

REPORT

THAMES GATEWAY KENT PARTNERSHIP

SUMMER BUSINESS BREAKFAST, 14th July 2015

SUMMARY

The Summer Business Breakfast came at an opportune time to consider the implications of the new Government's legislative programme and 'emergency' Budget, to take stock of progress on spatial and thematic priorities in North Kent, and to explore further ways of improving engagement between businesses, schools and other training providers so as to help ensure young people were equipped with the skills employers needed.

The Summer Budget contained some positive measures to help businesses, possibly weighted more towards big business than Small and Medium-sized Enterprises (SMEs). Some of its detailed measures could have an adverse impact on SMEs and especially those in the service sector. There might be value in some work to assess the impacts in North Kent.

The prospect of a tough autumn Spending Review emphasised the need for creativity and collaboration to maintain and enhance services. To engage with and support businesses effectively, public authorities needed to operate in more business-like ways and to re-visit how they used their assets and procurement processes.

The pieces of the jigsaw to make Ebbsfleet Garden City a reality were beginning to fall into place. The Development Corporation was keen to work with local stakeholders to shape proposals and delivery. There were major supply chain opportunities for North Kent businesses, but work was required to ensure the right mechanisms were in place to enable them to compete.

Business confidence seemed to be rising but there were continuing challenges around supply of skilled labour, access to finance, progress on key infrastructure and availability of suitable premises that were constraining growth and investment decisions.

Skills

- Apprenticeships need refreshed marketing to overcome misconceptions about their status. A brokering service could help SMEs, schools and other training providers to increase the range and supply of apprenticeship opportunities.
- Businesses needed to challenge themselves about how proactively they engage with schools and colleges to raise awareness of what they do and to influence development of the skills they are looking for.
- Competition between institutions training 14-18 year olds needed to be replaced by greater collaboration; appropriate reform of funding, particularly for 16-19 year olds, should be a lobbying issue.

Business Support

- A Growth Hub offering effective sign-posting and impartial advice, and continuation of programmes offering access to finance, were all needed to support business growth and innovation.

Infrastructure

- TGKP and individual businesses alike should continue lobbying Government and its Agencies for accelerated progress on strategic infrastructure requirements.

Premises

- Public and private sectors alike should be investing effort in improving the supply of good quality commercial premises. TGKP should help put together a strong bid for an Enterprise Zone.

INTRODUCTION

1. The Summer Business Breakfast focused on three areas of interest: first, the implications for business of announcements in the Chancellor's Summer Budget, and in the Government's legislative programme; second, progress on strategic developments in North Kent, notably the Ebbsfleet Garden City; and third, the issue of engagement between businesses, schools and colleges. The last of these arose particularly out of discussions at our December 2014 Business Breakfast. There were four presentations, Q&A sessions and table discussions giving participants the opportunity to feed back. As well as welcoming participants and setting the scene, TGKP's Chairman, Rob Bennett, offered some concluding observations about key messages, together with contributions from Cllrs Alan Jarrett and Mark Dance.

PRESENTATIONS

2. The presentations can be found on the TGKP website at www.tgkp.org/business-events: individual links are also given below.
3. **Gordon Jones, Partner and Head of Professional Practice, Kreston Reeves**¹
 - Below the eye-catching ingredients in the Budget were a number of detailed measures which, collectively, could have a significant impact on smaller businesses, particularly in the service sector.
 - Corporation tax rates were set to reduce (to 18% by 2020), and Annual Investment Allowance would rise to £200k from 1 January 2016 (immediate increase to £500k until 31 December 2015). There were changes in the way different kinds of intangible assets would be treated in company accounts, and changes to bank levies and timing of tax payments for bigger companies.
 - The Budget proposed further tightening of the regime for offshore and non-domiciled investors including inheritance tax. Residential landlords, particularly buy-to-let, would be hit by a reduction in mortgage interest relief to the basic rate from 2017 and change in wear & tear allowances on furnished lettings. Personal taxation would see no change to rates but an increase in personal allowances and higher rate threshold. On dividend allowances, higher and additional rate tax payers would be better off until relatively high dividend payments were exceeded, but basic rate taxpayers would be worse off.
 - Personal Service Companies, whether sole traders or limited companies, would be hit negatively by a number of measures, e.g. withdrawal of employment allowances, dividend tax changes, reduction in tax credits and introduction of a national living wage and pension auto-enrolment. Such companies are a significant part of the Kent & Medway economy, particularly as more public services were contracted out, therefore they would need most support in terms of advice (e.g. tax, accountancy, business planning) to mitigate the impact of Budget changes.
4. **Dawn Hudd, Head of Commercial and Economic Development, Maidstone Borough Council**²
 - Reduced local authority budgets called for greater creativity to sustain services. The Budget did not identify further cuts but the autumn's Comprehensive Spending Review was expected to be tough. Pressures such as housing targets, the 'living wage' bill and brain-drain from local government presented significant challenges.
 - The Government was moving towards more deal-based arrangements with local government, particularly linked to devolution proposals. Whilst the emphasis in national policy was still on northern cities, all areas were being encouraged to explore options such as combined authorities. Local enterprise partnerships were regarded as key players in shaping ambitions and driving delivery: those that under-performed would find it hard to secure a share of national programmes.

