

## Notes of the Kent and Medway Business Advisory Board – 10 January 2018

The Business Advisory Board meets bi-monthly and provides an insight from the business community in Kent and Medway on current trading conditions and experience of the local economy. The headline points are presented below and the full meeting note follows.

### Highlights from Economic Commentary

- Although there is increasing confidence in the UK's food and drink sector, there is also concern for retailers in High Street locations and a growing number of vacant properties.
- Trading conditions in the automotive industry are becoming more challenging as sales decrease – uncertainty about the future of fossil fuel engines and the influence of Brexit are key factors.
- There has been a noticeable fall in build costs in the construction sector, and a corresponding impact on tender costs in an increasingly competitive market.
- Despite the increases in tourist visitor numbers there are continuing concerns that the demand for quality accommodation is outstripping supply.
- The creative sector is growing at twice the rate as the rest of economy, and crafts, design and fashion technology and publishing are performing well, with some 80% growth over the last 5 years.

### 1. Welcome and Introductions

The Chairman welcomed attendees to the meeting.

### 2. Review of actions arising since the last meeting

The action updates were incorporated in the minutes.

### 3. Economic Commentary

**Frazer Thompson (Chapel Down)** – The company was successful in raising £20million from 2 large institutions, which reflects the confidence in the British food and drink market. However, seeing stores in High Street going vacant. Chapel Down took advantage of low demand for retail space and has secured space at Bluewater at a low rent. Interested to see if any other economic data to support this. Rates and labour appear to be an issue for the mid-market restaurants. Chapel Down is very confident.

**Jane Ollis (Institute of Directors)** – A pre-Christmas IOD survey reports that there is a growing sense of optimism among business members, but this is not mirrored in their views about the wider UK economy.

**Bernard Spring (North Kent Enterprise Zone)** – The North Kent Enterprise Zone has been underway for 9 months over 3 large sites which will deliver about 9,000 jobs and 85-90,000sqm. One is Kent Medical Campus, where a 65 bed hospital due to open in July. The second is at Rochester Airport, where there are runway issues although support outnumbers the objections. The Kent and Sussex Air Ambulance will move there this year. The third site is at Ebbsfleet, involving several plots. There are some planning issues to be resolved.

**Paul Barrett (Barretts Motor Group)** – Trying to be optimistic about 2018 although the last 8 months have been challenging and sales are down on the previous year. Trading conditions are difficult for 2 underlying reasons – uncertainty about the future of fossil fuel engines and the influence of Brexit on the economy. Also, Government is introducing legislation for (electric) cars you cannot buy until 2020, and people are deferring decisions about buying cars. Until we get to March, it is difficult to predict the market for 2018, but signs not positive currently.

**Stephen Kingsman (RBLI)** – Forming partnership with Erskine to roll out Kent activities in Scotland. Construction is becoming very competitive with tender prices coming in at 10% less. This might be a cyclical occurrence.

**Will Sheardown and Mark Quinn (Quinn Estates)** – Echo the concerns about the drop-off in build costs, and the London market has slowed considerably. Cautiously optimistic about Kent's prospects for this year, especially for properties below £500,000. Quinn sold 1000 housing plots last year. Quinn Estates has put a proposal forward to deliver a Canterbury Hospital, and the scheme is one of the 2 remaining options under consideration. It involves building 2,250 houses and giving up land value to deliver a £110m hospital and infrastructure, and now talking to HCA and forward funders to get a shell built by 2022. The company is also putting together an Environment Impact Assessment for 11,250 houses close to M2 Junction 5 and Kent Science Park, with a new motorway junction linking up to the Northern Relief Road. It should deliver in excess of 10,000 jobs with new schools and a hospital.

**Iain Hawthorn (HSBC)** – UK growth in 2018 is expected to continue as currently at 1.6%. Eurozone expected to perform better, at just over 2%. Food sales are increasing, but non-food sales decreasing. There are labour issues out there. Base rates expected to continue to rise. HSBC sees the prospects of a hard Brexit or no Brexit increasing.

**Andrew Davies (Handlesbanken)** – December is year-end for the bank, and January about trying to grow business further, cold calling and prospecting for new business. Locally, has concerns for High Street locations and struggling retailers. What will High Streets look like in 10 years?

