4.10 Hythe has a modest amount of offices (5,300 sq. m) mainly in smaller units with almost half located on the High Street.
- 4.11 There is limited demand from larger occupiers, with most enquiries under 90 sq. m (1,000 sq. ft.), which in part reflects the relative lack of larger office space with modern features (air conditioning etc.) compared to neighbouring locations. Vacancy rates are also currently below desirable, “frictional” vacancy levels, to ensure that businesses are able to ‘right-size’ in space that is appropriate to their current needs.
- 4.12 Office rental values in Folkestone town centre are typically under £50 / sq. m (£4.50 / sq. ft.), whilst values close to M20 junctions can reach £150 / sq. m (£14 / sq. ft.). This variation in values may converge as stock limitations (both in terms of overall quantum, availability and specification) in the town centre are overcome. All-inclusive license fees for serviced offices equate to £235-260pa / sq. m (£22-24pa / sq. ft.).

Offices - Finance, Insurance and Business services

- 4.13 Sources of demand will be based on the existing business base within finance and business services, growing local businesses, capturing growing value pressures in London (outsourcing and relocations) and new business start-ups. Reduced travel times to London as a result of High Speed 1, coupled with cheaper house prices open up opportunities to attract businesses, commuters and home workers from London.
- 4.14 The property requirements are likely to be:
- Small good quality office type business units in Folkestone/Hythe
 - Larger offices in wider “town centre” – capturing access to station / HS1
 - Larger offices (as part of a more broadly based facility) in ‘quality’ environment with good access to motorway

Office and Workspace - Creative, Cultural and IT

- 4.15 The work carried out by the Creative Foundation in Folkestone’s ‘Creative Quarter’ has led to a significant cluster of creative and cultural activities, ranging from individual artists’ studios and media start-ups to cultural performance areas. The Creative Quarter now constitutes around 2ha of land at the Old High Street and Tontine Street, most of which is owned and managed by The Creative Foundation.
- 4.16 Accommodation is relatively low-cost with flexible terms, and extremely varied including:
- Studios / workshops housing over 40 artists and creative students totalling around 930 sq. m

- Around 25 business units totalling around 2,900 sq. m
- Around 30 retail and leisure units
- Around a dozen community and education uses
- The Quarterhouse performance venue

4.17 This creative cluster has the potential to be a positive driver of demand for commercial space. The property requirements for businesses in the creative sector should focus on reinforcing/developing Folkestone wider town centre / creative cluster and include the need for:

- Smaller units for showcasing, workshops, flexible business units (range of quality and cost).
- Grow-on space to retain businesses in area.
- Improved links – to town centre and transport connections (railway station).
- A proactive partnership to be developed with the education sector.
- High speed broadband to be rolled out / developed.

Industrial and Logistics

4.18 Industrial (manufacture and assembly) activity in Folkestone and Hythe is limited relative to logistics (warehousing and distribution), and is typically light in nature. Units typically range from 350 to 2,000 sq. m with a small number of larger units between 3,000 and 8,500 sq. m, primarily providing flexible space suitable for use as a workshop or warehousing (B1c\B2\B8).

4.19 Immediate motorway access is essential for all non-local facilities, and almost half of the developed employment land in this economic area (49%) is located along the M20 corridor principally at Shearway and Cheriton Parc. However, this land predominately provides lower density industrial and logistics accommodation, including some open storage land at the Park Farm industrial estate.

4.20 Over 15,000 sq. m of the District's industrial (factory) premises are located at the Lympne Industrial Estate, much of which is housed in ageing stock. Whilst almost half of the District's developable employment land (allocations saved from the 2006 Local Plan) is concentrated at Link Park in Lympne (32.4ha), this location is not considered attractive by logistics operators due to its distance from the M20.

4.21 Smaller-scale industrial estates in east Folkestone such as the Highfield Industrial Estate and Bowles Wells Gardens account for 15% of developed employment land within the economic area. Whilst varying greatly in quality of accommodation and access, they are well-occupied suggesting that they cater well for local demand.

