

Notes of the Kent and Medway Business Advisory Board – 9 November 2017

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

The following items were highlighted by multiple individuals as a matter of importance:

- The lack of quality commercial floorspace in Kent
- The speed by which local planning authorities process planning applications
- The increase in fraudulent activity
- The difficulty in recruiting individuals with the correct skill set. Recruitment barriers identified included: a lack of housing, high house prices, and heavy traffic congestion.
- The slowdown of the housing market – with fewer sales and lower house prices
- The adverse impact of Brexit – on labour market supply, import costs, business confidence, and port logistics.

1. Welcome and Introductions

The Chairman welcomed attendees to the meeting.

2. Review of actions arising since the last meeting

There were no actions arising from the last meeting in September.

3. Economic Commentary

Simon James (KIMS) – Ed Smith CBE is standing down as the Chairman of NHS Improvement. The NHS continues to struggle nationally, including in Kent, with not enough financial resources to match the high public expectations. A debate is needed on the service we want for the future and how it can be funded. The winter pressure period has started. For KIMS, the self-pay market continues to grow. **ACTION:** The offer by Simon James to provide an update on KIMS, the new 65-bed Cygnet (mental health) Hospital, and the new 75 bed step-down facility and care home in Maidstone was warmly received, and has been scheduled for the March BAB meeting.

Phil Eckersley (Bank of England) – The UK interest rate lifted from 0.25% to 0.5% on 2nd November 2017, but the narrative has not changed. The rate rise simply reverses the emergency measures. Growth is a little more subdued but is expected to pick up marginally. It is underlined by strong employment growth. Companies are reporting significant recruitment challenges.

Peter Hawkes (Furley Page Solicitors) – Pressure on waged salaries in the legal sector is increasing. It is very difficult to recruit appropriate candidates to fill positions in Kent. There is gender recruitment imbalance in the sector; 25% of Furley Page's partners are women; the gender imbalance is reflected in the accountancy sector too. Work levels are still very high. Traffic on the M2 between Chatham and Canterbury is posing difficulties to people accessing the workplace. The M2 is routinely gridlocked, so Furley Page is offering flexible hours to its staff.

Richard Finn (Richard Finn Ltd) – Businesses should focus on improving their productivity through better management skills and increased digitisation.

Bob Russell (Russell Distillers and Copper Rivet Distillery) – The distillery is performing above expectation. Chinese, German and other European importers are showing interest. The distillery is issuing a tender document to double its operational capacity.

Barbara Cooper (Kent County Council) – The national Industrial Strategy is due to be launched imminently with five key themes: ideas, people, infrastructure, business environment and places. Kent County Council is developing an Enterprise and Productivity Plan, which aims to improve the standard of living of Kent's communities. The government is seeking to strengthen the role of Local Enterprise Partnerships (LEPs) in its current review.

Kent County Council has had a productive meeting with Highways England (HE) regarding the M2. HE will start constructing the new M20 junction 10a in the New Year. The National Productivity Investment Fund bids to improve Junction 7 of the M20 and the A2500 on the Isle of Sheppey were successful. There is a growing realisation by HE of the impact of Brexit on HGV movements near the border.

Kent County Council is lobbying to extend Crossrail from Abbey Wood to Ebbsfleet. The DfT is under pressure to show investment in north England. KCC has an adequate supply of salt to grit the roads this winter.

Paul Wookey (Locate in Kent) – Locate in Kent supports a) businesses that wish to move to Kent, and b) existing businesses that wish to expand. Following a recent marketing campaign, there has been a substantial spike in enquiries, particularly from firms based in London seeking more cost-effective business premises. There is a continued need to increase office and commercial stock to keep up with enquiries. A Spanish firm has invested in Thamesport. **ACTION:** Paul Wookey to see if further commercial demand data can be supplied to KCC to support the bid to build 29 light industrial units in Ashford. (This has been completed and SELEP has since agreed to prioritise this project for funding).

