PURSUING A ROUTE OF CUTTING OUR COAT TO SUIT OUR CLOTH IN CHALLENGING ECONOMIC TIMES

Executive Summary

The GL Hearn Report (Report) states that the Borough will generate between 8100 and 15900 jobs by 2030. However this data is based on figures collated during the boom years prior to 2008 and it is unlikely to be repeated as the UK and Eurozone remain in a major economic downturn for some years ahead. The Economic Review taking place supports the idea that the economy will bounce back and be larger than before, and that Ashford is able to buck the National trend. This view flies in the face of all expert opinion and is nor borne out by what is happening on the ground.

The Report claims several thousand homes are needed to accommodate workers moving to Ashford to take up the new jobs. The conclusions fail to recognise correctly the increase in the working older population brought about by changes to retirement laws and that this is where the vast majority of new jobs will be go, to existing locals already with homes.

The Report additionally fails to recognise new jobs will be taken by the large number of unemployed, those leaving education within our Borough, and people no longer qualifying for benefits as new legislation takes effect. Many of these residents already have homes.

The whole of East Kent because it is in a state of economic decline was recently seen as a priority for regeneration by the Government and KCC, and £40m of funding was given to improve rail link and provide interest free loans to companies. The Report makes no allowance for none of this initiative being destined for Ashford.

The statistics and conclusions presented by the Report are effectively skewing the data towards huge numbers of new homes; giving residents a choice between high levels of housing that have no synergy with the economic downturn. Additionally, the lowest option open to residents who express a preference already exceeds Ashford's current build level to some degree.

Growth in our Borough is wanted by all, but this has to be sustainable growth offering a sensible level of housing that will bring shared prosperity for all, and ensure that we all continue to enjoy a high quality of life. The sound, sensible, logical, and most intelligent route, is to go for modest sustainable growth to fit present economic circumstances but leave the way open to ramp up growth as and when the economy recovers. This is representative of the post 2008 statistics, is sensibly cautious, and is what this paper advocates.

With objective data pointing to growth of less than 400 jobs per annum and substantially fewer homes for inward migration and natural population growth, the 10k homes already in the system should provide the level of housing needed now for the next 20 years. This is more in line with what Ashford is able to sustain based on the post recession years. Yes we should remain positive for the outlook of the Borough but this conviction should be founded on objective data and against the background of grave economic circumstances foretold for the next 10 to 15 years.

Ashford was nominated by the last Government as a Growth Town and given access to funding to support ambitious plans for 31k houses and 28000 jobs. Even though this is no longer the case it should be remembered that Ashford never came close to achieving the ludicrous targets handed down by the last Government. The Economic Review provides a unique one time opportunity to avoid a step back in time through righting the failures of the past.

Since the Report's commencement last year the economic outlook has seriously deteriorated and continues to show signs of getting worse. With no end in sight it seems reasonable to seek that G L Hearn figures be reworked.

Ashford can sustain high job growth

The G L Hearn Report states that over the period 2001-2010 Ashford created an average of 780 jobs per annum. A look at the Office of National Statistics population survey shows for Ashford “in employment” rose from 54600 in January 2004 to 54100 in September 2011, a loss of 500. Their annual business survey of employees shows it rose from 44000 in 2001 to 49500 in 2008, which equates to 687 jobs per annum over the boom years, but how many of these can be attributed to company relocation that also did not require homes.

The Ashford Annual Monitoring Report 2010/2011 reveals total employee figure in 2009 was 49049 and 49447 in 2010; and although this shows an increase of 398 jobs for 2010, when compared with 2008 figure of 49500 a reduction of 53 jobs has been seen. It goes on to say this shows that during the current economic position the job situation within the Borough is remaining static. Against this background unemployment in the Borough has more or less doubled since 2008.

However the G L Hearn Report includes the boom years in its statistics and this causes it to ignore the ongoing effects of the recession, to give the impression that Ashford is able to create up to 795 jobs year on year for 20 years; which it has already failed to do since 2010 is the Economic Review starting point. It would be more reasonable to omit the boom years entirely from statistics and to focus on the post 2008 statistics. Under such a lens this reveals that there has been no real discernible job growth since 2008, and that even the Report's lowest forecast of 405 new jobs a year may seem high. So the Report’s more optimistic view of between 620 and 795 new jobs per annum over 20 years seems unsound in comparison.