4.22 In Hythe, local industrial estates such as the Pennypot, Kengate and Boundary Road estates provide a range of light industrial and logistics accommodation of varying quality, and typically modest in size.

4.23 The Council will need to protect smaller light industrial and logistics activity to service local needs across the Folkestone / Hythe urban area. However, East Folkestone offers a number of development opportunities for mixed employment and residential uses on currently allocated employment sites such as East Station Goods Yard, Bowles Wells Gardens and the former Gasworks on Ship Street.

4.24 Local agents have described a 'two-tier' market, whereby stock generally transacts below quoting rents, but some occupiers will pay above market rates for bespoke facilities that meet their requirements.

- 4.25 Sources of demand will include:
- 'Dark' internet retail distribution centres – serviced, ready to develop, sites needed
 - Immediate motorway access essential for non-local facilities
 - Port-related – Competition to Whitfield, Dover
 - Smaller local service centres serving local catchment
 - Land hungry uses/storage e.g. construction related in lower value areas

Town centres and settlements

- 4.26 The size of retail units in Folkestone town centre is a key factor in terms of meeting future demand. With the exception of the key 'anchor' stores such as Debenhams, Primark, and the supermarkets (Sainsbury's, Asda and Lidl), the majority of retail units are small, often constrained premises. Indeed, 72% of retail units are less than 200 sq. m in size, and over half are less than 100 sq. m.
- 4.27 Folkestone currently attracts 28.8% of comparison goods expenditure from the District's Household Survey area, with its main competitors being Ashford and Canterbury, attracting 21.7% and 16.8% of comparison expenditure in 2014 from the District, respectively¹⁰. Both of these centres' respective planning authorities have plans for significant expansion in the short to medium term.
- 4.28 The opening of Bouverie Place has clearly assisted in attracting new retailers to the town who would probably otherwise not be present (on account of lack of suitable premises), and have helped to stem some expenditure 'leakage'. The rest of the primary shopping area, however, appears to be moving downmarket, and on Sandgate Road the majority of the main 'anchor' stores are now value retailers. Some secondary areas of the town centre are struggling, and it is noteworthy that there has been an increase in vacancy rates (pulling up average vacancy in the centre to 18.4% in May/June 2014, compared to the UK average of 12.6%¹¹).
- 4.29 A recent town centre study identifies that, in terms of comparison goods provision, there is a need for the quality of the retail offer to be improved in Folkestone town centre. This includes a repositioning of the centre away from its current low quality / value retail-orientated offer towards a more mid-market offer which will help to reduce the levels of expenditure leakage to surrounding centres.
- 4.30 Importantly, there is very limited available provision to accommodate such an offer within either existing unit stock (unless units become available in Bouverie Place) or vacant sites for redevelopment. Therefore the refurbishment / modernisation of existing floorspace, coupled with the delivery of larger footprint modern floorspace on suitable town centre opportunity sites, is considered essential if further retail leakage is not to take place.
- 4.31 Hythe is a complementary retail location to Folkestone, with a focus on specialist, independent retailers and eating and drinking facilities. The recent addition of a large Sainsbury's supermarket has assisted in retaining a greater amount of expenditure locally.

¹⁰ Peter Brett Associates (2014)¹⁰ Draft Town Centres Study
¹¹ Peter Brett Associates (2014)¹¹ Draft Town Centres Study