Douglas Horner (Trenport Investments) – BBC news is reporting RICS' concern that the prices and the number of transactions in the residential property market is decreasing. Trenport has not witnessed this, and has seen demand for residential property and house prices increase. Planning applications continue to take a long time to process. Douglas Horner drew BAB's attention to the BBC webpage: <http://www.bbc.co.uk/news/uk-41901294> This enables the reader to enter a postcode and identify how much of the local area is built-on, green-urban, farmland or natural. In England, 8.8% is built-on. In Kent and Medway, 32% of Dartford is built-on and is the most built-on borough. The borough least built-on is Ashford at only 5%. The webpage places the local councils' protest to increasing the housing numbers in context. In some areas, it seems hard to justify the council's objection to building more houses.

Mark Quinn (Quinn Estates) – The company has 48 sites in Kent, 1 in Essex, and 1 in Surrey. Build costs are reducing making it cheaper to build. The market sentiment is that there is a downward trajectory in terms of sales. In Ashford, 85% of Quinn's commercial estates are let, and the company envisage this could rise to 95%. The company is supporting the development of a new junction in the M2. The business rates burden on London firms has doubled, causing firms to look further afield for premises. Swale Borough Council is consulting with firms, such as Quinn Estates to see where the new commercial development should be placed in the borough.

The council's 4- to 5-year horizon is deemed to be too far in the future by local firms, as commercial space is required now. There are concerns regarding the effect of Brexit on importation. Mark Quinn echoed Douglas Horner's call for the planning system to be sped up. Brexit provides a significant opportunity to reduce the planning process from 16 weeks in length.

Jo James (Kent Invicta Chamber of Commerce) – The Chamber of Commerce has issued its quarterly economic survey results. The survey found:

- The proportion of Kent firms which increased investment in training was down by 13%.
- The proportion of Kent firms which increased investment in equipment was down by 14%
- 46% of Kent firms were working at full capacity.
- 39% of Kent firms had recruitment concerns.
- 26% of Kent firms had a worsening cashflow.

These findings show there is definite caution in the market place.

In positive news, the MegaGrowth 50 awards have taken place, and the list of winners can be seen at: <http://www.kentonline.co.uk/kent-business/county-news/megagrowth-2017-full-list-turnover-growth-134502/> The growth hub contract is also going well, and Tudor Price will be giving a presentation to KMEP on 23rd November on the positive progress that has been achieved over the last 9 months since the Chamber was awarded the contract. **ACTION:** The offer by Jo James to provide an update on the Growth Hub was warmly received, and has been scheduled for the March BAB meeting. Finally, the Kent Construction Expo is going out to tender, and the Chamber has won the tender for the small business boost (a 3-year contract).

Susannah Schofield (Dice Matrix Consulting) – Susannah Schofield reported many companies are at capacity so do not have time to train staff. She spoke of attrition rates, and the reduction in productivity that occurs when a member of staff leaves before a new recruit comes up to speed. She spoke of the different perception by employers and employees: - while 39% of Kent firms have recruitment concerns, conversely 63% of employees surveyed have said they are concerned that they will not have employment in the near future. Dice Matrix consulting has moved temporarily into offices in Kings Hill. The traffic between Sevenoaks and Ashford is heavy and is a barrier to business. The Financial Conduct Authority (FCA) is supporting the monitoring of risk culture within firms.

Ian Piper (Ebbsfleet Development Corporation) – Ian Piper is the new CEO of Ebbsfleet Development Corporation (EDC). There has been an application from Berkeley Homes for an off-site manufacturing plant to be built at Ebbsfleet. Mr Piper met earlier that week with the London Resort Company Holdings' CEO. The company has secured 7 IP partners, which is enough for phase one. The statutory consultation is scheduled for quarter 1 of 2018. The Development Consent Order (DCO) is due to be submitted in quarter 2 of 2018. The expectation is that it will take 15 months from the DCO submission to the planning decision.

EDC is working with the JV partners that own the land around Ebbsfleet International Station to create a healthy hub of businesses there. Regarding residential, EDC meets monthly with the housing developers. There are strong house sales, and demand is above supply leading to rising sales values. Additional land will become available over the next few months.

