

Notes of the Kent and Medway Business Advisory Board – 9 March 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

- Many small businesses are facing increasing challenges about cyber-security and are more nervous about trading prospects overseas.
- Although apprenticeship opportunities for young people are growing, the take-up is not helped by the relatively little careers advice provided in schools.
- These are uncertain times for farming and horticulture in relation to prices and support mechanisms, and labour availability continues to be a challenge in this sector.
- Businesses need to invest more in leadership and innovation to address issues of low productivity.
- The legal sector is still experiencing recruitment problems among senior staff, and there are underlying wages and inflationary cost pressures that are being dealt through efficiencies.
- There were strong concerns expressed by businesses about the impact of the new business rates revaluations in April 2017.
- Developers report that the demand for housing and commercial property is strong although there is a shortage of commercial property and it has been difficult to access funding for new commercial development.

1. Welcome and Introductions

The chairman welcomed new member Mark Quinn (Quinn Estates), and Munya Badze (Kent Enterprise Adviser Network) who would be presenting to the meeting.

2. Review of actions arising since the last meeting

There were no actions arising from the January meeting.

3. Economic Commentary

Neal Ashford (Lavender Blue Media) – Very busy up to October, and involved in producing staff recruitment promotional films.

Paul Barrett (Canterbury for Business and Barrett Motor Group) – Important time of year with new registration plates and changes in vehicle duty. Has appealed with some success against rise in business rate evaluation, and would urge others to do likewise. About to start new investment programme in Ashford and Canterbury. Has some concerns about future of car manufacturing industry in the UK post Brexit.

Alan Bracken (Barclays Corporate) – Whilst Q2 and Q3 in 2016 were a period of relative stagnation, this has changed over the last few months as clients just get on with business. Challenges include: the sometimes restrictive FCA governance, cyber-security, and the nervousness of very small businesses about trading prospects overseas.

John Bunnett (Brett Group) – Development industry holding up well in Kent compared with London and rest of the south east.

Miranda Chapman (Pillory Barn) – Involved with Kent Invicta Chamber in launching a forthcoming business event in Ashford.

Barbara Cooper (KCC) – KCC has meeting arranged with Department for Transport, Port of Dover and Eurotunnel to discuss transport priorities for county. Pleased that Port of Dover's LGF bid was approved by SELEP Accountability Board – good example of Kent partners working together. KCC will be lobbying for Crossrail extension to Ebbsfleet and Northfleet, and will be working with Highways England over the next few weeks to clear up motorway slips and central reservations.

Mark Dance (KCC) – KCC has recently launched an apprenticeships programme for small businesses. Apparent that young people get little careers advice in schools, which doesn't help the take-up by young people of apprenticeships. The new Helpline (<http://www.apprenticekent.com/home>) will provide support for young people and businesses looking for help. Welcomes launch of T Levels, and will look to work with guilds and businesses to promote these. Joining the construction guild shortly, and passing on the leadership of the hospitality guild.

Sarah Dance (Sarah Dance Associates) – Working with GLA on developing a vision for creative industries in the Thames Estuary area, where several centres of excellence are envisaged. This was recently submitted to the Thames Estuary Commission. Also lobbying government to do more to support the freelance economy. Launch of Folkestone Triennial in 2017, which involves a collaboration between Turner Contemporary and Creative Foundation.

Oliver Doubleday (GH Dean and Co) – Uncertain times for farming and horticulture in relation to prices and support mechanisms. Labour availability continues to be a big challenge. The company is looking to exporting overseas and investing in new equipment.

Richard Finn (Richard Finn Ltd) – Has previously mentioned to BAB the issue of low productivity in the UK, and the need for businesses to invest more in leadership and innovation to address this. There is also a need to consolidate and strengthen supply chains.

Peter Hawkes (Furley Page LLP) – Commercial property market still performing reasonably well in the county. Still experiencing recruitment problems among senior staff, and there are underlying wages and inflation cost pressures which are being dealt with through efficiencies. Clients also facing cost pressures, for example through increasing court and probate fees.

Douglas Horner (Trenport Investments and CBI South East) – The market is good for housing and commercial development, and looking at some large scale new projects. Concerns about delays in adoption dates for some local plans.

Jo James (Kent Invicta Chamber of Commerce) – Strong concerns about increases in business rates for many businesses because of car parking being included. More companies taking an interest in health and well-being issues, and in recruiting good people. More KICC members are exporting, including outside the EU. Would like businesses to respond to the Chamber's Quarterly Economic Survey (www.britishchambers.org.uk/QES).

John Keefe (Eurotunnel UK) – 2016 was a record year in every sense, and 2017 has started steadily in the same direction. The difficulties around importing fruit and vegetables in January were challenging. Concerned for trade if the UK comes out of customs union, and talking to different government departments to try to tease out their thinking, although as yet no clear policies are being developed. Launched Eleclink project recently which will complete in 2019 and create significant job numbers.

Richard Longman (Thames Gateway Kent Partnership) – There will be a soft launch of the North Kent Enterprise Zone at the beginning of April, and the new website will be up and running. Has been working closely with the Thames Estuary Commission, and hoping that this will continue post Heseltine.

