

Draft Minutes for the Kent & Medway Business Advisory Board (BAB) Meeting 23 Feb 2023

The Business Advisory Board meets quarterly and provides an insight from the business community in Kent and Medway on current trading conditions. The headline points are presented below, and the full meeting note follows.

<p>Highlights from Economic Commentary</p>
<p>Factors affecting your financial position and the impact on your business at the moment:</p> <ul style="list-style-type: none"> • Staffing – high salary expectations due to increased costs of living, high staff turnover, ageing workforce not being replaced by younger workers. Managing expectations of younger workers. • Skills shortages – finding people with the right skillset to fill vacancies across many sectors. • Inflation, interest rates and price increases including energy / utilities, materials and business rates • General uncertainty and political instability. • Delays with and complexity of the planning system slowing development. • Lack of industrial property hindering expansion. • Difficulties with implementing energy efficiency / decarbonisation measures • Some sectors lacking resource to invest in innovation
<p>What are you doing to combat these challenges?</p> <ul style="list-style-type: none"> • Driving recruitment activity, developing training schemes and staff retention programmes • Investing in staff and improving communication with clients • Being cautious with investments but investing in tools / technology to boost productivity
<p>What public sector help could help in alleviating current pressures and contribute to business growth?</p> <ul style="list-style-type: none"> • Provide as much stability as possible • Lobby for simplifications in the planning system • Lobby for specific sector needs such as ‘British first’ policies for agri-food or VAT reductions for hospitality • Support for the decarbonisation agenda and transition to net zero – tackling challenges with infrastructure and planning • Continue to give business a voice
<p>Free positive comment:</p> <ul style="list-style-type: none"> • Signs that inflation is slowing, energy prices are levelling out and consumer and business confidence and demand is returning. • Some businesses are investing in new technology and people as developments go ahead and new opportunities open-up. • Signs that we are heading towards a resolution of the Stodmarsh nutrient neutrality issues. • A number of new business opportunities were being identified linked to the digital, creative and media sectors investing in projects in Kent.
<p>Actions:</p> <ul style="list-style-type: none"> • BAB members that were unable to attend to send written submissions to Steve Samson to help provide a fuller picture for the economic commentary for an update to KMEP on 21 March. • BAB secretariat to explore venues for future meetings including NIAB EMR as a possible venue for 25 May 2023 meeting.

DRAFT MINUTES

Participants:

Transport & Logistics:	John Keefe, Getlink Josh Fenton, Logistics UK
Agri-food:	Carol Ford, Ford Synthesis Mario Caccamo, NIAB EMR
Creative & Media:	Andrew Metcalf, Maxim Jo Nolan, Screen South
Construction / Property services:	Liz Gibney, Lee Evans Partnership Karl Elliott, Clague LLP Richard Hall, Trenport Property Holdings Roland Cooper, Considine
Financial & Professional Services:	Salim Somjee, Cripps Ltd Daren Rose, Lloyds Bank Jeremy Licence, Furley Page Phil Eckersley, Bank of England
Manufacturing & Engineering	Troy Barratt, Contracts Engineering
Visitor Economy/Leisure	Simon Storey, Kent Cricket Kanagaratnam Rajamenon, Leaf Hotels Group
Business Support	Martin Prentice, Institute of Directors (IOD) Jo James, Kent Invicta Chamber of Commerce
Public Sector	David Smith, Kent County Council Sean Henry, Medway Council
Education	Simon Barnes, University of Kent
Others/Observers	Steve Samson, Kent County Council Stephanie Holt-Castle, Kent County Council Richard Jeacock, Nathalie Elphicke MP's office

Apologies: Tim Aker - FSB Kent, Tom Chown - Digitom, Ian Piper - Ebbsfleet Development Corporation, Alistair Gale - Port of London Authority, Geoff Miles Maidstone Studios, Bob Russell - Beams International Ltd, Matthew Arnold – Stagecoach, Miranda Chapman - Pillory Barn, Derek Murphy - KCC Cabinet Member for Economic Development, Emma Liddiard - Global Media, Iain Hawthorne - Oxbury Bank, William Hinckley - BTF Partnership, Robert Gearing – Nicholls, Vince Lucas - VA Rail.

1. Welcome

The BAB Chairman (Liz Gibney) welcomed attendees and introduced Steve Samson who is covering Sarah Nurden's maternity leave in 2023.

The BAB minutes from 3rd November 22 were approved.

Jo James introduced the economic commentary – BAB members had been asked to reflect on the following points during their intervention:

- Factors affecting your financial position and the impact on your business at the moment.
- What are you doing to combat these challenges?
- What public sector help could help in alleviating current pressures and contribute to business growth?
- One (positive) comment of interest (free choice)

2. Economic Commentary

Jo James, Kent Invicta Chamber

- The aim of the commentary is to focus on the impact of current pressures on business such as supply chains, inflation etc with an honest conversation. Will companies need to slow investment, use reserves, will there be a negative budget etc.

- The Chamber usually retains around 90% of its members each year but the majority of those leaving this year has been primarily due to ceasing trading (an increase of 40%) or are facing severe financial difficulties. Many struggling with inflation and price rises at a time when loans taken out during the pandemic are having to be repaid. Other Chambers are reporting similar findings.
 - We need to consider the impacts for Kent as we are a county made up of mostly small businesses.
 - The chamber is facing challenges with its 2023 budget; overheads have increased by £85,000 (energy, rateable value, staffing, insurance costs etc.) and prices can't be raised to offset this. KICC has strong reserves in place but this is a challenging situation.
 - The Chamber is anticipating a difficult year but is looking at developing new products and looking after existing members and customers (including international customers). This is the Chamber's most challenging budget in 16 years.
 - What could help the Chamber? Stability (from government) would help the most, also clear messages and certainty which would give confidence for investment.
 - On a positive note, for membership and engagement the Chamber is growing, there have been more international customers and more engagement than before.
- Liz Gibney confirmed that key points in the economic commentary would help with setting priorities for the year ahead. The views of BAB members would also be used to feed into KMED at the next meeting on 21 March which will focus on business support (and then into SELEP).
 - Liz reminded members that views of businesses are used – for example in recent letters to government about the impacts of Operation Brock.