Romney Marsh

Industrial and Logistics

- 4.32 The Mountfield Road Industrial Estate is the largest employment site in the Romney Marsh area (57% of the area's 28 hectares of employment land). Phases 1 and 2, to the north of the site, total 10 hectares of land that is now almost entirely built out. Phases 3 and 4, most of which is under Shepway District Council ownership currently used for agricultural purposes (total six hectares). The estate is generally well occupied; however, as is the case across the District, quoting rents are rarely achieved and are not high enough to induce speculative development.
- 4.33 Whilst demand for larger unit sizes up to 20,000 sq. ft. has increased in recent months, there are currently only a handful of units between 4,000 and 30,000 sq. ft. The Council should therefore consider delivery of serviced plots in phases, in order to make such development more attractive to the private sector and ensure that appropriate space is available to meet business needs and enable growth.
- 4.34 There are currently three employment areas within Lydd: Station Yard (0.9 hectares of currently brownfield vacant land), Harden Road (2.2 hectares comprising some modern 'nursery' light industrial and logistics units and two larger units, one of which is vacant) and Kitewell Lane (one hectare comprising 'nursery' light industrial and logistics uses, situated close to residential uses, with capacity for further development on-site and expansion to neighbouring sites). Whilst there is considerable scope for reconfiguration of these sites, with some release of employment land for residential use, it is important to ensure that adequate capacity is retained to cater for long-term employment space requirements in this part of the District.
- 4.35 The Council should therefore conduct more detailed quantitative assessments of industrial and logistics requirements in Lydd, and Romney Marsh more generally, to establish the long-term requirement for employment space.

Lydd airport

- 4.36 There is potential for increased economic activity related to the planned £25m expansion London Ashford Airport in Lydd, now approved by the Secretary of State. The scheme comprises the construction of a new terminal building and lengthening the current 1,505m runway by a further 444m (294m runway and 150m starter) to handle short-to-medium range airliners up to Airbus A320-size. The scheme allows for up to half a million passengers a year, and will increase employment from the current 116 people to between 180 and 300.
- 4.37 The demand for accommodation to house those businesses developing around the airport to service increased activities will need to be kept under review over the next few years, as the airport develops. Most of this is likely to be accommodated on airport land, however nearby industrial estates may also have a role to play.

Energy

- 4.38 The exposure and expansiveness of the Romney Marsh area lends itself to renewable energy generation to serve local and regional demand through onshore wind and solar technologies. The coastal location potentially opens up opportunities for investment in offshore wind, wave and tidal technologies. The Council should work with private infrastructure providers to assess the feasibility of such energy generation, including appropriate locations and scale.

Town centres and settlements

- 4.39 The wider New Romney area, is home to a population of some 9,700 (9.0% of the District), and it is identified as a top-tier 'Town Centre' in Shepway's Core Strategy. Its high street offer comprises a range of predominantly-independent convenience, comparison retail and services. The town centre is considered to be performing well, with vacancy rates well below the national average.
- 4.40 With its population of 3,900, Lydd is designated as a second-tier 'District Centre' in Shepway's Core Strategy. The high street comprises historic urban fabric protected by a designation as a conservation area, and a 360m stretch of its High Street is designated with retail frontages in the 2006 Local Plan. Despite being a considerable distance from its nearest top-tier centre, Lydd's retail area only totals around 20 units anchored by a Spar convenience store, with residents travelling further afield for most of their shopping needs. However, in this context it performs well, providing a well-maintained environment.

North Downs

Town / village centres and settlements

- 4.41 Hawkinge is the largest settlement within the North Downs area, with a population of 8,000 (7.4% of the District). The town is designated as a second-tier 'District Centre' in Shepway's Core Strategy, and has undergone significant expansion in recent years, with around 8 hectares still allocated for development at Hawkinge West.
- 4.42 Around ten commercial units are located on Canterbury Road, with the retail frontage broken up by residential units. Whilst the centre performs a limited retail function, it offers a pleasant environment with two national convenience stores.
- 4.43 Other settlements within the North Downs area include Lyminge and Elham, both designated as third-tier 'Local Centres' in the Core Strategy serving populations of around 2,800 and 2,100, respectively.

Other activities which will impact on land/property requirements

Home working

- 4.44 The North Downs area has some of the highest rates of home working in Shepway, with the highest being 10% in Elham and Stelling Minnis ward and 7% in North Downs West¹². Despite relatively high levels of home working, some parts of the North Downs area continue to suffer from very poor mobile and broadband connectivity.
- 4.45 The Council is currently working with private infrastructure providers and other public sector organisations to secure improvements to digital connectivity, as well as in promoting upgrade opportunities to local SMEs, via the recent arrangements with Maidstone Studios to feed an uninterrupted supply to the Civic Centre, with the potential for distribution throughout the district via line of sight connections and relay stations.

