

Notes of the Kent and Medway Business Advisory Board – 13 July 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

- There are concerns about the lack of available quality commercial floorspace in many parts of Kent, which could be impeding our ability to attract inward investment as well as allow local businesses to grow.
- Local developers and constructors continue to express difficulties in dealing with local planning authorities, especially in meeting development control requirements.
- Business should focus on improving their productivity through better leadership and management skills and increased digitisation.
- While there is evidence that businesses are optimistic about economic prospects locally, nationally business confidence appears to be less resilient, for example in manufacturing.
- A significant number of local businesses continue to report recruitment, retention and skills issues.
- There is increasing concern that there is insufficient focus and understanding among SMEs of the potential risks to them of internet fraud and cybercrime.

1. Welcome and Introductions

The chairs of the local skills guilds for construction (Nicholas Fowler), health and social care (Victoria Walker) and financial services (Iain Hawthorn) attended and were invited to contribute to the refresh of the Strategic Economic Plan that has been commissioned by SELEP. The presentation and discussion about the refresh would be led by Georgina Button (SELEP) and Jim Sims (The Service Design Company).

Bob Russell (Russell Distillers and Copper Rivet Distillery, based at Chatham Dockyard) was welcomed to the Business Advisory Board.

2. Review of actions arising since the last meeting

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

3. Economic Commentary

Charles Buchanan (Charles Buchanan Associates) – It was noticeable that the proposed extension to Heathrow was not mentioned in the Queen's Speech. Air traffic numbers are generally up, and although there is business confidence locally there is a question whether this is the same elsewhere in the country.

Miranda Chapman (Pillory Barn) – Continues to be busy across different sectors, especially the digital sector. However, there is some movement of staff especially towards London. Will be closely involved with KICC in a forthcoming B2B event at Chatham Dockyard.

Alistair Cracknell (Quinn Estates) – The company recently became a corporate partner with Visit Kent. There is a serious commercial floor space supply issue in Kent which they are looking at with KCC and Locate in Kent.

Philip Cunningham (Cripps LLP and Chartway Group) – Legal transactional activity continues to be busy at Cripps. At Chartway, there are plans to build 550 residential units in 2017, which is a considerable increase on the previous year. There continues to be a range of planning issues however, particularly with regard to getting access to utilities.

Mark Dance (KCC) – The significant pressures on social care has meant that there is considerable political investment by KCC in the new Sustainability and Transformation Plans (STPs). These are looking to loosen up service delivery and funding, and to get services talking to each other.

Sarah Dance (Sarah Dance Associates) – Kent did relatively well in the recently announced National Portfolio Office (NPO) designations by Arts Council England, which will lead to a short term funding commitment of some £9m in revenue and £6m in capital to Kent based organisations. There remain significant skills challenges for the creative sector.

Richard Finn (Richard Finn Ltd) – Businesses should focus on improving their productivity through better management skills and increased digitisation. There is evidence that more companies are preparing contingency plans for Brexit.

Nicholas Fowler (Bouygues UK) – The construction guild has some 30 members involved (10 of whom are construction companies), and the current focus is on young people and schools. The guild has developed a charter mark for businesses looking to take on apprentices, and recently set up a hub in Canterbury to work with local schools, which it is hoped could be replicated elsewhere in Kent.

Iain Hawthorn (HSBC) – The company's global economic view has not changed since the presentation to BAB in May, with slowdowns in wage growth and price pressures, and expects sterling/euro parity by the end of the year. In Kent, clients appear to be quite resilient, although there are signs that supermarkets are being difficult with local supply chains. The financial services guild has commissioned work to assess what skills are required with digitisation, with a particular focus on schools.

Douglas Horner (Trenport Investments and CBI South East) – Trenport is trading well. The CBI reports that companies' location decisions may be waiting for more clarity about the outcomes of Brexit discussions. On the other hand, a local private school's strong penetration into overseas markets would suggest that others are getting on with business.

Anette Hufnagel (Locate in Kent) – A recent perception survey undertaken by LIK will be used to inform the development of its marketing strategy. LIK is experiencing an increase in enquiries, including from foreign companies, and contracted job outputs are on target. A significant number of its client companies have reported recruitment and skills issues, and many are looking for new trading opportunities despite their Brexit concerns.