¹ [View Gordon's presentation](#)

² [View Dawn's presentation](#)

- Apprenticeships were a key part of the Government's agenda to boost skills including a commitment to create 3 million apprenticeships by 2020, and securing recognition for degree-equivalent apprenticeships as an alternative to higher education. The Business Secretary was also renewing efforts to reduce bureaucratic burdens on business, e.g. compelling independent regulators to streamline regulations, and help with resolving payment disputes through a Small Business Conciliation Service. The 'Primary Authority' rules were being extended, to simplify compliance for businesses that deal with multiple authorities. The Government was reforming the handling of business rate appeals and the powers of valuation tribunals, and enabling the Valuation Office Agency to share information with local government. Government would consult on devolving Sunday trading powers, which could impact town centres in particular. Bids were also being invited for new Enterprise Zones, including in rural areas.
- To support businesses effectively, the public sector needed to adopt more business-like mindset, language and behaviours. Councils needed to nurture existing businesses and supply chains as much as trying to attract new investment, using local branding and assets (e.g. cultural and heritage) imaginatively. Resource constraints meant collaboration was crucial to maintain effective and professional services. The power of the planning system could be used positively, e.g. joint ventures could de-risk the planning process and leverage better outcomes.
- Businesses were encouraged to make their voices heard on key issues affecting Kent, e.g. the economic cost of Operation Stack, the implications of an EU Referendum, and accelerating the pace of key infrastructure priorities such as the Lower Thames Crossing.

5. **Robin Cooper, Chief Executive, Ebbsfleet Development Corporation³**

- Having been announced in the 2014 Budget, the Ebbsfleet Garden City was gradually becoming a reality with the creation of the Ebbsfleet Development Corporation. The Board was in place and powers conferred including planning functions. The Government had committed up to £200 million for enabling infrastructure; the Corporation hoped to have clarity over initial allocations in late summer/early autumn.
- Ebbsfleet would be a 21st Century development, different from previous models, and making the most of its strategic connectivity to both London and Europe. The "red line" boundary was established and a new masterplan was being commissioned. The Corporation's role was to try and accelerate the pace of delivery on what could be a 15-20 year build programme. But the Corporation also placed a high priority on working with local stakeholders to shape proposals.
- The Garden City's area embraced a diverse range of sites with some major issues to be addressed, such as upgrading the A2 Bean and Ebbsfleet junctions. The London Paramount proposals for the Swanscombe Peninsula were clearly of enormous importance, not least in terms of economic benefit and supply chain opportunities: managing the different delivery timetables would be challenging. Other 'externalities' such as the Lower Thames Crossing would also impact on the Garden City.
- The Corporation was clear that its role was to build a community, not a dormitory. A lot of work was needed to get the design right and to secure the infrastructure needed to make a place everyone could be proud of. Work was already underway in a small way at Castle Hill, but early wins would be important to build momentum and confidence.
- Asked about whether the Corporation would be involved directly in delivery, Robin emphasised the expectation that delivery would be led by the private sector. The Corporation would use its funding allocations to help make things happen but not to substitute for private sector investment. The Corporation also recognised its role in trying to help knit the Garden City into the wider fabric of North Kent.

³ [View Robin's presentation](#)

6. **Steve Leahey, Principal, Leigh University Technical College⁴**

- The UTC model represented a new type of relationship between school and business, focusing on the practical application of academic and practical disciplines through project-based learning. The Leigh UTC had developed seven principles to shape its approach. Working on projects with local SMEs delivered benefits to companies in terms of innovative solutions to real-world issues and to students in terms of developing their skills, motivation and employability.
- Employers and education establishments needed collectively to address the UK's skills deficit. Currently the average skill level across the population was equivalent to "level 2.3" (i.e. slightly above 5 GCSEs) but needed to be raised to at least level 3 by 2022 to satisfy future labour market requirements. International comparisons illustrated the benefits of apprenticeship-style 'earning and learning'. The UK needed to embrace a culture of lifelong learning and training: employability was about maintaining employment, not just attaining it.
- Clive Barker, Vice Chair of Governors at Leigh UTC, emphasised the benefits for businesses of getting involved in schools. There was a wide range of opportunities, including offering work experience, projects and mentoring. Businesses should be proactive and invite schools to come and see what they do, as well as to make time to go into schools. UTCs were a small minority – a second would be opening in Chatham in September 2015 – but all schools had a role to play and should welcome approaches from businesses to get involved.