Financial & Professional Services:

Jeremy Licence, Furley Page

- **Factors affecting your financial position:** As a full-service law firm with property services and conveyancing forming a core part of business. Although the recent property boom has subsided normal business levels have resumed and work is busy. The 'boom' helped with internal finances.
- Another key challenge is staff turnover and supporting with younger members of the workforce. Recruitment is costly and on boarding and off boarding takes resource and the approach of younger workers to loyalty and being in the workplace. [Simon Sinek - How do we hold space for the younger generation? - YouTube](#) has produced some videos around the approach of the younger end of the workforce, particularly due to instability.
- **Positive comment:** There seem to be some glimmers of hope that the nutrient mitigation issue (Stodmarsh) that there may be resolution from private industry and local authorities. Therefore, the housing market for house builders and landowners looks quite robust.

Daren Rose, Lloyds

- **Factors affecting your financial position:** Lloyds, working directly with SMEs, is seeing increased cost pressures (interest rates, staffing issues) but in the Kent area things aren't too bad compared to other areas. Discussions about support required by clients are taking place.
- **Response to challenges:** Lloyds is focusing on communication with clients to find out about issues and help them where possible. Some issues are improving - supply and costs of raw materials, shipping (with lowering of surcharges)
- **Positive comment:** Investment from businesses is increasing in certain cases and the bank is seeing an increase in asset finances where companies are investing in new equipment or plants. Lloyds produces economic updates, market commentaries etc. BAB members can request information from Daren.

Phil Eckersley, Bank of England

- Phil ran through some slides (**see annex 1**) commenting on current inflation and predictions of its downward trajectory to roughly 4%. Energy and gas had been factors in recent increases, without which inflation would have been lower (closer to 7%) and without other indirect effects (cost of transport etc.) it would have been closer to 5%.

- Pay growth is starting to stall – workers will face a reduction in real pay. CPI is the key factor companies are using to set wage increases this year. Wage demand is likely to slow along with inflation.
- Growth prospects – households have reduced gas consumption which is freeing up expenditure.
- reserves.
- Interest rates are predicted to peak later this year before reducing again.
- Growth space – this looks to be a significantly less severe recession than the ones in the past.
- Growth remains subdued due to the supply outlook. Business investment was strong until 2016, investment flatlined and is slowly picking up after Covid but is not yet back to previous levels. This could be linked to tightness in the labour market as firms have shifted to investing in human capital.
- Trade with EU has been very subdued.
- There has remained a decrease in participation in the labour from the 50-64 age group, partially due to long term sickness and contributing to lower supply of labour in the economy.
- Transport, wholesale trade and ICT remain vulnerable sectors
- Slides were taken from this [Bank of England Monetary Policy Report](#).

Salim Somjee, Cripps

- **Factors affecting your financial position:** currently budgeting for next financial year (April). Biggest challenge is trying to predict what will happen with inflation and budget accurately for next year. The biggest expense is salaries and only income is fees.
- **Response to challenges:** Working on new career frameworks covering recruitment, retention and progression within the company as people are the biggest asset. A new people director will be in post shortly.
- **Positive comment:** The firm recently won a regional deal makers award which was encouraging for hard working staff.

Creative & Media Sector:

Andrew Metcalf, Maxim PR

- **Factors affecting financial position:** last year was the best year for business in the last 9. The team has been slimmed, hybrid working continues and the company is considering dropping the office to keep costs down with possible use of shared space in future. Work is driven by development / housing growth, renewables, logistics and distribution and a large project in Folkestone.
- **Challenges:** The BAB group should consider current / potential political instability as the national picture is likely to ripple down to local level. If there are coalitions, this could hinder development and investments (jobs, skills, homes) in Kent.
- Regarding the younger workforce, there are some unrealistic financial expectations of younger people linked to their own financial pressures.
- **Public sector support:** Despite financial constraints, it is very important to continue to give local business a voice and acting on feedback.
- **Positive comment:** The Kent Press and Broadcasting awards are coming up – there are opportunities for some categories to be sponsored.

Jo Nolan, Screen South

- **Challenge:** Although the film industry doing well nationally and regionally and there lots of opportunities coming, skills are lacking and this is a sticking point. Productions are looking for evidence that skills are in place and investment is needed locally and producing an evidence base.
- **Positive comment:** The Create Growth South East programme has just been launched which will support 100 creative companies in the SELEP are with getting investment ready and long-term sustainability. The sector focus is TV & film, architecture, fashion, film, creative tech. Full details are here: <https://createsoutheast.org.uk/>. Screen South is also working with Innovate UK to try to secure innovation funding for the sector. Conversations between business and universities are opening up.

Leisure & Hospitality:

Kanagaratnam Rajamenon, Leaf Hotels Group

- **Financial Challenges:** Rising interest rates are affecting mortgages in the sector. Consumer spending on food & beverages is reducing due to cost-of-living pressures. Staff wages, some of which are close to minimum wage, will need to increase from April by £1 per hour which is a financial challenge.
- **Combatting these challenges:** Spending less on capital expenses and keeping money in reserve, offering discounts on food & beverages, spending money on marketing to promote offers and packages.
- **What the public sector can do:** Lobby for VAT reductions for the hospitality sector to try to help local companies.
- **Positive comments:** trying to partner with local companies which are failing to support their survival and growth.

Simon Storey, Kent Cricket (update read out by Steve Samson)

Current Challenges: Same as everyone - cost inflation, salary increases

Combatting the challenges:

- Reminding staff our vision/purpose
- New ways of offering value/reward to staff, flexible working
- Investing in training & development
- Nailing down lid on costs

Positive Comments:

- Cricket season due to start in 6 weeks with T20 Blast under light at end of May
- Over 300 village and towns clubs across Kent are opening up
- England Women in Semi-final of T20 World Cup and England off to take on Australia in the Ashes
- Sport has the ability to inspire – and carry us through the tough times

Construction & Property:

Richard Hall, Trenport Property Holdings

- Property / house building - work is progressing well nationally but there are currently only 20 units with planning consent in Kent and the group is faced with 3 major planning enquiries which are holding back construction. Planning enquiries not effecting other areas of the UK in the same way. The company sold most of its industrial portfolios last year.
- There is increasing demand from commercial occupiers for automation and intelligence systems but most technology is being supplied from mainland Europe rather than domestically.
- Energy efficiency is a key issue for tenants with a lot of interest in the electrification of fleets and eliminating the use of diesel on sites.
- There is a general shortage of utility and electricity capacity with Southern Water, for example stating recently that connections to sites have been suspended.
- The London hotel market is trading well with 90%+ occupancy rates.
- Retail – consumers are being careful but are spending
- Wages and supplies are still an issue across all sectors and need to be carefully managed.