Mark Dance (Kent County Council) – The Kent Property Market Report was launched on 2nd November.

Geoff Miles (Maidstone TV Studios) – Has concerns about local planning authority attitudes to office development in light of own experiences at Maidstone TV Studios and a site in Hythe. It has

taken 15 years for the Maidstone development to go from concept to spades in the ground. The site in Hythe was originally refused on a technical planning issue.

There was then a change in planning officer personnel, and that individual has taken an opposite viewpoint to his predecessor.

Paul Thomas (Development Land Services) – Paul Thomas is the SELEP board champion for housing and development. He told BAB that SELEP is developing a SELEP Skills Strategy, and he is interested in knowing about the construction skills that are required. He is aware that in the past SMEs have been criticised for not training staff, as they cannot afford the staff time. Paul Thomas spoke of his concerns on lending: The HCA lending rules are too much for smaller companies to get involved with. On the Housing Infrastructure Fund bids, the amount of funding sought from the LEPs greatly outweighs the funding on offer from the government, for example the SELEP bid alone is over the national limit. Consequently, the DCLG has expanded its timeframe for examining the bids and will tell LEPs if they were successful at a later date than originally planned. Paul Thomas spoke of the large number of planning applications that were being turned down, and gave the example of a recent Dover DC planning committee where only 1 of the 5 applications was approved. **ACTION:** Geoff Miles is due to meet the new leader of Dover DC in the next week and will raise this issue. Paul Thomas concluded by referring to the public meeting to discuss the proposal for a Leeds-Langley Relief Road in Maidstone; there is a strong local opinion that this is necessary, with 200-300 residents attending.

Andy Davies (Handelsbanken) – Handelsbanken has a 2% market share, and this continues to grow. The FSC is bringing in new money laundering regulations this year, which increases due diligence with customers. In negative news, the volume of plastic card and internet banking fraud is increasing.

Frazer Thompson (Chapel Down Wines) – It is a poor year for European wine producers with lower stock and fluctuations in the exchange rates. Beer is still booming. Chapel Down is adding gin and vodka to its products which people can buy online. The cost of labour in the fruit industry post-Brexit is a significant issue. The restaurant industry in London is also concerned about the potential lack of staff after Brexit. Recruitment is a concern locally and Chapel Down have hired the manager of Brew Dog. There is a decline in retail in shopping malls, and these are being replaced with discount malls. Frazer Thompson concluded by saying investors based in London appear to have significant amounts of money available to invest in businesses.

Paul Winter (Wirebelt Ltd) – The manufacturing sector continues to perform well. The main concern is the cost of raw materials, particularly nickel, but this is also affecting the competitors. The Middle Eastern market, and particularly Dubai, is performing well. A couple of Wirebelt's supply chain companies have lost some orders from EU companies due to Brexit doubts. One of Wirebelt's customers has experienced fraud, and had wrongly been paying money into an account that they thought was Wirebelt's.

Charles Buchanan (Charles Buchanan Associates) – It is an unsettled period for the aviation industry with airlines like Monarch collapsing, and other airlines moving their headquarters to the EU in advance of Brexit. The government is consulting until 19 December on the revised draft Airports National Policy Statement for Heathrow's expansion. This includes the new national air quality plan which was published in July 2017. There is uncertainty when the final decision and construction of the runway will happen.

Andrew Metcalf (Maxim PR) – Utilisations is up, profitability is steady, and Maxim PR has won some large new contracts. Maxim PR is struggling to recruit and maintain staff, and is recruiting paid interns. House prices in Tunbridge Wells are an issue for employees.

He raised his concern that companies are paying money into the apprenticeship levy, yet are not sure how they can access the funding for training. Andrew Metcalf commented that 223 HGVs were turned away during the recent clamp down on illegally parked HGVs by Kent County Council and Ashford BC.