FEEDBACK FROM DISCUSSIONS

Topic 1: Education and Businesses: What practical steps could businesses take to engage with schools and colleges to help support the training of work-ready young people?

7. Delegates were given some suggestions of possible actions businesses might take, to help prompt discussion:
 - Become mentors for students
 - Create apprenticeship opportunities
 - Find practical solutions to Health & Safety issues (e.g. for under 16s)
 - Invite school/college leaders to visit premises
 - Become a school / college governor
 - Get involved in Young Enterprise
 - Offer part-time and Saturday positions
 - Offer internships or extended work experience
 - Involve students in carrying out projects
8. A lot of the discussion focused on apprenticeships. Delegates felt that the image of apprenticeships was still associated in a pejorative way with 'trade': students, teachers and parents all needed educating into a better understanding of the range and nature of apprenticeships as a career pathway and equipping young people both for employment and, in the longer-term, self-employment. This was part of broader awareness-raising needed about 14+ options more generally, including what UTCs have to offer. Apprenticeships needed a marketing 'makeover': this was a message all parties with an interest needed to respond to.
9. There were differences of view between delegates representing businesses and schools about delivering apprenticeships. Some SMEs reported difficulties recruiting young people into apprenticeships; some schools' experience was that they had young people who were interested but found it hard to get the right kind of engagement from businesses. There could be value in schools working together to deliver apprenticeships, pooling resources and expertise. The discussion reiterated previous suggestions for a new type of apprenticeship training agency (ATA) to provide intermediary services to SMEs and schools, offering both impartiality and a degree of 'hand-holding'.

⁴[View Steve's presentation](#)

10. UTCs were seen as a good model, but the majority of young people would still attend conventional secondary schools. There were systemic issues, mainly to do with funding, which provoked unhelpful competition between 14-18 providers; and the 16-19 funding regime was considered a mess. Where UTCs took students at 14 focusing on STEM subjects, this could affect the viability of delivering STEM subjects in other schools in the area. There were also ongoing concerns about the adequacy of careers Information Advice and Guidance (IAG), particularly since the abolition of Connexions. A minority of schools seemed to have professionally qualified careers advisers; and it was perceived that those giving advice in schools were sometimes biased towards the host institution rather than giving impartial advice about available options.
11. Delegates broadly agreed that academic and vocational pathways should be given equal recognition, but this tended not to be how they were regarded by some schools and particularly parents. Whichever pathway students followed, formal qualifications did not necessarily equip them for the realities of work. All schools needed to give attention to life-skills and employability training.
12. Some delegates suggested students were often more interested in connecting with businesses than their teachers were – possibly a reflection both of curriculum demands and awareness levels on the part of school staff. Young Chamber was an example of positive engagement by students, schools and businesses alike. Schools were seeking good work experience opportunities and for businesses to come into schools, but found it hard to get offers from local businesses. Schools and businesses faced different challenges trying to keep up with re-structuring of GCSE, AS and A level syllabuses and qualifications. Some businesses were wholly unaware of changes underway; some were felt to have their “heads in the sand” about how to address the skills gap.
13. It was suggested that most teachers’ lack of experience of business made it hard for them to engage effectively, and resource and curriculum constraints limited schools’ capacity to be proactive. Some case study models illustrating good practice could be helpful for the majority of schools, which do not have comparable links to those underpinning UTCs.