Karl Elliott, Clague LLP

- The year has been great so far with business, turnover and profits up. However, staffing is a key issue. The company is struggling to encourage people to come to Kent to work. For residential work, the are planning consents being granted although the Stodmarsh issue is causing some delays. Developers are not being deterred as they can retain land banks until the nutrient issue is resolved. Commercial work going well (lots of office developments – new and refurbishments) but town centre work has ceased as many developments are mixed use. Education work is growing with new schools being built or expanded. Clague is engaging with local universities to get new staff trained and onboard but staffing in the architecture field remains a significant challenge.

Liz Gibney, Lee Evans Partnership

- Architecture experiences lots of peaks, troughs and instability but things are busy at the moment. School projects are progressing and money is coming through from central government which is helping the industry and when Stodmarsh issues are resolved things are likely to get easier. On staffing, training to be an architect is expensive and the education system in the field could benefit from a rethink.

Roland Cooper, Considine

- **Challenge:** As construction, civil and structural engineers, much of the firm's work takes place on site. There has been a downturn in the delivery side of the business and additional work on the planning side would be helpful. Clients' finances are down/ although enquiries are up and the company's costs have increased due to the main assets being the people.
- **Combatting the challenge:** The company is using reserves investing in people and software to keep up to date in the field which is helping with staff retention.
- **Public Sector Support:** The planning system needs to be simplified and clarified – there seems to be a disconnect between central government and local policy and there are frequent changes to the national planning policy framework.
- **Positive comments:** In construction and development there is a move to actually getting projects underway.

William Hinckley – Director of BTF Partnership (Rural and Commercial Property Advisors) – Written response provided

- **Factors affecting financial position:**
 1. Planning - None of the local planning authorities are delivering timely or sensible decisions, partly due to Stodmarsh but also related to the poor quality of personnel in many local authorities.
 2. Rising Costs – staff, energy and materials.
 3. Economic uncertainty and rising interest rates – combining to impact on demand from property occupiers and investors in many (but not all) sectors.
- **What are you doing to combat these challenges?** Sucking it up and riding it out! There is not much we can do to influence or change these factors.
- **Public sector help:** More resources need to be put into finding a sustainable long-term solution to Stodmarsh and reversing the 'brain drain' in local authorities
- **Comments of interest:**
 - (Positive) - despite all the above we are still seeing demand from occupiers in most parts of the commercial property market
 - (Negative) – Occupiers beware. There is a new commercial property rating list coming into force in April 2023 which is likely to increase the rates burden for many office and industrial occupiers

Engineering & Manufacturing:

Troy Barratt, Contracts Engineering

- **Factors affecting financial position:** The manufacturing side of the business is very busy but the recession is affecting the construction side of the company with delays to projects (selling standard products into new builds – 2/3 private, 1/3 public sector). Planning structures seems to be anti-development at the moment with confusion in the system leading to less development. The company needs more factory spaces and there is a serious shortage of industrial property due to planning preventing new industrial buildings construction.
- **Combatting challenges:** Last year the company had to lose some staff as business was quiet but is now in a position to be recruiting again. Inflation, materials and wages seems to be levelling out which is helping.
- **Public Sector Interventions:** Developing pro-business industrial policy and clarity to support planning, to enable factories to be built and job creation leading to new jobs
- **Positive Comments:** The company has recently appointed 2 apprentices in the factory, in engineering, sales and quality. The company actively likes to appoint young people to train. They have also

invested in automation technology (co-bots) and will add further robots which is boosting productivity.

Transport & Logistics:

John Keefe, Getlink (which owns Eurotunnel)

- **Factors affecting financial position:** The company has just released its results for 2022 this morning. Across its main subsidiaries (Eurotunnel, Europort, a railway freight company on the Continent and Eleclink which connects the French and UK national grids) it was a successful year with turnover doubling, record profit levels and debt reducing. Business was good overall. Passengers numbers on Eurotunnel picked up year on year after Covid but freight levels have not picked up – UK exports are down along with imports from the Continent. Volumes for fast, high value goods (pharmaceuticals, food, fresh vegetables, high value engineering products) are down because of increasing costs in the Netherlands and weather problems in Southern Europe / North Africa with a serious reduction in food supplies coming into the UK
- Business rates have presented major problems with a valuer quoting a 600% increase which will wipe out profitability. The valuation process has been extremely unclear and not transparent.
- **Public Sector Support:** Stability and clarity are much needed to reduce confusion.
- **Positive Comment:** There is a whole new business stream for Getlink as a film location. Lots of projects have been undertaken with streaming services using the site and with several major projects are in the planning phase. This is providing an additional income stream.

Josh Fenton, logistics UK

- **Factors affecting financial position:** Logistics UK has been recruiting actively recently. The sector has faced a skills gap around the support roles – technicians, warehousing staff etc with challenges finding younger workers to replace roles from the older generation currently retiring. Workers also have high salary expectations. Planning permission for warehousing is a barrier to expansion for the sector. There is also uncertainty around potential changes of government is causing firms to avoid investments due to instability.
- **Public Sector Support:** Help with decarbonisation in the sector, the technology is not there yet for shifting HGV fleets to 'go electric' as the charging infrastructure does not cater for HGVs and where these do exist, they are too small to cater for the needs of a fleet.

Vince Lucas, VA Rail – written update provided

- **Factors affecting financial position:** Increasingly difficult trading environment for SME businesses, both due to input cost increases and customers / clients' own desire to cut costs. Another issue is the impact on rural isolation and car dependency of the recent withdrawal of bus services in the county.
- **Public Sector Support:** Support for Carol and the food industry when the lack of apparent government policy support and UK supermarkets is making it so difficult for our local farming businesses.

Agri Food Sector:

Mario Caccamo, NIAB

- **Factors affecting financial position:** Aside from current challenges with fresh food shortages in supermarkets. The biggest challenge is costs. EMR recent expanded glass house space and invested in technology for the future but due to many projects starting a year to 18 months ago, was not able to factor in the current volatility with utilities prices. There has been a reduction in orders from growers and therefore returns from royalties linked to this. The use of space on site is down so subletting office space is being considered. Innovation in times of times of crises tends to suffer - industry is hesitant to invest in innovation but this has impacted on NIAB's work with industry. The sector as a whole is going through a difficult time.

- **Positive comments:** NIAB hopes to have new appointment in post soon for viticulture and wine production and hopes to work more closely with and support the growth of the sector.