Ashford can buck the National trend and achieve high job growth

It is said that Ashford bucked the trend during the 2000s by achieving higher than average growth, but the question is whether this can be relied upon going forward.

Under the previous Government Ashford was nominated a growth town and as such attracted much inward investment from Government agencies such as SEEDA. At that time it seemed there was little or no competition from surrounding Towns for jobs but this is not true today.

KCC Expansion East Kent was launched in October 2011 following a £40m grant from the Government’s Regional Growth Fund. This will see £5m spent on a high speed rail extension to Ramsgate and £35m financial support to businesses in East Kent for job creating investment. This funding is destined for Canterbury, Dover, Shepway, and Thanet; but not Ashford. Surrounding Ashford are towns such as Maidstone, Folkestone, and Tonbridge that will be competing alongside Ashford to attract jobs. This means that businesses, new and old, have many choices, with the Expansion East Kent offer of interest free loans being undeniably a front runner for jobs. Sandwich is a key regeneration area for Government and KCC because it has the attraction that it can tap into a readily available skilled workforce left by Pfizer together with a state of the art commercial building complex.

The largest area of past growth for Ashford has been for businesses of 0-4 employees which represents 79% of all businesses created; this shows that Ashford has a higher than normal level of entrepreneurs. Since also 12% of all businesses are in the 5-9 employee range all the pointers are that future growth will come predominantly from small businesses and self-employment.

In past years a large number of jobs were created by Ashford but scrutiny of data attributes the peaks to Companies relocating to the district rather than start ups. Notable companies that have relocated to Ashford include: East Kent Coastal NHS Trust, Commidea, and Smiths Medical. Out-of-Town retail complexes contributed to these job peaks but these sites are now more or less fully developed.

The decline of the Town Centre despite the on-going great efforts of the Cabinet sees no signs of abating and with the loss of the Mary Portas funding maybe a review of the position will come up with new initiatives to encourage growth of a nature that brings back a real shopping experience for residents and visitors alike.

Since recession Ashford has seen a decline in the number of businesses locating to the Town as evidenced by the many vacant office buildings (new and old), warehouses, and retail outlets; and the going is likely to get tougher with all the competing forces.

Ashford is not immune to the slump in worldwide growth and grave economic issues; and cannot ignore the considerable competition it will face from other Kentish Towns. To build plans on the basis that Ashford is able to buck the trend is not only flawed but highly risky.

Ashford's activity rates only marginally impact available labour force

The proposed housing trajectory is supported by the belief that the change to retirement age and abolition of forced retirement has a relatively marginal impact on the available labour force from existing residents. This assumption goes against all official data that states categorically there will be a significant rise in the work force from the local 60+ age group.

The Office of National Statistics suggests that the Borough will see an increase in the over 65 population from 5.4% in 2012 to 17.6% by 2016, largely due to the second world war baby boom.

Looking at the affect of an increase to retirement rules, Government Actuarial data says "the increase in the labour force will be concentrated in older groups from the age of 60".

KCC Data on population forecasts show the following:

Age Group	2010	2020	2026
60-64	7600	8300	10300
65-69	5900	7100	8600
70-74	4200	7500	7000

The Office of National Statistics report that the number of people currently working beyond retirement has increased for both male and female; and it forecasts a significant increase due to the changes to retirement age and the abolition of forced retirement.

Based upon changes to retirement age the Office of National Statistics see activity rates rising as shown below, however since these numbers were produced the SPA of 67 for females has been brought forward to 2030 so the 25% increase in the 60-64 female age group will be much higher.

2011	2026	2031	2036
57600	64400	65900	67100

Statistics show around 21% of the population, i.e. 14k people, are economically inactive with 4.2k wanting a job and 9.9k not. Unemployment stands at an all time high at 2.4k. Changes to legislation will see these numbers reduced substantially as jobs become available.

Given the considerable increase in activity rate for the 60+ group along with all the other changes in Government policy that affect the labour pool, it is reasonable to think that the majority of new jobs will be taken by existing locals. The Report's finding that at its lowest level 7000 homes will be needed for inward migration of labour to fulfil the new jobs is deeply flawed as none of this is needed. The corollary to building houses to import labour is an increase in local unemployment.

