

## **Draft notes of the Kent Economic Board – Business Advisory Board (BAB) – 17 May 2011**

**The Business Advisory Board meeting bi-monthly and provides an insight from the business community in Kent on current trading conditions and experience of the real economy on a sector by sector basis – the headline points are extracted below and the full meeting note follows**

### The Headline points from the Economic Commentary

- Lack of confidence in medium term economic growth prospects – currently slowing down investment decisions and business growth
- Consumer demand reported picked up during April – this is being attributed to the 4 Bank Holidays and fair weather – lack of optimism that this is a sustainable trend
- Volatile exchange rates continue to make pricing for export difficult, with the risk of profits being wiped out – and the low value of sterling is making imports of raw materials and components expensive
- Food, Health & Beauty and luxury goods are the retail sectors which are maintaining strong performance
- Creative & Media businesses reporting some upturn – particularly in response to demand from the strong retail sectors noted above.
- Businesses report the time taken to process Planning applications has on average doubled in recent months – protracting the period of uncertain returns from investment which is acting as a further disincentive to business growth.

### Welcome and Introductions

Geoff welcomed Adele Harrison, Regeneration Manager at KCC who was attending to outline the proposals for the Kent & Medway Investment Fund

### Matters Arising

#### **Sector Consultations**

**The Construction & Dev consultation took place on 29<sup>th</sup> March –Low Carbon Energy production on 23<sup>rd</sup> May** (next Tuesday) – a programme of follow-up actions is starting to take shape, eg:-

- Food Sector Strategy
- Kent Rural Plc – some definition of the thinking on this for a launch of the concept at the County Show
- Water – meeting with the Environment Agency – Jon Regan- input from Michael Bax and colleagues – to identify some practical measures ie changes to irrigation systems, extraction licences etc.
- Sectoral focus for Innovation & Growth
- Liaison with the HEI's to identify how to network collaborative R&D opportunities

**Health and Social Care** – 13<sup>th</sup> June – Cedric acting as the Business Champion. A full report on the consultations to date, and emerging action plan to address issues arising will be made to the next KEB Board meeting 22 June – the date for this event has subsequently been revised to **19<sup>th</sup> September**

**BroadBand** – following the presentation last time on the BDUK bid to improve Broadband connectivity and speed:-

- The bid was submitted at the end of April
- It included scalable options but seeking funding of up to £42 million during 2011-2015 to improve Kent's broadband infrastructure (mix of upgrade to super fast/enhanced coverage).
- The application has been shortlisted, may not get all of the funding requested - may lead to further negotiation with BDUK.
- BDUK have stated that Jeremy Hunt will announce the outcome at the end of May (although there will be awards to follow after this).
- 28 businesses provided statements of support that were able to be used to accompany the bid – a number of these were from BAB members.

Local Enterprise Partnership – feedback from recent meetings and discussion re future direction

Geoff gave some feedback from the recent Executive Group meeting. He commented that attendance from the business reps was a bit thin and it had been difficult to know who had advised the Essex secretariat of their availability – Megan has subsequently circulated a protocol asking LEP reps to copy her in on their availability for forthcoming meeting so to assist the Essex secretariat attendance of alternates in future can be locally co-ordinated.

The Exec Group meeting had however confirmed the LEPs focus on the four priority themes of:-

- Broadband
- Strategic Infrastructure
- Investment
- Coastal Regeneration

They had agreed the need to have an away day to discuss the specific actions for the LEP action plan re these themes. The date and venue for this has now been established – 23 June 10 am to 4pm at Princes Park stadium, Dartford.

Graham Brown asked that an “Induction” session be organised for the Kent & Medway business reps to brief them on the range of local authority priorities and issues prior to the workshop.

Discussion of concept to create “consortia” of small Business

**Kevin Lynes** outlined the thinking for this – referring to the Regeneration Framework commitment of working with Business for Business and to investigate means of enabling more local purchasing. He explained the idea of encouraging and supporting SME's to collectively tender for KCC and large public sector contracts – so that by partnering up they can achieve a scale of operation that will assist them with the tender requirements eg necessary insurance cover, track record and company history, range of technical expertise etc – as well as the very practical issues of having collectively more clout with suppliers and better prospects for accessing finance – all of which would help SME's compete for large public sector contracts.

Kevin went on to ask the group to comment on the idea, and what nature of support members thought would be most practical to achieve the objective of encouraging consortia bids and more local purchasing.