Steve Sherry (RBLI) – RBLI is a social enterprise that employs 120 staff in total, of which 80 are military veterans or have a disability. RBLI has not secured as many road signage contracts. RBLI is setting up a Scottish bravest manufacturing company, which will be launched next June. In September, the Secretary of State for Defence opened RBLI's new £4m apartments for injured veterans at their Hermitage Lane site. The apartments are the first phase in the RBLI's plans to build a Centenary Village which they aim to open in 2019. RBLI is looking to fundraise £14m to build 75 more apartments by 2019, and offers of sponsorship are welcomed.

Nick Fenton (Kent Developers Group) – The volume of house sales is down. Prices have particularly dropped for homes valued at £1.5m plus. There is a continuing need for more commercial space, with the correct utilities and infrastructure in place to support businesses. Planners in the districts also need to support the expansion of commercial space.

Sarah Dance (Sarah Dance Associates) – Much activity is underway to establish the new Thames Estuary Production Corridor. The GLA are wanting a new screen cluster by Dagenham East. There is a tender for a consultant to work on the TEPC project. SELEP's creative working group (called SECEN) is producing a creative workspace masterplan. The Folkestone Triennial has recently taken place, and been the focus of multiple articles in the national media, supporting tourism and employment. In September, Greg Clark launched the Arts and Humanities Research Council's (AHRC) Creative Industries Clusters Programme, a major new project designed to create a step-change in collaboration between the country's internationally-renowned creative industries and universities across the UK. Led by the AHRC, the £80m Programme will support eight Research and Development (R&D) Partnerships between industry and a group of universities to respond to challenges identified by the creative industries in their cluster. The University of Kent and University of Essex are engaged in this work.

Jo Nolan (Screen South) – Screen South focus on digital and emerging talent. Jo Nolan is the Chairman of the Creative and Media Skills Guild. The guild is currently mapping the national skills gap. The value of the screen industries is £2m nationally, but that impact is not seen in Kent where there is a lack of production and distribution firms. There are many talented creative individuals and programmers that work in London and elsewhere, but live in Kent. There is a need to make a coherent offer for the industry that makes clear to individuals the wide range of roles available. The TV series, Liar, which was filmed in Deal helped generate 2 million enquiries online about Deal's housing market.

Doug Kempster (Port of Dover) – The Port of Dover continues to lobby the government on preparations for Brexit, and the need for fluidity in movement. Evidence about the adverse impact that congestion at the port would have on UK plc has been supplied to the Home Affairs Select Committee. (On 16 Nov 17, the Select Committee published their first report: <https://publications.parliament.uk/pa/cm201719/cmselect/cmhaff/540/540.pdf>). The next stage in the lobbying campaign is to take the message to Brussels. There has been a recent meeting with

the French Ambassador. The port handles up to £122bn of trade each year, and up to 10,000 HGVs pass through the port a day. It is essential that custom checks take place on route rather than at the border, as Dover and Dunkirk are not designed to hold traffic. A trusted trader type scheme is required.

The Dover Western Docks project, which will create a new cargo terminal and logistics hub, is running ahead of schedule and will be complete by the end of 2017. A company, called Cool Carriers which predominantly ships bananas and pineapples from Costa Rica, Colombia and the Dominican Republic to the UK and specialises in handling time sensitive perishable foods, will relocate its cargo service to Dover from Portsmouth from January 2018. Its decision was prompted in part by the Port's flagship Dover Western Docks Revival project. **ACTION:** Doug Kempster to email Andrew Metcalf in advance of Andrew's forthcoming meeting with Greg Clark, Secretary of State.

Additional commentary provided by BAB members unable to attend meeting

Iain Hawthorn (HSBC) – HSBC expect a further rise in the base rate, by 0.25% in May 2018 and we feel inflation has peaked. We do not consider growth in the UK robust (0.4% in Q3 compares to 0.6%-0.7% globally). What growth there is appears credit-fuelled and likely unsustainable. Our GDP growth forecast is 1.5% for 2017 and 1.6% for 2018 and we see the chances of a Brexit No Deal (or even No Brexit) have increased. In better news for exporters – the global economy (including the EU) is in good shape, with decent GDP growth in Q3 – an appears accelerating underpinned by low inflation although we expect continued volatility in the FX markets in 2018. On the High Street, consumers are reducing expenditure on non-essentials and the weak retail sales in October could be an omen for Christmas, where the decline in non-food sales might continue, leading to retailers discounting before the Christmas season. Businesses should be looking at the impact of rate rises on their borrowing costs and planning accordingly.