¹² ONS (2011) Data Explorer: Method of travel to Work

Agri-tech and Horticultural

- 4.46 Around 40 per cent of the District's land mass is within the Kent Downs AONB, the majority of which is located within the North Downs area. Therefore, whilst the majority of the area is rural in character, buildings and structures supporting agricultural and horticultural activity will need to be developed creatively and sensitively to an acceptable level of visual impact on the area.
- 4.47 The Council will need to coordinate a programme of further research and investigation to assess demand from higher value agricultural and horticultural operations, and establish land, property and infrastructure requirements. It should seek to develop links to regional universities where research projects and apprenticeships require live agricultural and horticultural sites, particularly where there is potential to share in the benefits from commercialisation from new technologies resulting from research and development activity.

Emerging Issues

- 4.48 There are some important issues emerging from the above analysis which create some real challenges if the property infrastructure is going to meet the needs of the District's economic and growth agenda going forward.
- 4.49 This will require some detailed work to establish:
- Well-located serviced land parcels in the 'M20 strategic network' for:
 - High quality offices / mixed use production, assembly and distribution
 - Sub regional logistics / distribution facilities
 - This would include the consideration of the potential for a new strategic employment development area encompassing a range of uses at J11 of the M20 / Westenhanger Station -a 'flagship' office employment area or business park to compete with developments such as Eureka Science and Business Park in Ashford, and White Cliffs Business Park in Dover.
 - Sites for smaller / more flexible quality offices in Folkestone town centre and / or close to the station / HS1
 - Increased provision of small workspace accommodation across the district, some with a specialist focus (subject to more detailed sector research)
 - The creation of good retail and leisure sites within Folkestone and other town centres to accommodate a wider range of occupiers
- 4.50 Importantly, this offer also requires a range of physical, "support" initiatives / programmes such as:
- The availability of superfast broadband across all key employment sites
 - A significantly improved housing offer (quality and range), both within the town centres and coastal strip – and other key locations. The Seafront development will set a new benchmark in terms of housing quality, which in itself can be an effective attractor for business.
- 4.51 Whilst low rental values relative to neighbouring locations make Shepway attractive to occupiers, they limit opportunities for speculative development, especially on a larger scale, due to viability issues. This is a 'chicken and egg' situation as without the space companies will not be attracted, but if they are the likelihood is that new value thresholds will be met – Priory Quarter in Hastings has demonstrated this through its programme of speculative office development.

Interventions

- 4.52 The land and property programme needs to be based around a programme of clear “interventions”, primarily from the public sector (e.g. feasibility work, support with land assembly, infrastructure or other enabling work or activities) which are required to **bring forward a suitable supply of land and property** to support the opportunities identified above.
- 4.53 In particular, these will cover:
- **Local Plan (Places and Policies)** - ensure the portfolio of allocated employment and residential sites to be taken forward as part of this process - reflects the economic development priorities
 - **Enabling and facilitating** – Using its influence to work with landowners developers to steer development proposals in line with economic development priorities
 - **Funding** – Help to secure funding to help unlock priority scheme which are not viable schemes
 - **Inward investment strategy and marketing** – Implement a strategic and sector focused marketing plan with Locate in Kent, nationally and internationally
 - **Other incentives** – Initiatives using targeted business rates relief, local ‘enterprise areas’, simplified planning zones, etc.

