



THAMES GATEWAY KENT PARTNERSHIP

SUMMER BUSINESS BREAKFAST, 17th JUNE 2014

DISCUSSION FEEDBACK

The Business Breakfast included two discussion sessions. The first, following the presentation about TGKP's Plan for Growth, focused on getting up to date information about businesses' perceptions and experiences of current challenges and opportunities, and more specific discussion around how to raise workforce skills in North Kent. The second session, which followed presentations about the TIGER zero interest loans programme for business growth and about the Growth Accelerator scheme, examined issues around access to finance and business support. Each of the nine tables considered four questions. This report distils the feedback from facilitators and the open feedback session that followed. It should be noted that although the feedback concentrated on issues and concerns, the tone of the event and the emerging picture was far from negative with many businesses expressing increased confidence and an improving economic outlook.

Session 1: over-arching issues, and skills

Question 1: What are the challenges and opportunities facing your business (can you separate 'local' from 'global')?

1. Delegates drew attention to a number of **national/global issues** impacting businesses¹. These included:
 - Rising energy costs impacting on the manufacturing sector especially, complicated by a lack of confidence in the quality of energy efficiency etc advice available from consultants/companies offering services, and uncertainty about whether energy efficiency measures would get planning permission.
 - The strength of Sterling posing a challenge to exporters.
 - Rising commodity and materials costs.
 - The cost and/or administrative burden of compliance with national and EU regulations: examples given included the Construction Industry Scheme affecting contractors and subcontractors; the implications of European Court rulings on entitlement to commission and bonuses; and auto-enrolment for pensions. Delegates suggested the UK is making itself less competitive as a consequence.
 - The plethora of funding streams and schemes administered by BIS, and the opacity of the interface (i.e. online search and guidance facilities).
 - A national shortage of land use planners, and difficulties attracting such professionals to North Kent (because of image/perception issues).
 - Delegates had mixed, but on balance negative, experience of the cost and quality of advice on exporting, e.g. from UKTI. It was suggested that agents in advisory positions often lack direct business experience and therefore don't understand all the issues / pitfalls that businesses are contending with.
 - The recession had knocked business confidence. Some of that confidence was returning, but some businesses had resorted to 'safer' territory, or different businesses, and might be reluctant to return to ventures where potential growth came at the price of higher risk.

¹ Reported either directly by businesses attending or by intermediaries (e.g. banks, accountants) on behalf of clients.

2. Some local challenges were also identified, particularly in relation to infrastructure:
 - Infrastructure remained a major concern, particularly to support key developments identified in the Growth Plan but also to address existing bottlenecks (e.g. causing peak hour congestion). Access to a number of business estates – e.g. Crossways, Eurolink, Medway City Estate – tends to be compromised at peak times. If new developments were delivered without the associated infrastructure improvements – particularly around Ebbsfleet – accessibility for local businesses and their workforce would be adversely impacted.
 - Broadband speeds across North Kent were very uneven with even high profile sites being under-served.
 - Delays and congestion caused by the Dartford-Thurrock crossing continued to impact negatively on business.
 - In some parts of North Kent – Medway was mentioned – demand for affordable business space and good quality serviced offices exceeded supply.
 - The proximity of London was both a threat and an opportunity. It tended to draw talented workers away from North Kent and, further west, had a distortive effect on the housing market. But Thames Gateway Kent was also potentially attractive both as a recruitment market – because it embraces both Kent and London – and as a competitive housing market compared to London prices, aided by its good transport links.
 - It was acknowledged that efforts were being made to regenerate declining town centres, but some more radical reinvention might be required to replace uses which have now been superseded.
 - There were concerns about how local authorities in the South East LEP area would bring forward enough new homes to support the target of 200,000 new jobs.
 - Awareness of North Kent's existing offer was mixed. For instance, some companies lamented the perceived lack of a construction skills centre to help address the lack of skilled labour in the construction sector; yet SusCon at The Bridge in Dartford provided precisely that facility, suggesting a need for more joined-up marketing.
3. Some opportunities were identified in responding to some of these challenges:
 - A more local presence / point of contact and advice for businesses on national and local funding schemes could help navigate through the jungle.
 - Businesses could make more use of the existing peer support there is available at a Kent level (e.g. exporting club) where knowledgeable business people can mentor and share experience. TGKP and other public sector contacts could perhaps do more to raise awareness of these resources.
 - Delegates were genuinely excited by the prospects of the London Paramount development and Ebbsfleet Garden City, provided these achieved the requisite quality and associated infrastructure was delivered.
 - The growth in higher education in North Kent – with 10,000+ students at the Medway Campus alone – offered a strong foundation for building a higher skilled workforce and a knowledge economy.
 - Businesses were encouraged to be forward-looking and consider emerging markets (e.g. Enviro-tech) as offering the greatest potential for growth.