Andrew Metcalf (Maxim PR) – New clients being taken on in different sectors, although has concerns about the implications for businesses of the March budget, for example the overall increases in business rates.

Geoff Miles (Maidstone Studios) – Working with Openreach to be able to provide more capacity on site. Pleased about outcomes of recent LGF decisions by SELEP Accountability Board, although the process is sometimes frustrated by bureaucracy. The closing of ITV's studios in London could be good for MTVS.

Sarah Nurden (Kent and Medway Economic Partnership) – The recent £102m Local Growth Fund announcement by SELEP included some notable Kent projects (EDGE, A2 slips, Leigh flood storage, Fort Halsted). Now looking for projects for the £7m Growing Places Fund.

Mark Quinn (Quinn Estates) – Involved with over 40 sites across Kent, including Sittingbourne and Ashford. The market for selling housing land is good, and there is a big demand for housing and for commercial property. However, it has been difficult to access funding for commercial development.

Susannah Schofield (Dice Matrix Consulting) – Lots of work about well-being issues driven by businesses needing to retain staff. Has recruited new team to do Women in Business magazine. Has experienced problems finding a Kent based printing company.

Steve Sherry (RBLI) – Revenues on the manufacturing side are up by 10%. Pressures on getting materials from overseas. Involved in several new employment programmes, including for people with disabilities. There are 24 new apartments opening in May at the RBLI village.

Paul Thomas (Orbit Homes) – There are problems with infrastructure provision involving Open reach (not addressing weaknesses in links) and other utilities (getting them to invest). There are some rationalisations taking place among housing associations.

Jackie Westlake (Visit Kent) – Visit Britain's forecasts for 2017 are up on the previous year, and in Kent there are new products being introduced (such as food and drink, heritage) and the Big Weekend is set for a record year.

Paul Wookey (Locate in Kent) – Enquiries are coming through although they are slowing down. The biggest issue is a shortage of quality premises.

Additional commentary provided by BAB members unable to attend meeting

William Hinckley (BTF Partnership) – The uncertainty created around Brexit and the US Presidential election has had limited visible impacts in the commercial property market in Kent. There is however increasing nervousness in the county’s agricultural sector – with many farmers beginning to consider the implications and requirements of a “subsidy free” existence.

Whilst currently the supply of agricultural land is relatively limited, there are early indications that more land may be coming to the market as farmers begin to build a “war-chest”. There is therefore a risk that land values may come under pressure, if the market becomes over-supplied, albeit that the demand for land from “Roll-over” relief buyers looks set to take up a proportion of the supply as more planning consents are given for housing schemes on greenfield sites across the county.

In the commercial property sector, the shortage of supply remains a problem, with demand generally out-stripping supply in most areas. In some of the stronger towns in the region, this has caused values to rise, particularly in the industrial and office sectors.

Tim Waggott (Port of Dover) - 2016 ended as another record year for the Port of Dover with almost 2.6million freight vehicles using the Port. The first part of 2017 remains strong for freight traffic, but tourist volumes still lag historic averages although forward bookings are improving. The DWDR development is well underway, with dredging and piling activity likely to commence before Easter.

4. Kent Enterprise Adviser Network (presentation by Munya Badze, KEAN)

KEAN is part of a national network linked to the Careers and Enterprise Company which was set up by minister Nicky Morgan to engage with schools, businesses and employers. In Kent there is an Enterprise Coordinator working with 20 advisers. Working with local schools and with other local initiatives such as education-business partnerships and the employer guilds, KEAN aims for students to get more engagements with employers.

The presentation (a copy of which is on the KMEP/BAB website) explained how businesses and employers can become involved in the initiative by becoming enterprise advisers, industry champions or simply spreading the word.

The following comments were made during discussion:

- A number of businesses expressed interest in working with KEAN, particularly if it helps to make engagement with schools easier;
- KEAN is looking to work with FE colleges as well as schools, especially as some colleges may be doing similar things;
- Barclays runs life skills programmes for staff, and would like to engage with KEAN.

5. Building our Industrial Strategy (introduced by David Hughes, KCC)

The recently published green paper suggests a wide range of actions intended to get the whole economy firing by increasing productivity and driving growth across the country. There are ten pillars identified, two of which are **direct drivers of growth**; five are **enablers of growth**; two involve **geographies of growth**; and one is about **leadership of local growth**.

The following comments were made during discussion:

General comments

- Some BAB members welcomed the development of the Industrial Strategy and KCC bringing a local dimension to it. Others questioned how much BAB could influence what government do, and should instead focus on a couple of big things we can do in Kent. One idea was getting **private investment into individual infrastructure sites**.
- There was a feeling that BAB should not worry about central government and politics, and instead focus on what we can do within Kent to benefit everyone. **Kent should have more strategic power**.
- It was unclear what the **purpose** of the strategy is, what needs to be delivered and how progress will be measured.
- Several members thought that the consultation questions were not the right questions to ask and are **not business friendly**.
- The Strategy should be about **business, not industry** – there is a wider importance of the integration of society, including across the voluntary and other sectors - this is key to growth.
- There is nothing on **social media** in the green paper.
- The green paper talks about **London and the South East** as one area which is not experiencing the growth problems that the rest of the country does. This is inaccurate (e.g. South East is second in the country for GVA but Kent is lower than the national average). The traditional view of the 'South East' doesn't reflect Kent.
- At a recent CBI meeting, it was felt that the **pillars on R&D, skills and infrastructure should be elevated** above the others.
- **Government should be urged to join up its thinking** in this green paper, the Housing Strategy white paper and National Infrastructure Framework.
- **Kent also has strengths** – it supplies vital goods and services to London and Europe and these are strong advantages for Kent.