The balance of demand and supply

- 4.54 It is extremely important to ensure that there are adequate sites / premises, in the right locations, and built to the right specification – without which businesses will simply not come to, or remain in the area.
- 4.55 The baseline and target predictions for the potential jobs growth of key sectors set out in Section 2 of this report will have significant property implications and if these are to be realised, it is important that the key property market / site issues identified above are addressed and resolved.
- 4.56 A preliminary exercise has therefore been undertaken to relate anticipated job growth and the resulting demand for accommodation / land, to the current availability of land and property, both in terms of quantum as well as ability to satisfy the quality / location needs of occupiers and investors. The modelling of space requirements per FTE mirrors the methodology used in the Employment Land Review 2011.
- 4.57 Generally predictions of employment growth tend to be most reliable at regional and national scales, whereas at a local level they are most useful in providing a broad indication of trajectories and growth in different sectors. There is also not always a clear relationship between employment growth and land supply requirements.
- 4.58 In converting job numbers to floorspace it is very important to consider the factors which may influence demand and supply at a local level. There is a basic question as to whether the existing stock and pipeline is suitable in terms of its quality and location. If it is not, even the baseline employment growth projections are unlikely to be met.
- 4.59 Other factors that may have a material impact upon floor space requirements include the strength of competition from other areas, success in attracting inward investment, vacancy rates (sufficient to allow choice for businesses); business formation rates and so on.
- 4.60 To reflect these variables we have modelled a ‘high growth’ scenario. This is based on a 5% increase year on year above the baseline scenario applied to growth sectors. It assumes that the key property market / site issues are addressed and Shepway is better placed to accommodate economic growth.

Figure 4.2: Net change in jobs ('000s)

Use class	Baseline scenario			High growth scenario		
	2015-2020	2020-2025	2025-2030	2015-2020	2020-2025	2025-2030
B1	1.2	0.8	0.7	1.8	0.9	0.8
B2	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
B8	0.2	-0.0	-0.1	0.4	-0.0	-0.1
Non-B	0.6	0.2	0.1	1.1	0.2	0.1
TOTAL	1.9	0.9	0.6	3.4	1.0	0.7

Source: EEFM, adjusted by BBP Regeneration

Figure 4.3: Estimated gross external floorspace requirement ('000 sq. m)

Use class	Baseline scenario				High growth scenario			
	2015-2020	2020-2025	2025-2030	TOTAL	2015-2020	2020-2025	2025-2030	TOTAL
B1	24.1	16.0	14.2	54.3	36.7	17.3	15.1	69.0
B2	-1.6	-2.0	-2.2	-5.8	0.1	-2.1	-2.3	-4.2
B8	7.9	-1.6	-3.1	3.2	17.2	-1.2	-3.1	12.9
Non-B	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL	30.34	12.41	9.01	51.8	54.01	14.03	9.65	77.7
<i>Est. land req (ha)</i>	7.6	3.1	2.3	12.9	13.5	3.5	2.4	19.4

Source: EEFM, adjusted by BBP Regeneration

- 4.61 This shows an estimated land requirement of between 12.9 Ha (baseline) and 19.4 Ha (high growth).
- 4.62 This compares with the requirement identified in the 2011 Employment Land Review of 5.2-15.0 Ha albeit over a different timeframe from 2008 to 2026.
- 4.63 Whilst the overall quantum of developable land within the District is far in excess of these estimated requirements over the next 15 years, much of the currently developable land is not suitable for the growth sectors identified. Even the most suitable sites are likely to require public sector intervention in order to secure the District's economic growth potential within the required timescale. Therefore, in reviewing the key development opportunity sites within the District, the Council should distinguish between:
- **'Strategic Sites'** - Sites that are capable of being marketed as major employment locations and are therefore potential 'game-changers', justifying more involved public sector intervention to secure delivery. These provide potential for between 57 and 77 Ha of employment land.
 - **'Locally Significant Sites'** – Sites that are seen as being able to create a positive economic development contribution within the specific part of the District in which they fall. SDC has an ownership interest in some of these sites, whilst others are owned privately. This will dictate the extent of public sector intervention justified for each site. These sites provide potential for up to 64ha of employment land.

- **Other sites** - Sites that do not justify significant public sector intervention at this time. Some of these sites may be suitable for release to mixed / residential uses.

4.64 The tables that follow identify the sites identified as being within the first two categories above, along with their developable area, and some of the immediate issues / tasks that must be addressed in order to secure their delivery.