- North Kent had a strong manufacturing base and needed to sell itself on quality rather than try and compete with emerging economies on price.
-

Question 2: What do you see as the priorities for raising workforce skills in North Kent; and what would help?

4. Delegates identified a number of general challenges in relation to developing and retaining a skilled workforce in North Kent. These included:
 - The loss of talented staff to better paid jobs in London (particularly from Dartford and Medway).
 - Rising labour costs (from regulation and competition), particularly in the manufacturing sector, meaning companies had to pay more to attract and retain both staff and apprentices.
 - A shortage of people with good quality marketing and sales skills, including digital marketing.
5. It was suggested that SMEs found it particularly hard to think ahead about skills. They tended to focus on immediate demand and less about forward-planning. This varied according to the stage in the life-cycle of the business, along with the business's attitude towards skills generally. It was recognised the several sectors faced a skills 'time-bomb', with an ageing workforce set to retire within the next 5 years or so but insufficient appropriately skilled workers coming through to replace them. The construction sector was particularly mentioned in this regard. There were also issues around the work-readiness of many young people (amplified below). The jury was out on whether Traineeships would help significantly in addressing this amongst young people currently NEET or otherwise at some distance from the jobs market.
6. Some businesses also identified a lack of marketing and sales skills amongst both their existing workforce and amongst young people seeking employment. This suggested that perhaps more workers need training in these areas both where this was their mainstream role and to complement other functions.
7. A lot of the comments coming forward related to the relationship between businesses and the education system, particularly schools and FE colleges, and to some extent with the education system itself. The situation depicted by delegates comments suggested multi-dimensional mismatching:
 - A mismatch between the qualities employers were looking for and how well the schools system equipped young people;
 - o Companies looked for skills around communication, team-working, customer service and work ethic (reliability, punctuality, honesty, problem-solving "can do" etc). What they wanted was well rounded / well balanced students: specific skills or knowledge were less important, and these requirements would change in unpredictable ways as technology changed. Businesses were more willing to train someone who was work-ready in the specific skills their company needed, and lack of these qualities was a disincentive for businesses to take people on.
 - o The schools system was felt not to cater well for different forms – as well as different levels – of intelligence, reinforced by the curriculum, exams structure, league tables and regulatory regime.

- o Work-readiness: it was suggested that lack of work readiness or appropriate attitude amongst young people may also be a consequence of some schools' resistance to students having part time jobs during school year, particularly 'high achieving' schools.
 - A mismatch between the diverse range of post-16 options available and the way some schools channelled students along academic routes:
 - o It was suggested that limitations of IAG in some schools led to emphasis on academic routes (i.e. university) rather than openness to other options e.g. training contracts, vocational courses or apprenticeships.
 - o Businesses were looking for people with vocational training as well as high level (graduate) skills. But whilst the economy was dominated by SMEs, we needed models of vocational provision that were not exclusively geared to the SME market.
 - A mismatch between students' expectations and the realities of working life;
 - o Some employers find school-leavers have unrealistic expectations (focusing chiefly on what the company can do for them rather than what they can offer). It was hard to get young people interested in non-IT, non-finance occupations.
8. The discussion highlighted that the finger should not be pointed exclusively at schools. Many schools were seen as insular and insufficiently engaged with their communities, including the business community. But businesses had to take some responsibility too:
- Not enough businesses engaged with schools and colleges, made time to go in (whether within the school day or outside) to build understanding of what they did and to encourage entrepreneurship;
 - Not enough businesses offered meaningful work experience opportunities;
 - Not enough businesses were good at communicating what they did to the communities in which they were based. This might be harder for businesses located on trading and industrial estates, or who were not serving a particularly local market, but greater visibility could have both marketing benefits and raise awareness of what companies had to offer in employment and career terms.
9. The prospect of the two UTCs – Leigh and Medway – was seen as positive in offering a more vocational route, but there were concerns both about how to steer young people towards the disciplines that would be of most benefit to local businesses, and also about how the introduction of UTCs will affect other schools. Better careers information, advice and guidance (IAG) was needed in schools, particularly from year 9 (to help inform choices about GCSE subjects or vocational options) through to year 13.
10. There were mixed views expressed about **apprenticeships**. There was a widely shared frustration at the complexity of the apprenticeships arrangements, and uncertainty where to go for authoritative advice. Beyond that, experience was more varied:
- Some businesses were spoilt for choice of potential candidates whilst others struggled to attract any (or a reasonable choice);
 - Businesses reported a lack of motivation and commitment amongst apprentices, which might reflect both the extent to which they feel any long-term commitment to the company and also on their expectations going into the apprenticeship and unwillingness to "get their hands dirty";
 - Some of today's apprenticeships were felt to be inferior to traditional ones: some skilled trades used to have 8 year apprenticeships, whereas today's arrangements offer no such continuity, particularly beyond a one year NVQ.