14. **Suggestions for consideration:**

- Better use of trade associations to help bridge the gap between schools/colleges and businesses. Could TGKP explore the scope for a North Kent trade association network?
- Businesses to consider and act upon the suggestions in paragraph 7 above.
- Schools to explore areas for collaboration to improve the apprenticeship offer across a locality.
- Schools and UTCs to work collaboratively rather than competitively to help 14-18 students make appropriate choices about education institutions and pathways.
- Improve the marketing of Apprenticeships at all levels to raise awareness and understanding – particularly among teachers, students and parents – of the range and diversity of the offer and to overcome preconceptions and prejudices about academic v vocational career pathways.
- The Ebbsfleet Development Corporation was encouraged to stipulate requirements about apprenticeships in future contracts, and to work with local schools and FE colleges / UTCs to prepare and train local young people to take up those apprenticeships.
- TGKP and its partners to investigate further the potential for an ATA to assist with brokering apprenticeships, including amongst consortia of SMEs.
- Lobby for more investment in careers IAG, including a service to fill the void left by the abolition of Connexions.
- Lobby for a coherent system and appropriate level of funding for schools, 6th form colleges and FE colleges educating and training 16-19 year olds.
- Promulgate case studies illustrating good practice in school-business engagement.

Topic 2: Post-Budget priorities for North Kent businesses: What announcements in the Budget have the most direct bearing on your business/clients, and how are you/they proposing to respond?

15. Delegates did not express strong views about the Budget measures. There was sensed to be a lot tucked away in the small print of the Budget document that would need to be absorbed. Delegates echoed the observations made by Gordon and Dawn that the impacts of both the Budget and signals in the legislative programme would be felt most by SMEs.
16. The healthcare sector was identified as likely to be hit hard by the introduction of a national living wage. Whilst it was recognised that pay levels in some areas of healthcare were unduly low, reflecting the value society placed on certain roles, the cost of the national living wage would add significantly to the healthcare bill where there were already challenges to plug funding gaps.
17. The Budget and legislative programme were felt to send mixed messages to the housing sector. Social housing rents were being reduced (1% per year for 4 years), which was good for tenants but problematic for providers; the proposed Right to Buy for housing association tenants would reduce the social housing stock. Budget measures could deter investment by private sector landlords or see some leave the sector (e.g. buy-to-let landlords). The overriding need was for more housing to address the mismatch between demand and supply. This was having a broader impact on the economy and supply chain. Measures to increase supply were welcomed but skills shortages, e.g. in construction, presented a challenge in responding to a rising market.
18. Discussion about economic prospects kept returning to issues around infrastructure – particularly transport and broadband. Delegates wanted to maintain pressure on decision-makers to get on with bringing forward key infrastructure such as the Lower Thames Crossing and other transport network improvements.
19. The invitation to bid for new Enterprise Zones was welcomed. It was recognised that this would be fiercely competitive. It was therefore important to get behind a strong single proposition.
20. **Suggestions for consideration:**
 - Businesses to look closely and take advice about how Budget changes were likely to affect them.
 - Carry out some analysis of the cost implications for different sectors, notably healthcare, of introduction of the national living wage.
 - Renew efforts to support growth in construction sector capacity.
 - TGKP to take a proactive role in bringing forward a single, strong Enterprise Zone bid in North Kent.

Topic 3: Business Support: where are the gaps in business support in Kent & Medway and how should those gaps be addressed?

21. It was observed that the UK was once described as a nation of shopkeepers: it was now a nation of small and medium sized businesses. The business voice that Government listened to was often that of big companies, but SMEs made up nearly 99% of all companies and nearly 50% of employment.
22. The Growth Hub was seen as potentially an important element of business support infrastructure. As a one-stop-shop it would not be able to cover everything, but should provide clear signposting to other sources of information and appropriate contacts. It needed to cater for and differentiate between different sizes of companies whose needs were different. There was potential overlap between the Growth Hub and the Better Business for All initiative, so how the hub dealt with advice on issues like health and safety, trading standards, planning, etc., would need to be considered to avoid duplication or confusion.

23. Whatever the role of the Growth Hub, businesses still valued business support services from their local authority (where these were provided). One issue where it was felt local authorities could join up better was in the relationship between planning policies and economic development / inward investment goals: planning and economic development teams needed to be singing from the same hymn sheet.
24. Delegates felt there was still a need for initiatives to help access to finance: lending was improving in some areas but still quite constrained. (TGKP and Kent Invicta Chamber of Commerce had each produced information sheets about funding programmes available in Kent & Medway: these were made available at the Business Breakfast and on each organisation's website – see links below⁵.)
25. **Other suggestions of issues where business support and local authority proactivity might be helpful included:**
- Increasing the supply of suitable business premises: various categories of good quality business space were in short supply in North Kent.
 - Nurturing collaboration between businesses e.g. as consortia to create the critical mass needed to tender for major contracts and supply chain opportunities, such as on London Paramount and Ebbsfleet Garden City.
 - Impartial advice and support to SMEs taking on their first apprentices (could link with paragraph 9 and the 7th bullet of paragraph 14 above).
 - Helping to secure better broadband coverage and 4G mobile coverage (see also paragraph 28 and footnote 6).
 - Help improve understanding of other countries' cultures as a platform for increased trade, collaboration and networking.