Strategic Sites

Site and approx. developable area	Sectors	Tasks	Responsibility
Junction 11 (incl. Stop 24, Racecourse, Lorry Park), Folkestone – between 20 and 40 Ha	<ul style="list-style-type: none"> - Finance, insurance, business services - Industrial and logistics 	<ul style="list-style-type: none"> - Consult with landowners - Assess feasibility options – re ownership, infrastructure provision, development, delivery, etc. - Planning framework and policy needs to be developed 	<ul style="list-style-type: none"> - SDC - Landowners
Junction 12, Folkestone – 4 Ha	<ul style="list-style-type: none"> - Finance, insurance, business services - Industrial and logistics 	<ul style="list-style-type: none"> - Consult with landowners and clarify/define the offer - Assess options for taking control of site and bringing forward for development - Assess feasibility options – re infrastructure provision, development, delivery, etc. 	<ul style="list-style-type: none"> - SDC - Landowners
Junction 13 (incl. Shearway Phases 1 and 2), Folkestone – 5 Ha	<ul style="list-style-type: none"> - Finance, insurance, business services - Industrial and logistics 	<ul style="list-style-type: none"> - Seek to resolve access issues to Ph2 - Explore opportunities to release quality gateway sites - Assess opportunity to bring forward all sites in area under a comprehensive employment “offer” - Assess feasibility options – re ownership, infrastructure provision, development, delivery etc. - Work with landowners to market employment opportunity 	<ul style="list-style-type: none"> - SDC - Landowners
Civic Centre (incl. 3-5 Shorncliffe Road), Folkestone – 5 Ha	<ul style="list-style-type: none"> - Finance, insurance, business services - Creative, cultural, IT - Residential 	<ul style="list-style-type: none"> - Undertake an options appraisal to assess whether a relocation of the council offices could support renewal in the town centre and release a site for a quality office/business park - Assess development feasibility of current site for alternative uses - Assess options for incorporating any adjoining sites - Confirm viability and confirm preferred relocation option 	SDC

Folkestone Seafront / Tontine Street – 23 Ha	<ul style="list-style-type: none"> - Finance, insurance, business services - Creative, cultural, IT - Tourism, visitor and leisure - Retail - Residential 	<ul style="list-style-type: none"> - Support Creative Foundation and Folkestone Harbour 	<ul style="list-style-type: none"> - SDC - Creative Foundation and Folkestone Harbour
Town Centres	<ul style="list-style-type: none"> - Finance, insurance, business services - Creative, cultural, IT - Tourism, visitor and leisure - Retail - Residential 	<ul style="list-style-type: none"> - Identify key sites and work up delivery plans 	<ul style="list-style-type: none"> - SDC - Landowners
Link Park – 32 Ha	<ul style="list-style-type: none"> - Industrial and logistics - Specialist (agri-tech, energy) 	<ul style="list-style-type: none"> - Review planning conditions - Market land - Consider business support/enterprise are potential 	<ul style="list-style-type: none"> - Landowners - SDC

Locally Significant Sites - SDC

Site and approx. developable area	Sectors	Tasks	Responsibility
Kitewell Lane (and adjoining land to the East of B2075 Station Rd), Lydd – 4 Ha	<ul style="list-style-type: none"> - Industrial and logistics - Specialist (agri-tech, energy) 	<ul style="list-style-type: none"> - Engage landowners - Develop planning policy - Define additional interventions 	<ul style="list-style-type: none"> - SDC - Landowners
Mountfield Road, New Romney – 8 Ha	<ul style="list-style-type: none"> - Industrial and logistics - Specialist (agri-tech, energy) 	<ul style="list-style-type: none"> - Develop infrastructure proposals - Market serviced sites - Relocation strategy to release land for residential uses 	<ul style="list-style-type: none"> - SDC
Princes Parade, Hythe – 1 Ha	<ul style="list-style-type: none"> - Tourism, visitor and leisure 	<ul style="list-style-type: none"> - Develop planning policy - Draw up an implementation plan 	<ul style="list-style-type: none"> - SDC
Pennypot Lane and Kengate Industrial	<ul style="list-style-type: none"> - Residential - Finance, insurance, business 	<ul style="list-style-type: none"> - Engage landowners - Define interventions - Develop planning policy 	<ul style="list-style-type: none"> - SDC - Landowners

Estates, Hythe – 2 Ha	- services - Industrial and logistics		
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Locally Significant Sites - Private Sector