Carol Ford, Ford Synthesis

- **Factors affecting financial position:** A critical issue for horticultural companies is that they have not been able to secure sufficient increases in their costs - retailers have been putting prices up in line with inflation but this hasn't been passed down the supply chain. Top fruit planting has reduced as a result and the replanting of orchards have slowed. Some greenhouses are having to re-order their space to keep costs down by, for example mixing produce in a single space. Production costs are not being covered by purchasing costs from retailers so investments are also down. Supermarkets are therefore sourcing produce from Europe rather than supporting domestic production even though wholesale prices abroad have increased too. 80% of food is bought by retailers who dominate the market.
- **Public sector support:** Kent and Medway should work on a 'British first' policy. There is a need to be very serious about supporting British products and guaranteeing food security.
- **Positive Comment:** Skills plans and policies are being developed by working together across Kent & Medway with various stakeholder and the Local skills Improvement Plan.

Martin Prentice, IoD

- **Factors affecting financial position:** There is still lots of uncertainty and firms would like to see more evidence that domestic price and wage pressures will ease. Looking forward, the underlying picture for growth remains quite weak – with investment, productivity and labour supply being held back by the effects of Covid, Brexit and high energy prices. The impact on businesses at the moment is that it remains extremely difficult to put together financial and CAPEX plans with certainty.
- **Combating challenges:** The broad manifestation of the current low growth commercial environment is that businesses continue to:
 - (i) operate on a short-term basis
 - (ii) reduce the level of investment - which affects productivity is subdued and
 - (iii) firms are having to constantly re-consider their plans and orders and tightly manage day to day cashflow.
- **Public Sector support:** IoD research showed the 'Energy Bill Relief Scheme' removed a serious risk to c25% of businesses this Winter. It is reassuring that some support will continue for a further 12 months - with many Manufacturers receiving additional support. But the IoD is disappointed that HMG has not targeted other firms most exposed to volatile International Energy Markets, such as the Hospitality Sector - and the new scheme gives less certainty for businesses in budgeting.
- **Positive Comment:** The IoD's Q4 Economic Confidence Survey was the first time that 'political instability' had been a stronger driver of economic pessimism than 'inflation'. But 'Director Confidence' in the UK economy improved in our January survey - and whilst both the state of the domestic economy as well as the geo-political situation remains fragile there are reasons for optimism:
 - (i) Headline CPI inflation at 10.1% in January. was down for the 3rd successive month – and should fall sharply during 2023
 - (ii) In the Wholesale Futures Markets 'Gas prices' are down by 50% since November and 2 & 5 Year SWAP rates that drive 'fixed rate mortgage' pricing have fallen back to September 2022 levels
 - (iii) Give or take 25/35 bps, UK Base Rate at 4% is at, or near its peak in the current cycle before forecasting to fall, possibly in H2. So 2023 could be the year for UK economic recovery.

Simon Barnes, University of Kent

- **Factors affecting financial position:** Student loans have been frozen for 2 years and these make up 60-70% of the university's income which has therefore decreased in real terms, not helped by the increase in energy costs. Covid has meant that some students dropped out of courses prior to their final year after 2 years of online tuition.

Departmental changes across government are also presenting a challenge.

- **Combating these challenges:** Working to increasing the attractiveness of the university for students, monitoring energy use very carefully and looking into long term partnerships to transition energy to net zero.
- **Public sector support:** Regulations aren't keeping up with technological advancements around digital and net zero.
- **Positive comments:** The university has a lot of work underway in key topic areas including:
 - Net zero activity using research to drive innovation e.g. with transport & logistics sector, at Discovery Park etc.
 - Alternative Proteins - looking at alternative foods to help with food resilience and upscaling production.
 - Digital Borders – working with partners in France to ensure smoother movement across the short straights using digital systems in collaboration with partners.
 - Digital Health – working on new technologies like federated learning based on artificial intelligence, encouraging data sharing between health authorities and organisations which could lead to real opportunities for Kent SMEs.
 - There is a new institute for social care and wellbeing at the university.
 - Working to better connect the digital and creative sectors to create new products including digital heritage attractions and virtual tourism.
 - An [event is planned at Discovery Park on 23 March](#) focusing on Energy & Tech Sustainability

David Smith, Kent County Council

- **Factors affecting financial position:** From a KCC and district councils' perspective, the BAB Economic Commentary is extremely helpful in ensuring that we can provide relevant economic support as well as giving us a strong voice to influence government. As major employers in the public sector, we are facing the same issues as the business community (labour shortages, rising costs etc.) but it is imperative for councils to continue to support businesses and sectors to boost growth and reduce demand for health and social care interventions. A key challenge for the public sector is delivering more with less resource.
There are some key collaborations across the public sector in Kent such as working with the education sector to tackle issues with the skills agenda.
- **Positive comments:** We will be launching new service offers from Locate in Kent and Visit Kent in the next financial year.

3. BAB Activity Update for 2022 and 2023:

- Steve Samson gave a short overview of recent activities and funding successes in Kent linked to topics discussed at previous BAB meetings. This included:
 - 5 Levelling up bids approved in Kent worth £123m (Dover Access, 'Connected Canterbury', 'Dover Beacon Project', 'Sheerness Revival Project' and 'Folkestone a Brighter Future')
 - Operation Brock
 - Lower Thames Crossing
 - Progress with M2 Jct 5 (A249)
- Roland Cooper then provided a short update on nutrients in the Stour Area slides are included in **Annex 2**
- Steve then gave a short overview of topic areas that would be of interest to BAB members during 2023 including:
 - Kent Economic Strategy
 - Local Transport Plan 5
 - Operation Brock
 - Skills
- A number of additional topics were suggested that could be included in discussions and updates throughout the year including Skills, Transport, Infrastructure, Workspace, Cultural Strategy, Future Business Support, Cyber Security

4. Any other business

- **BAB Membership:** Steve explained that there was space for additional members to join BAB in 2023 and highlighted that there were currently gaps in membership from the Dartford and Sevenoaks Districts as well as under-representation from several sectors; Wholesale & Retail, Visitor Economy, Health & Life Sciences, Manufacturing, ICT.
- **Future Meetings:** BAB members were asked for their preferences going forward in terms of online vs physical meetings. The overall consensus was that a mixture of virtual and physical meetings should be planned.
- The slides are below in **Annex 3**.

Action: BAB secretariat to explore venues for future meetings including NIAB EMR as a possible venue for the May 2023 meeting.

