

Draft Notes of the Business Advisory Board – 22 November Sept 2012

The Business Advisory Board meets 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

- Anecdotal evidence that the Euro Zone crisis is impacting on investment confidence, stalling planned capital expenditure, weakening demand further and for businesses with European operations raising overheads
- Exports to Euro Zone markets are slightly down – some BAB members reporting recent successes in creating exports to Brazil, Singapore and the US – strong support amongst the group for the development of a trade development programme to drive the export of Kent products and services
- Digital and Creative businesses again provide the most buoyant reports – with a particular emphasis on growth in digital business
- Recruitment and the recruitment of young people – many reporting that the recent changes in retirement age have enabled them to retain valuable skills and as a consequence have put on hold recruitment of new entrants – commonly held view that the retirement age policy is exacerbating youth unemployment – though a number of businesses reporting the intention to create graduate entry posts next year
- Growing concern that the stress of the current economic conditions and the prospects of a long slow recovery are damaging morale as well as business confidence, and thus affecting productivity and competitiveness
- Evidence from the Bank of England November inflation report highlights the weakness in Bank lending to SME – BAB agreed to invite the Regional Managers of the 4 major banks to a dialogue meeting in the New Year to establish what practically business can do locally to assist encourage lending to SMEs

Matters Arising

BDUK – Following Kevin Lynes's item at the last meeting Megan briefly updated on progress – KCC have allocated £10 million capital funding to match and enable the drawing down of the BDUK offer of £9.87 million – the geographic scoping of the project is underway ie to identify areas of eligibility and a "Vote for Better Broadband Campaign" is being launched shortly and details will be shared with BAB, as evidence of local demand will be required to maximise any private sector investment in the project.

Ambition Board 1 – Geoff reported on a scoping meeting on 1 Nov with the KCC Cabinet Members, District Council Leaders and Chief Executives who had been nominated to the Kent Forum's Ambition Board 1 – "Growing the Economy". There was a successful start at identifying the agenda for this group and the next meeting (31 January) will focus on potential quick wins and how to practically strengthen linkages between the local authorities and the business community.

LEP – Geoff reported on the appointment of the new SELEP Chairman, John Spence – Eliot commented on the strength of John's performance at the recent Board meeting, and that he thought John would drive progress on the LEP work streams and place a high priority on keeping the business community engaged. Eliot added that it was quite clear to him that the business representation from Kent was much stronger and better organised than from the other two Counties. Douglas expressed concern that the LEP secretariat seemed very Essex centric and this needed to be addressed, he suggested that Kent would be better placed to undertake the role given the experience of managing partnerships and business engagement.

Economic Commentary

Geoff asked members to consider the following three questions when providing their round-up of current conditions:-

- Any impacts from the Euro Zone crisis on your business
- If low consumer and market demand is currently a problem, how are you overcoming it?
- Any recruitment planned in the next quarter – and any vacancies for young people being created?

Presentation from Phil Eckersley – Bank of England – on the November Inflation report

Please note the Bank of England November Inflation report has been loaded on the KEB website and can be accessed at:- <http://www.keb.org.uk/taskgroups/business-advisory-board>

Phil started his presentation by suggesting that anyone of a nervous disposition should look away now because all the data sets are showing downward trends in economic performance. As a result the Bank is forecasting no interest rate rise for the next 12 months – and more Quantitative Easing may be considered.

Only the Loans to UK businesses showed decline at a slowing rate – however the data does reveal significant weakness in the rate of loans to small and medium sized business. This is interpreted as a sign of Corporate's increasingly risk adverse behaviours – and is also the reason for companies low investment rates.

The apparent dislocation between the base rate and lending rates is accounted for by the wholesale bank rates remaining high – and should not Phil suggested be put down to the Banks profiteering.

Confidence indicators are weak and declining – and household consumption compared to real income ratio reveals the sharp decline in reduced disposable income as a result of inflation. The Bank acknowledges the failure in controlling inflation but expects inflationary pressure in the economy to dissipate next year when VAT increases, and reduced oil, metal and food prices work through the system.

However growth for 2011 -12 is going to be flat and the expectation is that output in the economy will not return to pre-recession (2007) levels until 2013/14.

The Challenge of Growth

Members considered and identified a number of measures that might assist business growth.