William Hinckley (BTF Partnership) – There is still a short supply of commercial property across the office, industrial and retail sectors. Demand generally out-strips supply and so rents and capital values continue to rise in most areas.

Pre-Brexit seems to be having some impact – particularly for developers/builders who are struggling with increased material and labour costs.

Too early to say that the rise in interest rates has had any impact – but it alone seems unlikely to cause a reduction in the strong appetite to buy property.

In the agricultural sector farmers are beginning to consider the implications and requirements of a “subsidy free” existence.

Supply of agricultural land is relatively limited, but this is likely to change with land coming to the market as farmers begin to build a “war-chest”.

The demand for land from “Roll-over” relief buyers continues to take-up much of the supply as more planning consents are given for housing schemes on greenfield land.

4. Higher and Degree Apprenticeships (presentation by Dr Ken Powell of Canterbury Christ Church University and Dr Scott Wildman of University of Kent)

Dr Scott Wildman and Dr Ken Powell gave a presentation on higher and degree apprenticeships, and how businesses can benefit from the apprenticeship levy. Comments made in the presentation included:

- The Conservative Party has pledged to create 3 million new apprenticeships by 2020.
- The government is actively promoting higher (academic level 4/5) and degree (level 4/5/6-7) apprenticeships (HDAs) as an alternative to traditional university study.
- A new apprenticeship levy was introduced in April 2017:
 - Employers with an annual pay bill of over £3 million will pay 0.5% of their pay bill into a 'levy pot'.
 - Employers with annual pay bill below £3 million will be eligible for generous government incentives, such as the government covering 100% of the cost of training an apprentice (but not the apprentice's salary).
- The levy pot, known as the Digital Apprenticeship Service (DAS), is then to be used to train apprentices.
- **Levy pot funds will expire after 24 months if not spent** on apprenticeship training
- An apprentice's study programme is designed by consortia of employers, and then the government decide whether to ratify the programme. The approved programmes are known as 'trailblazer standards'.
- There are currently 70+ approved higher and degree apprenticeship trailblazer standards.
- Employers can see the current standards available at: <https://www.instituteforapprenticeships.org/apprenticeship-standards/>
- At the end of an apprenticeship, there is an external independent end-point assessment to see if the apprenticeship has learnt the necessary skills. The assessment looks at 3 areas: knowledge (the degree), competency and behaviours.
- The advantages to businesses of having an apprentice are:
 - Upskilling and retraining existing staff
 - Improved staff retention rates
 - Career progression for new employees
 - Improved performance
 - Levy funded or government co-payment
- If a business wants an apprentice, it must commit to providing:
 - 20% off-the-job training time – this cannot be evenings or weekends
 - On-the-job support
 - A job description including training commitment
 - A training plan agreed with training provider
 - Regular liaison with training provider
 - A salary for the apprentice (The salary of an apprentice in the first year of study is £3 an hour. In the following years, the apprenticeship's salary rises to the national living wage.)

For reference, the apprenticeship offer of the two local universities is shown below:

University:	University of Kent	Canterbury Christ Church University
Website:	https://www.kent.ac.uk/apprenticeships	www.canterbury.ac.uk/apprenticeships
Lead Contact:	Dr Scott Wildman s.s.wildman@kent.ac.uk Tel: 01634 202974 Mob: 07896 693231	Dr Ken Powell apprenticeships@canterbury.ac.uk or ken.powell@canterbury.ac.uk Tel: 01227 782638
Standards	- Chartered Manager Degree Apprenticeship (L6)	- Chartered Manager Degree Apprenticeship (L6)