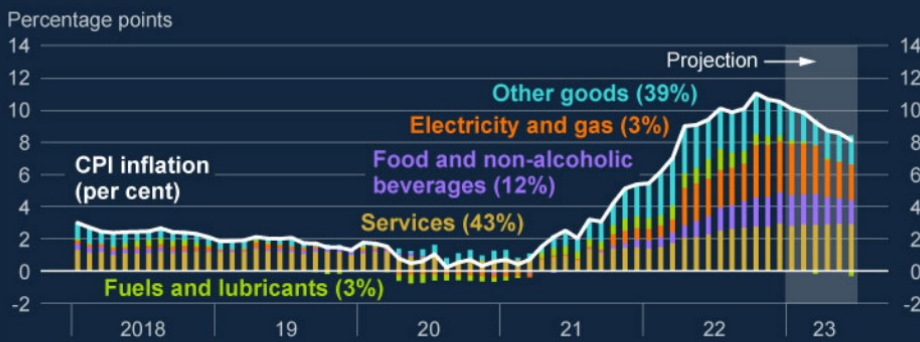
- Liz Gibney shared a few key observations from the meeting:
 - That staff salary expectations due to the cost-of-living crisis seemed to be affecting most businesses at the meeting.
 - There was potential good news with energy prices seeming to be levelling out
 - There was a concern about a reduction in investment in innovation
 - There were potentially a few obstacles that could hinder transition to Net Zero and there was a risk that as energy prices reduce, that market forces that have seen a big interest in take up of green technologies could reduce.
- Jo James then highlighted that for all but 4 of the economic commentary observations, all companies and sectors seems to be facing the same issues with staffing and skills and with exception of 3 interventions, ongoing high costs and uncertainty were impacting businesses. This echoed the most recent Quarterly Economic Survey from the Chamber which reported that 52% of respondents faced difficulty recruiting and 47% were struggling to deal with inflationary costs.
- Further contributions would be requested from BAB members unable to join the meeting in order to provide a fuller picture for presentation to KMEP in March.
- Jo then thanked Phil Eckersley for his valuable contribution to the business community in Kent and ability to explain complex economics in simple terms which had helped Kent colleagues in understanding key issues and shaping future thinking.
- Liz Gibney closed the meeting.

Action: BAB secretariat to request written updates from BAB members unable to attend the meeting.

Annex 1: Slides from Bank of England Presentation:

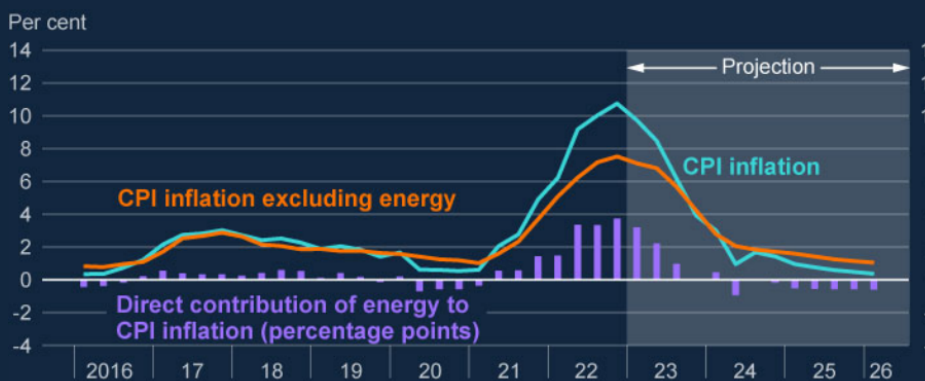
Chart 2.19: CPI inflation rose to around 11% in 2022 Q4, but is expected to fall back to around 8% by 2023 Q2

Contributions to CPI inflation (a)



Sources: Bloomberg Finance L.P., Department for Business, Energy and Industrial Strategy, ONS and Bank calculations.

Chart 1.5: CPI inflation and CPI inflation excluding energy (a)



Sources: ONS and Bank calculations.

Chart 1.4: CPI inflation projection based on market interest rate expectations, other policy measures as announced

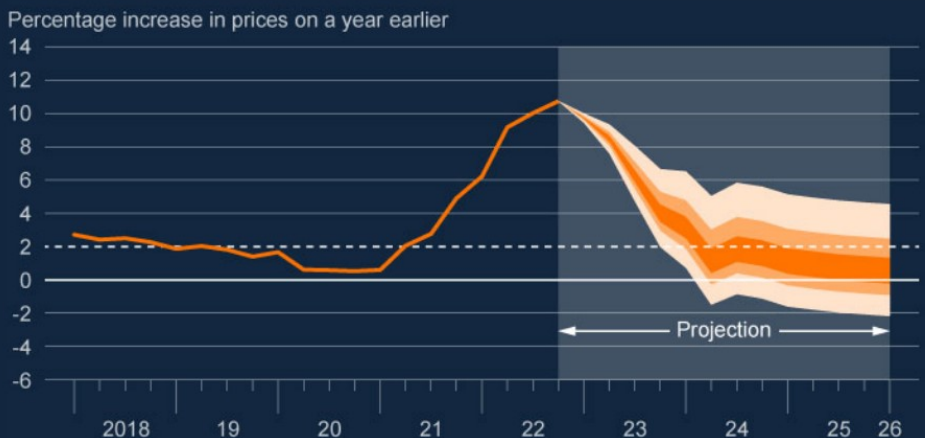
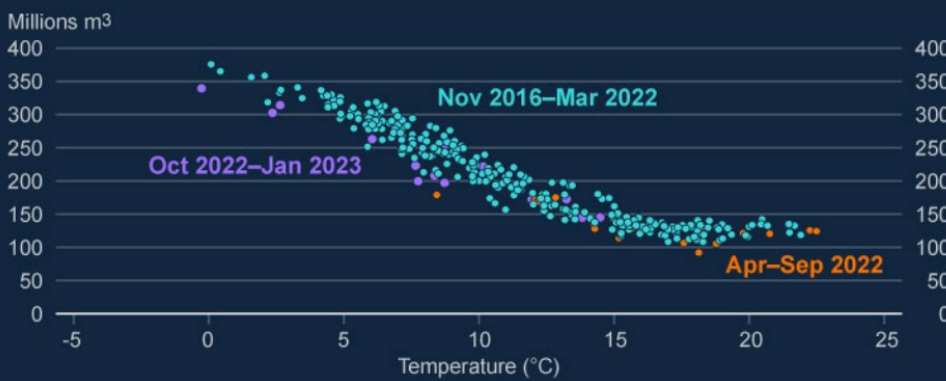


Chart 2.14: Since October 2022, the demand for gas for a given temperature has been lower than in previous years, probably reflecting higher energy costs