Site	Sectors	Tasks	Responsibility
Nickolls Quarry – Up to 6 Ha	- Residential - Finance, insurance, business services - Industrial and logistics	- Accelerate delivery of residential - Draw up a delivery plan for employment uses	- Camland Developme nts - SDC
Former Gas Works Site, Ship Street – 2 Ha	- Residential	- Engage with landowners Undertake due diligence for potential acquisition	- Landowners SDC
Hawkinge West – Up to 9 Ha	- Residential - Finance, insurance, business services - Industrial and logistics	- Engage with landowners - Review planning policy	- Landowners SDC

Annex A – Key sectors

Headline description - for the purposes of the ED Strategy	Main SIC Codes	EEFM Categories	2-digit SIC codes	General description of "sub sectors"
Financial services (including insurance and pensions)	K - FINANCIAL AND INSURANCE ACTIVITIES	Finance	64, 65 & 66	Financial services (64); Insurance & pensions(65); and "auxiliary activities" (66)
Business and Professional Services (including engineering-related scientific consultancy and R&D)	M - PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	Professional services	69, 70, 71, 73, 74 & 75	Legal & accountancy, architectural, engineering, advertising, management consultancy and other professional/ scientific
		R+D	72	Research and experimental development on natural / social sciences and engineering etc
	N - ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	Employment activities	78	Employment & human resource agencies
		Business Services	77, 79 to 82	Office / business support, rental & leasing, security services, facilities management services and travel agencies,
Transport and Logistics	H - TRANSPORTATION AND STORAGE	Land Transport	49, 52 & 53	Land transport and pipelines; Warehousing and support activities for transportation AND Postal and courier activities
		Water and air transport	50 & 51	Sea, coastal & inland water transport - passenger & freight; passenger & freight air transport

	G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES (Part)	Wholesale (part)	46	Wholesale trade, except of motor vehicles and motorcycles
Creative industries (including media & IT)	J - INFORMATION AND COMMUNICATION	Publishing and broadcasting	58 & 59 & 60	Books & software; film, video and TV production, sound recording and music publishing; TV & radio programming and broadcasting activities
		Telecoms	61	Wired, wireless & satellite communications activities
		Computer related activities	62 & 63	Computer programming & consultancy; data processing & hosting, web portals & related activities
Tourism, Culture, Retail & Recreation	R - ARTS, ENTERTAINMENT AND RECREATION	Arts and entertainment	90, 91, 92 & 93	Creative, arts and entertainment activities (90); Libraries, museums and other cultural activities (91); Gambling and betting (92); Sports, amusements and recreation activities (93)
	I - ACCOMMODATION AND FOOD SERVICE ACTIVITIES	Hotels and restaurants	55 & 56	Accommodation & Food & beverage
	G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES (Part)	Retail	47	All Retail trade (except motor vehicles)
		Wholesale (part)	45	Wholesale and retail trade and repair of motor vehicles and motorcycles (45)
Energy	D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	Utilities	35	Electricity & Gas - generation, transmission, distribution and sales
		Utilities	36 & 37	Water & sewerage
	E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	Waste & remediation	38 & 39	Waste collection, treatment and disposal activities; materials recovery AND other waste management services

Advanced Manufacturing	C - MANUFACTURING	Chemicals (part)	20	Manufacture of chemicals and chemical products
		Pharmaceuticals	21	Manufacture of basic pharmaceutical products and pharmaceutical preparations
		Electronics	26 to 27	Manufacture of computer, electronic and optical products and electronic equipment
		Transport equipment, machinery & equipment, etc	28 to 30	Manufacture of general purpose machinery and equipment; motor vehicle & other transport equipment parts
MANUFACTURING - NOT INCLUDED		Chemicals (part)	19, 22 & 23	Petroleum products (19); Rubber & plastics (22); glass, ceramics & concrete products (23)
		General manufacturing	13 to 18, 31 to 33	Textiles & clothing, leather, wood and paper products, recorded media, furniture, other products (jewellery, sports, music, medical etc) & machinery repairs / installation
		Other manufacturing	10 to 12; 24 & 25	Food (10 to 12); metals (24 & 25)