**Andrew Metcalf (Maxim PR)** – November and December were busy months, although 2018 has started slowly. Has some interesting projects for quarter 1 although it is difficult to read the economy at the moment. Cautiously optimistic however.

**Amy Beckett (SELEP)** – The refresh of SELEP's Strategic Economic Plan is ongoing.

**Paul Thomas (Development Land Services)** – The *'Housing crisis through infrastructure delivery'* report is being presented in Westminster today. On Maidstone Economic Business Partnership, both local MPs are eager to hear from businesses about infrastructure and local growth prospects. Sage Housing Association has been inundated with bids from developers for affordable houses. There is interest from a couple of build off-site modular construction firms to develop in the south east. They would also like to locate in Kent and are prepared to work with local colleges for related skills development.

**Geoff Miles (Maidstone TV Studios)** – Trying to engage Kent MPs for another KMEP summit sometime soon, which Helen Whately has agreed to pull together. Greg Clark has said he will try and get there. The review of LEP governance by Mary Ney will not affect an informal group like BAB. However, it will affect BAB members who sit on KMEP, and the review introduces timeframes on membership. Anyone who is interested in becoming a KMEP member, including

existing members prepared to continue, please let Sarah know. Also, if anybody would like to stand as chair or vice-chair of BAB, let Sarah know.

**Ian Piper (Ebbsfleet Development Corporation)** – On track to deliver about 500 housing completions this year, and more are coming onstream as EDC approved its largest application yet last year. House builders still reporting good sales. At Ebbsfleet, there is a heavy reliance on Help to Buy – up to 70% of sales are based on this, and EDC is pleased at government’s continuing commitment to it. London Resorts has issued a statement about their progress, although the process for applying for a Development Control Order was delayed and EDC will now consult in Q2. For the fourth time in 2 years, a new housing minister has been appointed. For the first time since 2010, in the budget the quality of housing rather than the number of houses was mentioned in a ministerial statement.

**Douglas Horner (Trenport)** – Retired from Trenport at the end of December, although the company is trading well. Remains willing to continue as a member of BAB, KMEP and SELEP. Raised several issues highlighting a need to crash timescales, risk and cost of development of strategic sites, for which the public sector has a key role. The issues include:

- Volatility in the development potential of sites created by changes in planning process and policy. The replacement of the South East Plan, despite 10 years’ work, by a framework of local plans that take years to prepare and are then backdated affects the deliverability of sites.
- The fear of their Codes of Conduct, “nimbyism” and media pressure affecting decisions in the public sector.
- Short and erratic lending cycles inadequately supporting the much longer cycles needed to achieve development.
- Fluctuations in the cost and capacity of design, civil engineering and building-out of development sites.
- Lack of commercial approach and timescale in delivery of infrastructure and relevant documentation by the public sector, its agencies and regulated monopolies such as roads, rail, water, sewage, power and communications.
- Taxes on development are imposed at an early stage for physical and community infrastructure through mechanisms like s.106, CIL and planning conditions. These can render a site unviable by the time development is achievable in practice, and there should be more flexibility to adjust those taxes.

Suggested that a small group comprising developers and local authorities could be convened to find the ways to deal with the issues.

**Susannah Schofield (Dice Matrix Consulting)** – Legislation and regulatory pressures in the insurance sector are impacting on businesses. Employee wellbeing has become part of the risk culture, although bringing in regulation to monitor wellbeing will be difficult.

**Sarah Dance (Sarah Dance and Cultural Transformation Board)** – Creative Industries Federation recently announced that the sector is growing at twice the rate as the rest of economy. Crafts, design and fashion technology and publishing are performing well, and there has been 80% growth over the last 5 years. The appointment of Matt Hancock as Secretary of Sport for Digital, Culture, Media and Sport is good news. The Thames Estuary Production Corridor is an important initiative for Kent.

**David Curtis-Brignall (Visit Kent)** – Attendance at attractions is 11% up in 2017, and while accommodation occupancy rates are up by 3.3% on average, demand is outstripping supply. The

need for quality accommodation is therefore an issue. Visit Britain statistics show that inbound visitor numbers are up by 9%, and spend is dramatically up. The EU as a market was 4% up, and the USA and rest of world are seeing double digit growth. Visit Kent is gearing up for change, and has created a new digital team and additional marketing expertise. A new promotional campaign will bring together Kent's 7 leading vineyards. Feeling positive and upbeat about 2018.