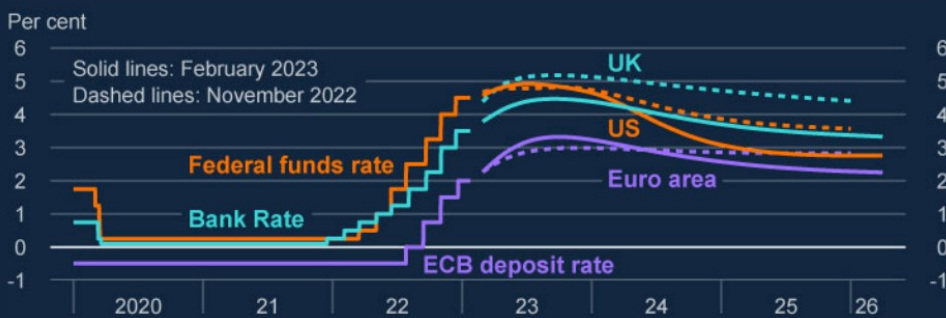
Weekly domestic demand for gas (a)



Sources: Elexon/BMRS, National Grid and Bank calculations.

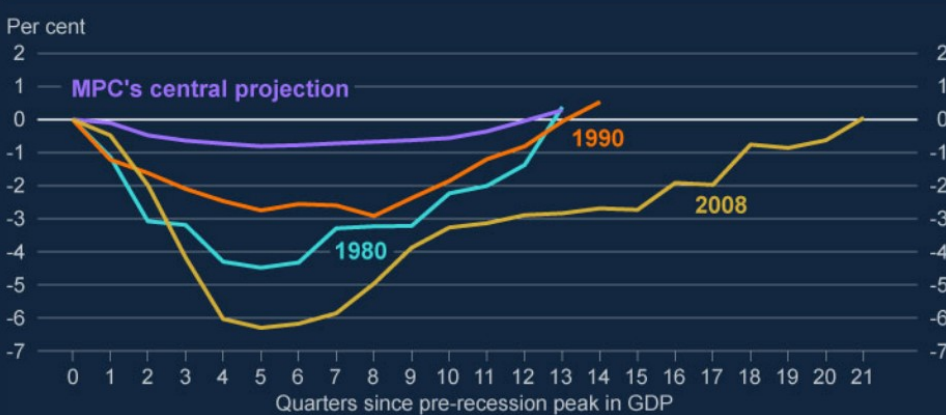
Chart 2.7: Financial markets expect further increases in policy rates across the UK, US and euro area, although rate expectations beyond this year have fallen

International forward interest rates (a)



Sources: Bloomberg Finance L.P. and Bank calculations.

Chart 1.2: Changes in GDP since pre-recession peak in past recessions and the MPC's February 2023 projection (a)



Sources: ONS and Bank calculations.

Chart 1.1: GDP growth projection based on market interest rate expectations, other policy measures as announced

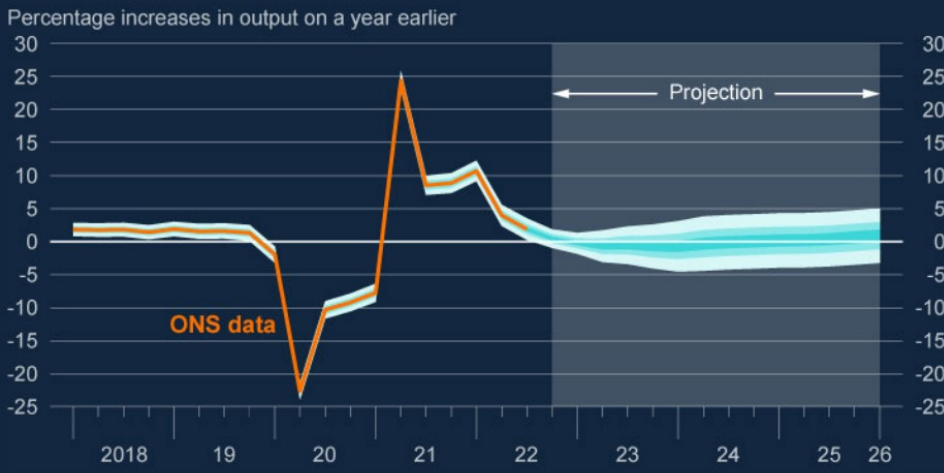
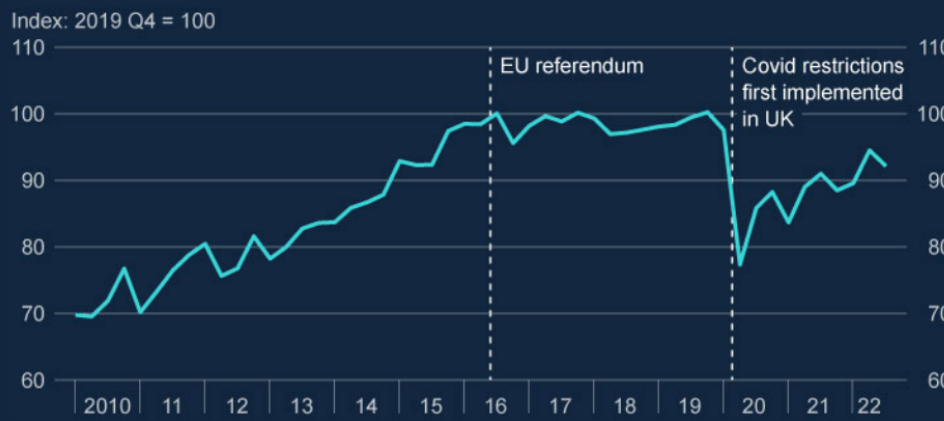


Chart 3.7: The level of business investment, which affects productivity, is very subdued

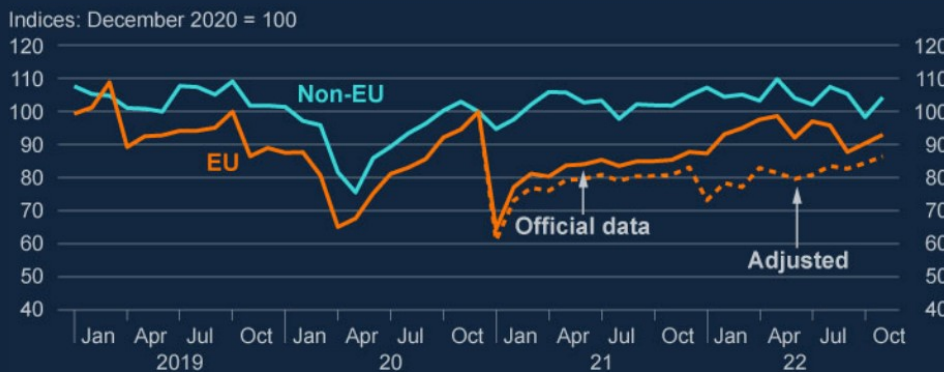
Business investment (a)



Sources: ONS and Bank calculations.