Sectors

- The focus on the **service sector** is not as strong as it should be, because it is a major sector in the UK and especially Kent – the green paper seems manufacturing / production focused (if this is intended, it needs to be a clear).
- However, the service sector is low in productivity, and there should be **more focus on working with universities and biotech** to increase productivity and support planned growth.
- Some members were of the view that, rather than supporting priority sectors, which employ relatively few people, we should **focus on general actions that will support all sectors**, such as infrastructure investments and improving basic skills levels (this was linked to the general comments around whether we can really influence the Industrial Strategy and that we should worry less about government and focus on what we can do for ourselves).
- The **creative sector** has grown significantly, and now needs insulation from immediate Brexit challenges. The sector will also benefit from improvements in skills, support for businesses and international trading – we should maximise supply chains to Europe.

Supporting business

- Getting **long-term investment for businesses** (which happens more easily in other European countries) is important.
- Companies tend to fail at **transition points** (e.g. scaling up from a family business), and support should be provided at transition points.

- There is a **lack of business accommodation** in Kent, which is holding back development.

Skills

- **Lower level skills development** is important, but **management and leadership skills** are also essential and there is a lack of this happening now. This should not just be done through formal management qualifications.
- While the focus on STEM skills is understood, a creative ‘spark’ is needed in lots of industries too, and **creative skills should not be overlooked**. There are particular skills shortages around visual effects and animation – we need to show schools and colleges that there are job opportunities here.
- There were comments from the earlier Economic Commentary item about **apprenticeships**:
 - The biggest blocker is **school cooperation**, so how can we influence school governors?
 - It is a **confused and competitive landscape of providers** which businesses often do not bother to negotiate.
 - There are practical problems such as how apprentices can **travel to work**.
 - Schools and employers have different ideas about what **‘work ready’** means.
 - If government were to offer **tax relief for taking on apprentices**, this would incentivise businesses to do it, as taking on an apprentice can often be expensive in time lost to train them.
 - There is new support for businesses through **KCC’s Apprenticeship Levy programme**.
 - Also, the **Kent Enterprise Adviser Network** is bringing business people into schools to improve careers advice and employer engagement plans.

Infrastructure

- Government needs to be honest that it will be **housing that will pay** for the majority of infrastructure
- There was a discussion around the issues with the **planning system** that limit the development of infrastructure – should the objections of a few hundred local people prevent infrastructure development that will benefit millions?
- The Industrial Strategy should support infrastructure being delivered. There was agreement that **strategic planning should be brought back into the planning process** (the old County Structure Plans and South East plans were referenced).
- There was agreement that **Local Plans are not working well** as they encourage piecemeal planning of infrastructure development which is holding back growth and productivity.
- We must not inadvertently compete for different infrastructure projects, and a wider view is needed on what will benefit all sectors.
- The lack of good roads is holding growth back in Kent.

Involvement of business in the public sector

- As well as business and local government working together, we also need to **engage with universities** better – they are absent from key discussions and can be reluctant to work with business.

6. BAB/KMEP membership and Terms of Reference (introduced by Sarah Nurden, KMEP)

The proposed terms of reference had been circulated to BAB members in advance of the meeting. During discussion, it was felt that keeping BAB's membership to about the present level was preferable to having a larger group. It was also suggested that a small group of members could have responsibility for selecting new members, rather than this being left to the whole of BAB.

7. Future Growth in Kent and Medway (introduced by Douglas Horner and Sarah Nurden)

Six solutions were proposed by the Future Growth group to achieve high quality, high performing growth:

1. Incentivise commercial land development.
2. Adopt a cluster-based approach, collocating universities and business in the following sectors: life science/health care/meditech, immunology, design engineering and possibly creative.
3. Increase digital and mobile connectivity.
4. Deliver supportive infrastructure.
5. Remove transport barriers preventing access to training
6. Maximise EU innovation funding around digital health, fruit storage and energy.

Actions agreed by the group were to look into developing an Immunology Centre of Excellence, to provide further investment in the guilds, lobby for more infrastructure investment and explore the EU funding ideas above. It was also suggested that there should be a centre of excellence for modular construction.

The chairman asked Douglas Horner and two other BAB members to lead on developing a BAB response to the Industrial Strategy. This will also inform what the Kent Future Growth Group should focus on next – taking forward the earlier suggestion to look beyond the Industrial Strategy at what we can do in Kent ourselves to make the biggest impact.

Date of next meeting: 11 May 2017