**Matthew Norwell (Thames Gateway Kent Partnership)** - Some progress in the Thames Estuary Growth Commission which has a new chairman (Sir John Armitt) and deputy chair (Sadie Morgan) who will visit north Kent on 20 February. The commission is looking to report in May, and it is hoped that this will focus on sectors, connectivity and delivery, especially the freight ports, logistics and the creative industries. Maidstone council is now a formal member of TGKP.

**Doug Kempster (Port of Dover)** – Recently released freight figures show that 2017 was a record year, and the third consecutive year of growth. Have exceeded 2.6m passengers last year and 650,000 additional lorries. Pushing for fluidity of borders post-Brexit on both sides of the Channel. The fruit import-export business Geest will be coming to Dover from Portsmouth.

**Barbara Cooper (KCC)** – The “week of shuffles”. Sajid Javid has had housing added to his portfolio at DCLG, and social care has been added to Jeremy Hunt's health portfolio. KCC's Highway Cabinet Member is now Mike Whiting. The government has launched 2 consultation documents relating to the road network (Strategic and Major Roads) which KCC is being consulted on, and KMEP will consider its response at its 29 January meeting. There is the consultation document - Carbon, Congestion and Capacity – recently published by the National Infrastructure Commission. KCC is still awaiting the government's announcement on HIF bids, and is hopeful that this will be in January. KCC's Council budget will be announced soon.

**Richard Finn (International Management Consultant)** – Recently attended the Lower Thames Crossing meeting organised by SELEP. Concerned that plans for improving A229 and A249 cannot be implemented until the crossing has opened. Why delay? This was likely to impact heavily on Kent's existing network. Investment companies and banks are now planning for Brexit.

**Paul Winter (Wirebelt and Skills Commission)** – 2017 ended up with substantial growth through export, mainly due to weak sterling, although there is ongoing concern over raw material prices. The company reached a milestone last year when a former apprentice from the 1990s has now been recruited as financial director.

**Miranda Chapman (Pillory Barn)** – The creative sector is quieter but the most buoyant area is digital. Formed a wellbeing business 7 years ago called Wellbeing Symposium, which has now secured a national contract to deliver the One You campaign. Also has applied for contracts with SELEP, and is prepared to step back as a business member of KMEP/SELEP..

**Paul Wookey (Locate in Kent)** – In the last 17 months have secured 76 investment projects and 2,400 jobs. Companies looking seriously at investing in Kent, and there is a strong pipeline of projects. Supply of space still an issue. Busy month coming up. Marketing campaign at St Pancras, and Ecobuild at Excel in March. LIK will have a presence there with a number of its client companies.

**Sarah Nurden (KMEP)** – Will send round to BAB members an email about governance. There is meeting with Thameslink on 19 January, and would like to have any anecdotal evidence to support lobbying.

#### 4. Delivering a local industrialised strategy (Liam Booth-Smith and Jack Airey, Localis)

Consultants Localis were commissioned by Kent and Essex County Councils to produce a report on the delivery of a local industrial strategy. In their presentation, Localis posed a number of questions for BAB to consider:

- Which policies and measures have helped create economic growth – What’s worked and what hasn’t? Why are some similar places more successful than others? What can be done to unstick the *stuck* and release the *stifled*? What do you think has made a difference? How important is transport? What measures would you suggest?
- How can business and enterprise be better supported? What have we learned from the Kent and Medway Business Fund investments? How do we develop the skills our local economy needs?
- What existing powers could councils apply and what further freedoms might be required?
- How should a local industrial strategy be different from the national strategy?
- What can a local industrial strategy achieve that the national one can’t?
- How should it be different from other local strategies (eg LEP’s strategic economic plan)?
- What are elements of a successful Industrial Strategy?
- How close is Kent in putting together its local strategy? What needs to happen?