**GB** – commented that in his experience “joint and several” bidding was cumbersome and legally difficult – a better option might be to seek contractors to use local suppliers on big contracts and to encourage them to make strenuous efforts to access the local supplier market. He went on to describe his companies experience with a contract for Herne Bay town

centre development for which they are holding a workshop for small businesses in the town this summer to advise them of the opportunities to access business from the contract.

**TM**– Agreed with Graham – they have a commitment to using local suppliers and when they recently researched the issue discovered that indeed 70% of their supply chain was being procured locally – it proves good value for money and good PR. He suggested that the outcome Kevin is seeking might be achieved by working with the grain of the patterns of commerce already established and promoting awareness amongst local suppliers of working with large contractors.

**JJ** – suggested collecting more evidence of the percentage of local suppliers accessing work from large public sector contracts – look at the patterns and nature of that supply – and then determine how to support local business.

**RH** - advised that his consultancy business “Partnership Working” is actively providing a programme for small businesses to collaborate. They have established a construction club – and working with North West Kent College and Suscon – are helping to match companies with prospective opportunities.

**VL** - suggested that perhaps the best opportunity is to flex the procurement selection criteria to achieve the outcome of use of local suppliers – as competition rules outlaw any positive discrimination – and the overhead of time involved for small companies bidding for contracts was often a limiting factor, better for them to work as suppliers to a main contract without the management overhead.

**AMB** – Commented that collaboration is common in the creative sector – as typically a range of creative disciplines is required in fulfilling a clients needs – she suggested that these alliances and partnerships whilst the norm are enacted with some care and rigor and the Creative Media industry could offer some models of best practice.

**DH** –challenged “what is a Kent company” – suggesting that as many businesses will have interests in a range of locations and/or have foreign investment or parent companies – that they key criteria is that the contract when awarded results in expenditure in the local economy and the creation of local jobs for local people. He also asked if avenues could be explored to more widely communicate opportunities – using a variety of communication platforms – ie websites, twitter, social networking, and the on-line bulletins of business rep organisations.

**MC** – suggested that as a trial KCC would be welcome to use the Media Tree website as one of these other communication routes to publicise up and coming opportunities.

**GB** – suggested that the procurement process OJ notices etc can be used positively – if timescales are planned to enable the opportunity to be communicated to local networks so they are aware and can choose to compete.

#### Kent & Medway Investment Fund – outline of proposal and comments arising

**Adele Harrison** described the concept – the idea basically is to create an investment fund which will be used to bring forward projects the yield from which would be reinvested by the public sector and claimed as profit by the private sector. The fund will be established with a combination of pooled Local Authority assets (liquid and land) to the value of some £30 million to use this to lever in private sector investment. There are 3 principle drivers for this idea – the need to bring forward development, lever finance and investment from the private sector, and better use the assets of the local authorities/ public sector.

It is envisaged that the fund will be typically used as mezzanine development finance – to fill the gap in funding – that is preventing an otherwise commercially viable project coming forward. An investment strategy will be developed for the fund and it will be managed independently – the aim is to have this up and running by the autumn. The project is intended to be the subject of an RGF round 2 bid and Adele asked the Board to comment on the concept and if at the appropriate time they would be minded to offer support for the bid.

**GM** – asked if the East Kent Spatial Development Company was'nt already a vehicle that could be flexed to fulfil this function without having to go through establishing another legal vehicle. Adele suggested that whilst there are some similarities in terms of reinvesting yield – the management of the fund - aspects of this proposal are distinctly different.

**RH** – asked how the projects were going to be selected – Adele advised that the investment strategy would set the criteria – and the fund would be managed independently.

**DH** – asked how the risk of the fund not achieving payback would be evaluated – as the fund could quickly dry up if expected yields were not achieved – and the developer would have essentially benefitted from free finance.

**GB** – suggested that there would need to be strict controls that prevented the fund from being used for speculation – and that indeed this is in no way dissimilar to the responsibilities that need to be observed when managing pension fund investments. He also suggested that it would be worth exploring the scope for creative relationships with the banks citing a project they had recently been involved in where the credit and gearing ratio for the money lent was progressively revised down as the project progressed and collateral value was created.

**CF** – commented that the funding model being proposed is increasingly prevalent in enabling development in Health & social care – and asked what level of return would be aimed at?

Geoff closed the meeting and thanked everyone for their participation.

**Date of next meeting – Tuesday 19 July**