Chart 3.6: Goods trade with the EU has been weak

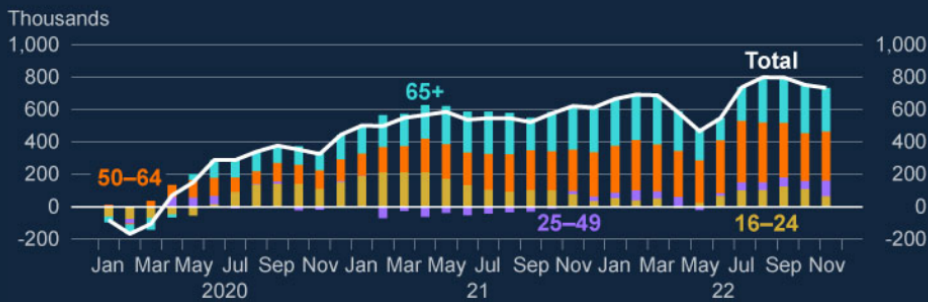
Trade in goods (a)



Sources: ONS and Bank calculations.

Chart 3.3: Older people have driven the rise in labour market inactivity, reflecting both the ageing population but also declining participation rates below retirement age

Change in inactivity since 2019 Q4 by age (a)



Sources: ONS and Bank calculations.

Chart 3.4: The MPC judges that the fall in participation since the start of the pandemic will take some time to unwind and is therefore weighing on potential participation

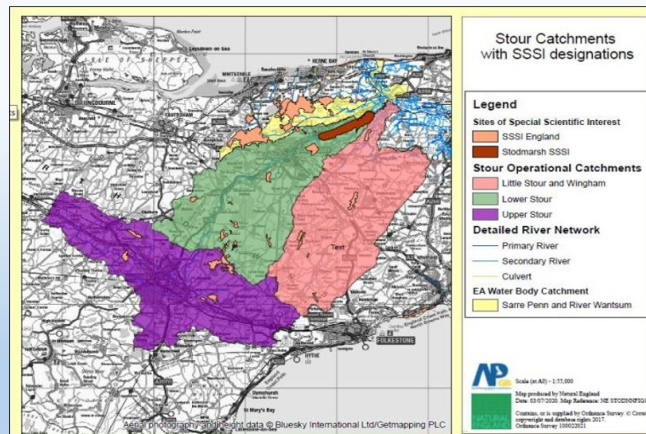
Labour force participation and estimated potential participation (a)

- Estimated potential participation in November 2021
- Estimated potential participation in February 2023
- Actual participation



Sources: ONS and Bank calculations.

NUTRIENTS IN THE STOUR AREA



An update to KMEP BAB 23/02/23 by Roland Cooper BEng CEng MICE IMaPS
Director – Considine Ltd

Kent County Council

- Is well aware of the issues in Kent and is engaged with all LPAs, government agencies and Consultants
- Is acting as coordinating authority for wider mitigation solutions where they can to involve all LPA's and other relevant external agencies
- Is fairly limited as to solution delivery as an authority
- Is expected to be publishing a regional strategy within a 'couple of months' – May 2023?
- Is addressing that the issue for the region is both nitrogen and phosphorous with high housing numbers in quite a small area

The Local Authorities

The affected local authorities are Ashford, Canterbury, Maidstone, Dover and Folkestone & Hythe. Of these:-

- Dover have agreed with Natural England that the Dambridge WwTW in their region does not have an impact on Stodmarsh
- Folkestone & Hythe – only really affected at Otterpool which is using on-site treatment
- Maidstone – mainly affecting their Lenham development which is resolving within its boundaries
- Ashford and Canterbury are the most affected in our region

The Local Authorities 2

Canterbury are progressing a wetland strategy working with Natural England and this will be a Pilot Scheme for the UK:-

- Is progressing a wetland solution – currently in detailed negotiations with the landowners
- Will provide nutrient credits for developers to purchase
- Does expect the strategy to provide some 20 years of credits – this buys time to bring other solutions along in the longer term
- Is expecting to be able to release credits as soon as the solution has ‘certainty’
- Scheme will be financed and run by Natural England with revenues going to fund other schemes
- Does not as yet have a feel for costs of credits but this will be a part of overall Sn106 funding package to seek to assist with development viability

The Local Authorities 3

Ashford Borough Council are also working on a wetland solution but are not using Natural England at this time:-

- Expecting to provide a level of Planning Consent in the Spring of 2023
- Will also look to issue a level of nutrient credits as soon as the scheme has certainty
- Will likely use revenues generated to fund other improvement opportunities in the ABC area

Other Factors

- Water use is also now being looked at to reduce regional nutrient loads – this may feed into development usage too
- Some strategic schemes are being given Consent using temporary solutions to try and stimulate growth – Canterbury City Centre for example
- Reports expected in the next few months to seek to remove Herne Bay and the areas around Newnham Valley from the Natural England advice documents – this frees up developments
- We still await the WINEP Report which was expected almost a year ago to provide better data about the issues in the region – still not got a publication date

SUMMARY

- The issue has been ongoing for well over two years BUT solutions are getting close and general consensus is that developments will be coming forward within months to get the region back on track in terms of 5 year housing supply

Recent 2022 Highlights: Transport

1. Dover Access Levelling Up secured (£45m) to improve port infrastructure:

- Additional & enhanced border control points
- Buffer zone (queueing off road)
- New exit route

2. Operation Brock:

- Chair has written to MPs
- (Call with Damian Green)

3. Lower Thames Crossing:

- Development Consent Order granted
- Planning Application Submitted (18 month process with Planning Inspectorate)
- Window to register as interested party open until 24 Feb

4. Progress with M2 Jct 5 (A249)

Recent 2022 Highlights: Levelling Up

Folkestone – a Brighter Future (£19.8m) – overhaul of Folkestone town centre:

- Improve shopping areas – 2nd phase of 'Folca site' (former Debenhams)
- Bouverie Square bus station converted to new public green space
- Making Shellons Street two-way + with bus stops and bays