Comments raised during discussion included:

- Policies and measures need a longer term perspective to plan and invest beyond the short timeframes of government terms of office.
- There is a lack of connectivity between government, local authorities and business support agencies.
- Why is this being called a local industrial strategy when 80% of businesses are in the service sector?
- Businesses need more help to improve their productivity and impact potential.
- There should be more investment in improving technical and leadership skills.
- Local supply chains should be given more encouragement, for example through local purchasing initiatives.
- Studies show that infrastructure investment produces significant benefits, and more financial resources should be provided to support local commercial and infrastructure development.
- We need high performance economic growth in Kent and Medway which includes involving our universities.
- Sort out the interference of local politics in decision making, and ensure the decision makers are sufficiently well-informed and capable.

However, due to time pressures, it was not possible to capture all of BAB’s views during the Board meeting. The Board therefore agreed that BAB members would be invited to send in their written comments to Sarah Nurden by 21 February. BAB members also welcomed the opportunity to bring this back to a later meeting, particularly after Localis produces its draft local industry at the end of March.

## **5. East Kent Hospital Provision (Richard Collins, chairman of Kent Ambassadors, and Kent Rogers, Concern for Health Care in East Kent)**

The presentation described how the Kent and Canterbury Hospital (K&C) was recognized some 25-30 years ago as one of the truly outstanding District General Hospitals (DGHs) in the country, with staff of international and national repute who delivered several examples of outstanding care and enterprise as measured against national standards.

About 20 years ago, a decision was made that one of the three DGHs in east Kent would be downgraded, and that this would be at K&C. Although the original proposed reduction was subsequently significantly trimmed, there was a major downgrading of A&E and acute services, with a consequent loss of several consultant-level staff. Since then it has been difficult to recruit and retain consultants because, according to Mr Collins, there is a widely held perception throughout the rest of the country that the model of delivery of care is inefficient and not sustainable in the longer term. This had led to the training of junior doctors to be compromised, resulting in Medical Education England demanding the removal of training posts from K&C. This in turn has required the East Kent Trust to stop all remaining emergency admissions to K&C, with these redirected to both hospitals at Ashford (WHH) and Margate (QEQM), where the facilities are unable to cope with the huge demand. Mr Collins added that, as a result, East Kent has had the worst performance statistics in A&E in the country.

Mr Collins and Mr Rogers explained that two solutions are being considered at present: (1) the further downgrading of the K&C hospital with development of one of the other two sites, almost certainly WHH, and (2) a new development at Canterbury to build a super hospital associated with a major housing development in the surrounding area. They added that the developer linked to the second option has stated that, subject to the housing development going ahead, it is prepared to build the shell of the hospital for nothing. This is accompanied by a proposal currently being considered for the University of Kent and Christ Church University to jointly develop a medical school.

Mr Collins expressed his strong view to BAB that Option 1 as outlined above was essentially more of the same inadequate provision that would lead to unsatisfactory healthcare in Thanet. He felt it also failed to properly address the predicted significant population growth in Kent and the infrastructure required to support it. He described ambitious plans to develop a healthcare campus based in Canterbury comprising super hospital, Medical School and conjoined development of 'Big Pharma' and medical technology development. He believed that this concept would not only attract higher standards of medical staff, essential for an embryo medical school, but should also encourage significant economic growth and inward investment into the county.

Questions put by BAB members following the presentation were answered by Mr Collins and Mr Rogers. The clear feeling of the meeting was to support Option 2, a major development in Canterbury, subject to there being no adverse consequences for provision in the rest of east Kent. This view was conveyed to the 26 January meeting of the Kent Health Overview and Scrutiny Committee.

## **6. Kent & Medway Growth and Infrastructure Framework (Katie Stewart and Sarah Platts, KCC)**

This is the Mark 2 version which looks towards 2050 and will provide a baseline for consultation with government. There are two of the GIF actions on which KCC would welcome BAB members' specific input:

1. The first of these is work KCC is intending to do, working with Kent Developers Group, to understand and identify actions to tackle the **challenge of providing commercial sites to meet demand** in Kent and Medway.
2. The second of these is to explore in further depth the **challenges and opportunities facing Kent and Medway in a longer term horizon – to 2050** – and what implications these challenges and opportunities have for the local economy and how we deliver growth.

Mrs Stewart said that KCC would welcome interest from the Board from anyone interested in working with them on these two pieces of work, and/or any thoughts BAB may have around these issues.

## **7. Summing up (Geoff Miles, BAB chairman)**

Members were reminded that the date of the next BAB meeting would be on 8 March 2018.