Topic 4: What are the business-related issues of greatest concern to you currently? Are there issues on which you think TGKP should be proactive on behalf of the North Kent business community?

26. Delegates were given freedom to choose any other topic for discussion. This resulted in a diverse range of issues, some of which echoed aspects of the other topic discussions. The key additional points made included the following:
- There was a recurring theme around getting the right infrastructure in place, particularly for transport, to support sustainable growth. Improving access to Kent Science Park was specifically mentioned as being important to realise the potential of the site for high value employment.
 - Both businesses and local authorities were concerned about the loss of office and other commercial space to residential use under the Government's changes to permitted development rights. This was undermining economic plans and leading to a shortfall of supply to meet growing demand. In some cases it was not even clear that residential development would proceed, but removal from the commercial stock was having consequences that were perhaps not what policy-makers intended. In the meantime, there was a need for new, high quality business space for SMEs.
 - Businesses wanted the greater certainty of adopted local plans and urged authorities to do all they could to get these in place. There was a more general plea for better integration of national and local planning policy: central Government had introduced a raft of changes and a period of stability was needed to bed these in.

⁵ <http://www.tgkp.org/content/documents/Finance%20Schemes%208%20July%202015.pdf>
<http://www.kentinvictachamber.co.uk/business-advice/grants-funding/>

CLOSING REMARKS

27. **Cllr Alan Jarrett** (Leader, Medway Council) referred to positive meetings with the Communities Secretary, Greg Clark, and affirmed Medway's commitment to the growth agenda. Localities could not deliver growth on their own, and needed Government help. Medway's priorities would include supporting SME growth and delivering regeneration and new innovation space at the Rochester Airport site. Medway would prefer a Local Enterprise Partnership based on the boundaries of Kent & Medway rather than the South East LEP and Cllr Jarrett would be talking to MPs about the case for change. Medway would be looking with interest at the Government's proposals on devolution: Cllr Jarrett did not support the idea of an elected 'metro-mayor', but authorities should clearly be looking at scope for closer collaboration.
28. **Cllr Mark Dance** (Cabinet Member for Economic Development, Kent County Council) highlighted some of the issues affecting businesses across Kent & Medway. The economic cost of Operation Stack, nationally as well as locally, underlined the need for an urgent solution. In the interests of resilience, Cllr Dance was keen that the potential of re-opening cross-Channel services to Ramsgate should be explored. This event had identified the ongoing need for access to finance initiatives. The experience of Regional Growth Fund programmes across Kent, including TIGER in North Kent and Thurrock, suggested there could be scope for KCC to be a positive lender to support SMEs, with banks as partners. KCC would be doing more work on this to explore the potential. Finally, Cllr Dance echoed the need for roll-out of superfast broadband and 4G networks and drew attention to the Government-funded programme making grants of up to £3,000 available to businesses to upgrade their broadband connections⁶.
29. **Rob Bennett** (TGKP Chairman) thanked everyone for their participation. The Partnership would reflect on the feedback and look at how to respond on the key issues. The points that had come across most forcibly seemed to be:
- **Infrastructure:** we could not wait forever on strategic decisions about how to deal with Operation Stack and key investments such as the Lower Thames Crossing and Crossrail extension. TGKP – and indeed businesses represented here – should continue to press Government and Agencies to move more swiftly;
 - **Supply chains:** businesses in North Kent could potentially benefit from and contribute to some very major opportunities such as arising out of the proposed London Paramount development. We needed to make sure that those opportunities are not missed and help ensure the right mechanisms are in place to enable North Kent businesses to get involved.
 - **Businesses and education:** the key word was engagement. TGKP would continue to explore whether there were ways it could help, but the main challenge is for schools and businesses themselves. The discussion had highlighted some issues around the negative dimension of competition for students.
 - **Business support:** the Growth Hub needed to have a meaningful role if it were to become the go-to resource for information and advice. There seemed to be a case for on-going interventions to improve access to finance.
 - **Commercial space:** growth and investment seemed to be hindered by a shortage of commercial premises of the right type, size and quality and in preferred locations.
 - **Enterprise Zone:** a new Enterprise Zone in North Kent could be a valuable addition to help drive growth and investment. Partners would need to work with the system and play to our strengths in formulating proposals.

TGKP

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⁶ Details available at <http://www.kent.gov.uk/business/business-loans-and-funding/broadband-connection-voucher-scheme>.