Jo James (Kent Invicta Chamber of Commerce) – Export documentation activity has increased significantly in recent months, especially with regard to Turkey and Middle East countries. There have also been large increases in business member contacts to KICC's HR helpline, especially in relation to flexible working and access to EU workers in light of Brexit. The Kent Business Leaders initiative was launched in early July – businesses were optimistic about their own prospects and the Kent economy, but were less so about the UK economy.

Simon James (KIMS) – The NHS continues to struggle nationally, including in Kent, and the government’s pathway to change is through the Sustainability Transformation Plans (STPs). This involves services (including the independent sector, public health and front-line services) working together for patients. There is a good example of a “vanguard practice” in east Kent, the success of which could be adopted elsewhere.

Phillip Kirk (Lloyds Bank) – Three observations – (a) the property market business is strong, (b) manufacturing businesses are being affected by reducing demand, and (c) there is increasing concern that there is insufficient focus and understanding among SMEs of the risks to them of fraud and cybercrime.

Richard Longman (Thames Gateway Kent Partnership) – The Kent Medical Campus part of the North Kent Enterprise Zone is making good progress, although there are bigger challenges at the other two sites in Ebbsfleet and Medway. A business case is now being developed for extending Crossrail to Gravesend. TGKP is currently reviewing its priorities, including in light of the Thames Estuary Commission, the future of which remains uncertain with a new chairman yet to be appointed.

Andrew Metcalf (Maxim PR) – Levels of enquiries are good especially in relation to community engagement, and the company is involved in a range of projects across the county. There continues to be business concern about the potential implications of Brexit, and uncertainty because of the falling value of sterling against the euro.

Geoff Miles (Maidstone Studios) – Not much TV work around at present but there is more going on in office development and the Datacentre, where there is a high demand for niche services in data storage. After a lengthy period, contracts have now been exchanged with the local authority for further development at the Studios.

Sarah Nurden (Kent and Medway Economic Partnership) – The BAB/KMEP response to the South East Rail Franchise consultation had been submitted to government. Highways England will be holding a stakeholder event about highways investment, which will feed into the government’s Strategic Road Network report and Highways Investment Strategy. The government will also be gathering views about its proposed Shared Prosperity Fund, and BAB’s views will be canvassed.

Bob Russell (Russell Distillers and Copper Rivet Distillery) – The distillery opened in October 2016 in Chatham Dockyard, and although the business is still small it has seen employment increase in what is a very competitive industry. Many of the basic ingredients are sourced locally, as was the essential distilling equipment. Brexit is seen as a good opportunity for the company, which expects to export around 60-70% of its products.

Susannah Schofield (Dice Matrix Consulting) – The Kent Women in Business magazine is being extended across Kent and Medway. Forthcoming changes to the Ogden Tables could mean that business insurance premiums will be affected. The company is working with sports authorities on a new well-being app.

Heidi Skinner (Freight Transport Association) – FTA has been lobbying government on the importance of having a frictionless and seamless transition out of customs union post Brexit. There are concerns about the delay in the government’s announcement about the proposed lorry park at Stanford. FTA would like to see more rapid progress made in taking forward the proposed Lower Thames Crossing.

Paul Thomas (Development Land Services) – Public sector procurement rules are making it difficult to build up order books for developing land. Would like to see how DIT's Capital Investment Team can be helped to identify potential development projects in the south east that could attract investment funding – along similar lines to the investment pack recently put together by the Northern Powerhouse.

Tim Wagcott (Port of Dover) – The tourist market is still a challenge, and especially outbound tourists, the numbers of which may be influenced by security fears. Freight traffic has dipped in recent months, and mirrors the reductions in UK consumer spend. There are some signs that businesses' investment intentions may be cooling because of Brexit uncertainties, and recent tender submission prices have been coming down as well. The Western Docks development is ahead of schedule because of the recent good weather, and there have been quite a few development enquiries. There will be a public consultation in the autumn about the Port's application to dredge a small part (0.2%) of the Goodwin Sands, and BAB members' support would be welcomed.

Victoria Walker (Continuity of Care Services Ltd) – There have been problems with the recruitment and retention of staff, which may be more about attitudes than zero hours working. The health and social care guild now has some 30 members, and it recently produced a short careers video which will be focused on local schools.