Connected Canterbury: Unlocking the Tales of England (£19.9m):

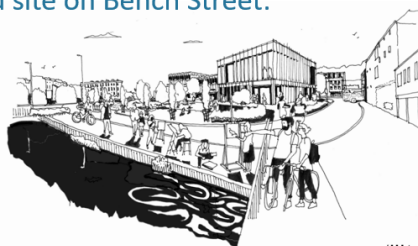
- Heritage - Canterbury Castle and grounds
- Repairs to Marlowe Kit (former Poor Priests' Hospital) (mediaeval Great Hall & chapel - creative learning centre event space, riverside cafe)
- Occasional events space in Westgate Square and Clock Tower
- Transforming bus station & St George's Lane as green entry points
- Investing in car parks – EV charging, docked cycle hire, trees, lighting
- 'Story gardens' and heritage routes around the city



Recent 2022 Highlights: Levelling Up

Dover Beacon bid (£18.1m) to transform a brownfield site on Bench Street:

- An education campus (creative and digital)
- A business centre flexible space for start-ups and SMEs
- A riverside parklet
- Expansion of the Click2Cycle bike hire scheme.



Sheerness Revival Project (£20m):

- Expanding existing healthy living centre
- Additional new courses at Sheppey College (FE)
- Conversion of the Master's House studios for creative workspace
- New outdoor leisure activities
- Public realm improvements (station, leisure complex, high street, seafront)



Coming Up in 2023

Kent Economic Strategy:

- Endorsement from KMEP in March

Local Transport Plan 5:

- Big focus on decarbonisation
- Consultation over next few months
- (RIS3 Pipeline – M2 Dover Access, M2 Brenley Corner - uncommitted)

Operation Brock:

- (Possible) Entry Exit System or EES coming into force later this year

Skills:

- Further development of LSIP (Local Skills Improvement Plan)
(& Strategic Development Fund projects (Manufacturing & Engineering, Construction, Agriculture & Land-based))
- Employers at the heart & working with training providers
- Sector Approach for Kent & Medway

BAB in 2023

BAB Membership:

- Recruiting new board members – 3 year membership
- Targeting under-represented sectors & parts of Kent

Future BAB Meetings:

- Online and / or in person?
- (Quick zoom poll)

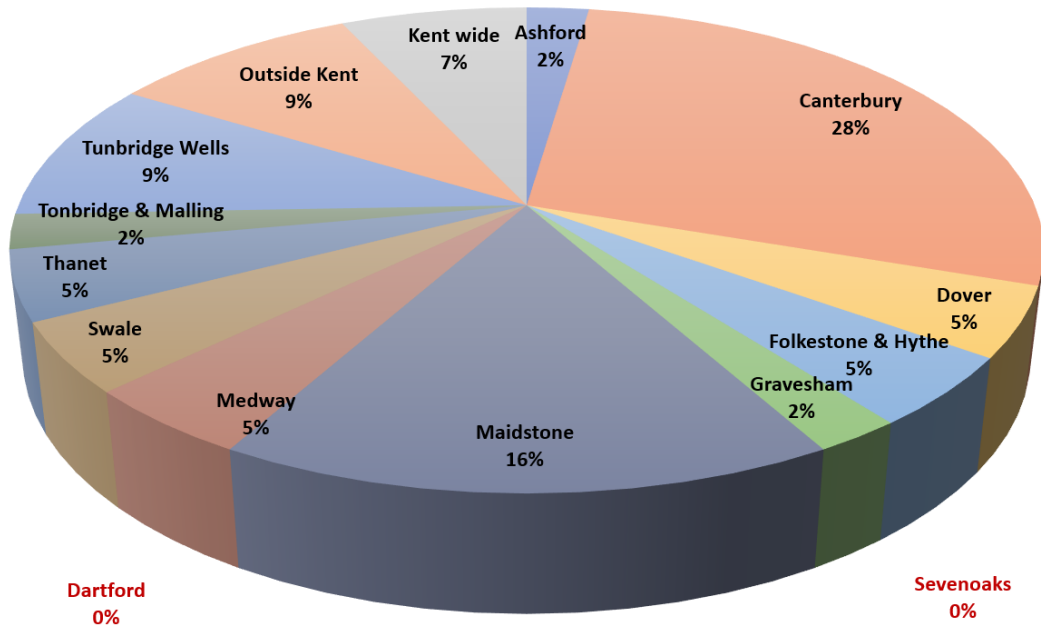
Engagement Between Meetings:

- Regular email updates (news/info, events, requests etc.)
- Anything else we can do?

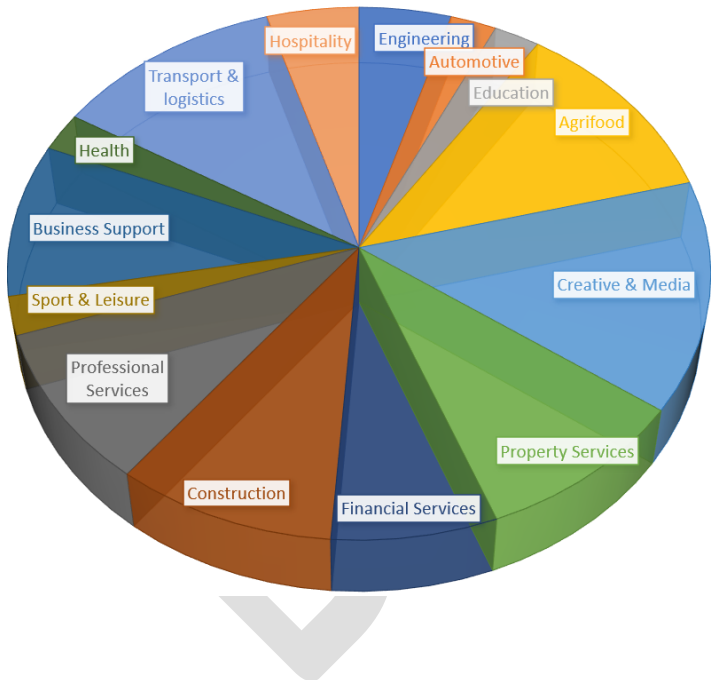
Possible 2023 Topics:

- Skills, Transport, Infrastructure, Workspace, Cultural Strategy, Future Business Support, Cyber Security

Current BAB Membership Per District



BAB Membership – Sector Breakdown



Gaps & under-represented sectors:

- Wholesale & Retail
- Visitor Economy
- Health & Life Sciences
- Manufacturing
- ICT