<p>that the university offers:</p>	<ul style="list-style-type: none"> - Technician Scientist (L5) - Laboratory Scientist (L6) - Junior Management Consultant (L4) - Operations/Departmental Manager (L5) - Accounting/Taxation Technician (L4) - Senior Leader (L7) - Architects Assistant Degree Apprenticeship (L6) - Architect Degree Apprenticeship (L5) - Town Planner Degree Apprenticeship (L7) - Social Worker Degree Apprenticeship (L6) - Children, Young People and Families Practitioner (L4) - Internet of Things Degree Apprenticeship (L7) - Actuary Degree Apprenticeship (L7) - Advanced Clinical Practitioner Degree Apprenticeship (L7) 	<ul style="list-style-type: none"> - Healthcare Assistant Practitioner (L5) - Nursing Associate (L5) - Postgraduate Teacher (L6) - Registered Nurse Degree Apprenticeship (L6) - HR Consultant/Partner (L5) <p>Once approved:</p> <ul style="list-style-type: none"> • Children, Young People and Families Manager • FE Learning and Skills Teacher • Teaching Assistant
<p>Please note alternative suppliers of apprenticeships are available. For example, Kent Further Education Colleges offer a broad range of apprenticeships. Each college's website can be accessed via http://www.kentfurthereducation.co.uk/ The University of Greenwich's offer is accessed via: http://www.gre.ac.uk/apprenticeships/for-businesses</p>		

Following the presentation, BAB made the following comments:

- Paul Winter explained that apprenticeship levy payers can passport up to 10% of their levy to companies in their supply chain that wish to recruit an apprentice. He is lobbying for this figure to increase to 50%.
- There is a need to disseminate information to the Kent business community about how to recruit an apprentice, as word of mouth suggests low take-up of the levy opportunity. The current system is felt to be too complex by employers.
- Jo Nolan said creative SMEs were hesitant to take on a 3-year placement. There is a need to facilitate a cross-company appointment. Dr Wildman explained that ATAs (Apprenticeship Training Agencies) can directly employ and manage apprentices and hire the apprentices out to 'host employers'.
- Paul Winter explained he is an Apprenticeship Ambassador, and would be happy to help answer any questions that BAB colleagues may have.

5. Kent County Council's budget consultation (presentation by Dave Shipton and Mark Sage).

In the presentation, Dave Shipton emphasised:

- There has been flat cash for local authorities over the last four years.
- Rising spending demands have not been funded and the Central Government Grant has reduced. This has led to a greater reliance on local taxation from Council Tax and Business Rates. It has also necessitated significant savings to balance the budget.
- Local Government has faced some of the largest real term reductions.
- The National Audit Office (NAO) has said funding for local authorities has fallen substantially from 2010-11. Between 10/11 and 15/16, local authorities had experienced a real-terms decline in government funding of 36%.
- In 18/19, KCC will be facing extra spending demands caused by inflation, population increases, and a growing elderly population.

- KCC's propose to increase Council tax. Even with this action, there will need to be £62m of savings in 18/19, of which £54.5m have been identified so far.
- KCC's final draft budget will be published in January.

Following the presentation, the following comments were made:

- The identified savings in 18/19 that could have the greatest impact on Kent businesses is the efficiency savings in contracts.
- BAB were concerned by the proposed savings in highway maintenance. The businesses would prefer proactive road maintenance. KCC has a 5,000 mile road network, which is greater than Highways England's – however KCC receives significantly less funding than HE for maintenance. KCC also has 5,000 miles of public rights of way. Barbara Cooper confirmed there is a risk register for each structure and asset (such as bridges) on the road network.
- There was a request to protect the economic development functions of the council, as economic development is a generator of future business rates.
- The businesses requested a sensible approach is taken regarding the drawdown of reserves.
- The need for place-making was emphasised, and the identified savings could impede this.

6. Summing up (Geoff Miles, BAB chairman)

Members were wished a Merry Christmas and reminded that the date of the next BAB meeting would be 10 January 2018.