Action point 1.

In response to Phil's presentation the Board asked for a special meeting with the Regional Managers of the major banks to understand and seek advice on how locally lending to small and medium sized businesses might be maximised – so that any recommendations might be passed on to the businesses seeking bank finance.

Michael Bax commented that in his experience it is often the 2nd tier of decision making within the bank which decides on loans and we need to ensure that decision making at that level which is often outside the area is well equipped with local knowledge of the economy.

Phil Eckersley kindly agreed to suggest the relevant contacts within the Banks – and Megan will scope out the objectives and agenda for the session.

High Growth Kent - Paul Walsh, High Growth Kent Team Director gave a brief resume of their "coaching for business growth" service – they have been established to support businesses with a 20% or more growth potential - originally funded by SEEDA – now funded by KCC and via an EU funding stream. They have established an impressive track record to date, creating

over 250 jobs, assisting with drawing down some £24M of business investment and more recently providing assistance to 8 newly established Pfizer spinout companies. Eliot Foster who is business champion for the High Growth team suggested that every effort should be made to utilise this valuable resource for Kent business.

Action point 2.

An information briefing and performance report on the High Growth Kent team will be circulated to BAB members to help publicise the team and maximise the referral of growth businesses.

Regional Growth Fund – a briefing had been previously circulated to the Board. It was warmly acknowledged this was significant achievement for East Kent – questions were asked about what the “Business Critical Infrastructure” element of the fund was to be allocated to and members of the Board asked if they could be consulted on this. Concern was expressed that conversely business investment might be delayed whilst businesses wait to see if and how they can qualify for RGF. It was agreed that the management and governance arrangements for the fund needed to try to militate against this.

Action point 3

BAB members to provide views on the utilisation of the RGF Business Critical Infrastructure fund.

Trade Development – Megan circulated a briefing paper from UKTI - she went on to outline a number of ideas drawn from discussions with Chris Loselly at UKTI, Paul Wookey, and comments made at the Ambition Board meeting which focus on using partners networks and trading relationships to shape a Kent campaign to target export markets.

Paul Winter welcomed a future focus on trade development stating that starting from a relatively low base Kent could achieve real impact on business growth via this initiative – and suggested the Kent International Trade Club – of which he is an active member – would be keen to support the development of a programme.

Frazer Thompson advocated that the starting point for such a programme should be an assessment of what the product offer was from Kent companies that had real export potential, and then match this with likely export markets and focus effort in those areas.

Douglas suggested that these ideas were in tune with the central theme of the CBI annual conference which had taken place the previous day – he also advocated using the HEI links with overseas universities as a basis for making connections. Jo James agreed and added that the British Chamber of Commerce is also active in encouraging a focus on trade development for export.

Terry Mitchel offered his support as SKANSKA have very strong international relationships, particularly with the US. The meeting also felt that as well as BRIC the so called “next 11” (inc Turkey, Nigeria, Vietnam etc) should also be considered in terms of forging links and creating market potential for Kent product.

Action point 4

It was agreed to establish a Task & Finish group - Jo James, Terry Mitchell, Paul Winter, Paul Wookey, Paul Walsh and Frazer Thompson were amongst those volunteering to participate.

Kent Investor Network – Declan Treanor, Chairman of KIN explained the background to the establishment of this Kent based and focused Venture Capital and Business Angels network. They currently operate with a core of 14 members and are aiming to increase that to 20 by next summer. They have investment potential of about £6m, are typically interested in investments in unquoted companies, below £500K ie below the private equity investment fund thresholds. They have recently made 3 successful investments in a pharmaceutical company, a finance business and a manufacturing company. Declan explained that poise of KIN is important to its members – they are values driven – their interest goes beyond making sound investment they want to work with people to grow successful businesses in the Kent

economy ie in the locality were they all live. KIN networks actively with the Kent Corporate Finance Alliance, and the High Growth Kent Team but are keen to expand their networks to improve Deal Flow.

Action Point 5

Contact details will be circulated for KIN to create awareness and to be cascaded into the business networks BAB represents. A briefing on KIN will be posted on the KEB website.

Date of next meeting – 10 January 2012 – note a change of venue for this meeting only at the Hilton Hotel, Maidstone