Ashford needs to build many houses

The Report's assumption that several thousand homes are required by 2030 just to accommodate the workers taking up the new jobs is unsound. Earlier in this paper attention was given to the increase in labour force from local residents through Government policy changes. These policy changes will see a considerable number of older people continuing in work and many currently not working and on benefits rejoining the labour market. In addition to this the many unemployed will be competing for jobs. Many if not all of these already have homes. Yes some inward migration will occur but not at the huge numbers provided.

The Report also states 7250 homes are needed solely to cater for the increase in population to 9630. The KCC data has a comment that population growth is based upon the 2008 Core Strategy housing targets of 31k homes, which gives it no meaning. Furthermore the population growth is a catch-all covering all age groups and not all will need homes. Government forecast little population growth for the middle aged category, which is the most predisposed demographic group for buying new houses. A large portion of population growth is expected from the older age because of the war year baby boom and people living longer, and these already have homes.

Ashford is able to sustain a high housing build rate for the next 20 years

Ashford's past 5 year housing build rate is 503 per annum which if sustained over 2010-2030 equates to 10k new homes. Ashford dwelling completions provided by KCC Housing Information Audit:
1981, 10 year average 538 per annum
1991, 10 year average, 555 per annum
2001, 10 year average, 646 per annum

It is thought the completions for the year ending March 2012 will have no discernible effect on the last 5 years build rate.

Against what has been achieved historically, whether it is pre or post recession data you look at, it is irrational to suggest a year on year build rate of 723 to 1050 homes can be sustained for 20 years to 2030. Ignoring statistics for the boom years and adjusting for the economic forecast, the objective data decisively points to less than the last 5 years average of 503 houses; and with 10k homes already in the system it is reasonable to think that no new land needs to be found just yet. The G L Hearn Report does not correlate with objective data and expert forecast that the UK economy will take many years to recover, and then only modestly. The four options given by the G L Hearn Report is hardly a choice for residents as it directs them to housing levels that have never been sustained even during the boom years.

Why the numbers are fundamentally flawed

The G L Hearn Report is based on economic indicators compiled between 2000 and 2008 when Ashford boomed, as did the rest of the UK. This boom was fuelled by unprecedented level of credit; money was free and easy and many expected the boom to last indefinitely. By taking its guide from this unsustainable strategy the Report is sleepwalking towards economic tragedy.

In 2008 worldwide economies crashed and the UK entered recession along with the rest of the world. In 2012 the UK entered double dip recession along with other leading economies. The economic barometers - Germany, US, and Asian Tiger economies - offer no comfort since they have also faltered. For the past 4 years the Eurozone has been in turmoil, and there is a real threat now of more drastic action being needed to haul Europe out of even deeper recession. The UK is bracing itself to deal with the fall out as the Eurozone constitutes its largest trading partner. As the mortgage market continues to freezes up, latest reports on the UK housing market show that supply is heavily outstripping demand and house prices are going nowhere if not falling.

Economist and financial experts predict it will take years for economies to recover given their high levels of debt, and furthermore over the next 10 to 15 years growth when it comes will be modest. What is clear is that the growth of the booms years can never return.

Why the numbers need to be corrected

Given the economic upheaval in the UK and the rest of the world, it is rational to say that what occurred prior to 2008 has no relevance in today's world. It is also reasonable to think that given the uncertainty of the economic future for the years that lay ahead, it is prudent to be sensibly cautious.

Yes growth will come through sensible management of the local economy, but not at the pre recession levels, but at levels that are linked to European and global economic performance over the next 20 years.

Because the Economic Review draws its conclusions from pre 2008 data it significantly skews numbers towards an economic outlook that bears no relationship to the economic climate of today and the predicted future; and what the Borough is able to sustain now and into the future. However excluding the pre 2008 data paints a picture that is closer to reality. The closer the Report is based in reality the better the outlook for our Borough.

Since the Report was commissioned last year the economic outlook has seriously deteriorated; it shows no signs of abating; and has no discernible end in sight. This makes it even more important to consider a rework of the figures provided by G L Hearn.