Jackie Westlake (Visit Kent) – Visitor numbers are up in the second quarter, but there are political uncertainties affecting businesses. Visit Kent has had some success in securing Interreg funding for projects (GoTrade and Profit), and expressed thanks to KMEP and SELEP for supporting its funding bids to the Discover England Fund. VK is developing a corporate investor scheme, with Brachers and Quinn Estates having joined recently.

Additional commentary provided by BAB members unable to attend meeting

Andy Davies (Handelsbanken) - Uncertainty continues to prevail but businesses are getting on with it. Borrowers via long term loans/mortgages are opting for fixed rates of up to 5 years given the spectre of increased interest rates in the next 18 to 24 months. Evidence continues to show the slowdown of the property market in the £750,000+ price bracket. The business in Canterbury continues to grow both in terms of the number of customers/amount lent and on deposit.

Steve McGregor (DMA Group) – Opportunity volumes across the Group's 3 businesses serving the built environment remain buoyant. Post-tender decisions to proceed with works on larger jobs have been deferred on occasion or reduced in scope before commencement, in attempts to reduce spend. Competitive intensity remains high. Productivity, efficiency and customer service remain key success factors. Recruitment of talent is increasingly a challenge. One of the Group's businesses manufactures bespoke joinery, and there has been increasing competitiveness from overseas manufacturers, mainly from Middle East countries and most recently Ireland.

Paul Spooner (Ebbsfleet Development Corporation) - Ebbsfleet Garden City continues to experience strong market demand and with the first phase of infrastructure now underway the eight housebuilders on site are confident of developing 4,500 new homes by 2021. EDC is coordinating delivery by public and private sector partners, and is now working with KCC and land owners to upgrade the Fastrack Bus system and with the NHS to establish a new Health Education Research and Innovation Quarter.

Nick Fenton (Kent Developers Group) - Housing supply is still strong with good land opportunities coming forward at sensible values. Sales are still strong, supported by Help to Buy. Some developers report a slowing in the market, through uncertainty, but no real value reductions. This slowing down reflects the London market where there has been more of a pronounced slowdown in private housing sales.

4. Stakeholder consultation: South East LEP's Strategic Economic Plan (presentation by Jim Sims, The Service Design Company, and Georgina Button, SELEP)

The last Strategic Economic Plan was published in March 2014. The South East LEP is now consulting on what the refreshed Plan should look like. Following the joint presentation by Georgina Button and Jim Sims, the following comments were made:

- There should be a focus in the Strategic Plan on **improving productivity**. Many businesses are flatlining (reference to Haldane work on Bank of England website). The SEP should (i) articulate productivity across the region (can get this from an app), (ii) emphasise importance of improving quality of skills, and (iii) consider how to manage innovation and share great ideas. The most productive 10% should be mentoring others.
- The Plan needs to have a **bidding focus** as well as be visionary. However, is the government's enthusiasm for the Industrial Strategy waning, and how might that affect the Plan?
- The Plan should focus on the **big infrastructure**, including digital connectivity through broadband and mobile. The government must **make planning legislation easier**.
- The timing of the SEP refresh is correct, and the Plan should **play to the shared issues** for the area (rural, visitor economy, for example), and also needs to be distinctive to Kent's needs and opportunities. On a broader note, we must **break down perceptions** of London and South East as prosperous and therefore not requiring support. The SEP should also recognise the role that other areas play in supporting Kent's economy (eg Gatwick).
- The SEP needs to know what it wants at the end of the period so that **progress and achievements can be measured**. The Plan doesn't need to be a massive, unmoveable document.
- The Plan should **focus on the areas' USPs** (for example, international opportunities, strongest sectors with most potential, Thames Estuary). Also, how can we develop business competence in **entrepreneurship and leadership**?
- The government's Industrial Strategy has a technical education pillar, and this is about improving productivity. **Focus on what businesses and schools want**.
- The SSEP must focus on **productivity and innovation** (the clever economy). Also – (i) attack the idea that money should go north (we need a **high performance economy** based in the south east), (ii) state what our **biggest assets** are (ports and universities) and **levers for change** (creation of private funds, better coordinated and proactive planning, and (iii) there **needs to be leadership** (there are the structures in Kent eg KMEP).
- BAB gives the business view. Kent has locational advantages that can be added to in value terms. We must get the **infrastructure** right.

5. Summing up (Geoff Miles, BAB chairman)

Members were reminded that the date of the next BAB meeting would be 14 September 2017.