- Some businesses suggested apprenticeships were pitched at the wrong level. They would rather design their own training than embark on the apprenticeship route.
11. There were some alternative views expressed, including the point that companies must expect to invest in apprentices and in providing succession routes beyond the apprenticeship stage, if they want to attract and retain good people. One problem for smaller companies was their capacity to offer succession within their own company – this was often only possible where the company was constantly expanding.
12. A number of suggestions were offered to address some of the issues raised:
- Businesses needed to raise their game in terms of engagement and building links with schools and local communities. Businesses should start engaging with young people earlier in their school career (e.g. Year 7, or even Year 6 at Primary Schools). There needed to be a willingness on the part of employers to open doors to schools to encourage greater insight into their sectors, and a willingness for schools to make time to release students / pupils. Increasing the number of Youth Chambers [of Commerce] outside of school hours could encourage entrepreneurship.
 - Training in engineering skills should be integrated with school provision: this appeared to be the intention with UTCs but could be offered more generally. Delegates also referred to a ‘melting pot’ concept, citing the Swale Skills Centre as an example, where vocational skills could be taught alongside academic studies.
 - Rather than talking in generic terms, businesses need to identify much more specifically what their skills shortages are, to enable providers and agencies to respond accordingly.
 - Universities were sometimes perceived as insular and difficult to engage with other than on their own terms. Delegates urged universities to be much more outward-looking and open to engage with businesses and business groups. Given the comments about work-readiness and career pathways, delegates suggested more emphasis on ‘sandwich’ degree courses. TGKP (or other public bodies) could help build connections, perhaps by mapping universities’ research strengths against North Kent’s business sectors.
 - Re-introducing a Connexions-type of agency to broker links between local schools and businesses including work experience placements. This might be combined with tailored apprenticeship brokerage (or that could be free-standing).
 - A key issue for young people to access training opportunities was having appropriate public transport infrastructure, which was still deficient in some parts of North Kent.
-

Session 2: Access to Finance, delivering growth

Question 3: To what extent is access to finance an issue for your business, and in what ways? What products or mechanisms would make a positive difference?

13. The discussion on access to finance took account of the presentation given by Jacqui Ward about the TIGER scheme, and reference to proposals in the TGKP Growth Plan and South East LEP Strategic Economic Plan to continue an access to finance fund to support business growth and job creation beyond March 2015.
14. The issues raised by delegates focused particularly around the lending policies and practices of banks, the complexity and obscurity of Government funding schemes, what use businesses are making of existing mechanisms, and what kind of support would help businesses to access investment finance.

15. The discussion brought contributions from both sides of the counter regarding bank lending. Representatives from the banking sector suggested that banks are now agreeing a lot more loans. But businesses often approached banks at too late a stage: they needed to come to them earlier. Banks were interested in working alongside businesses to see how they 'tick' before making decisions on lending, and to manage applicants' expectations. Banks saw themselves as becoming more consultative and solution-focused. The quality of loan applications and business proposals was very variable and many businesses needed more support, but funding was available for good propositions.
16. The business perspective was understandably more mixed. The change in bank structures, with disappearance of high street branches in favour of call centres, often meant there was no manager or advisor with whom businesses could develop a relationship. With limited exceptions, central controls now meant there was little or no local discretion for relationship managers to decide loans, and cautious HQ underwriters were holding back lending. Businesses acknowledged they were still hesitant to talk to banks, which was felt to be a more intimidating prospect now than in the past (e.g. 35 years ago). For instance, banks often now asked for businesses applying for finance to be accompanied by an accountant. One observation was that it was easier to access Chinese or Russian inward investment than it was to secure UK bank lending. Another observation was that liquidity was improving but banks' lawyers were ultra cautious and that slowed things down.
17. On the subject of national programmes and funding streams (e.g. through BIS), there was a broad consensus about the complexity and obscurity of what was available. The service that replaced Business Link (business finance support finder) generated too much irrelevant material and navigation tended to draw so many blanks, and research was so time-consuming, that businesses would give up searching.
18. Based on lessons from delegates' varying experiences, the following suggestions were offered:
 - Funding schemes often had too many time-consuming hoops to jump through before hitting against eligibility / knock-out criteria. Schemes needed to have transparent criteria and policies, and where proposals were turned down there needed to be honest feedback as to the reasons so as to help them address shortcomings in re-submitting proposals.
 - The importance of sound business plans was recognised, but many businesses struggled with this requirement in schemes such as TIGER (or required by some banks). They would value services that provided assistance with preparing business plans (including a 'business plan doctor'-type service), and an electronic 'library' of business plan templates suitable different scales of business / funding proposal.
 - Businesses would welcome a portal / single central source of advice to streamline information about funding sources available, including potential match-funding (which could be difficult for RGF-funded proposals), and to aid navigation to appropriate schemes.
 - Businesses needed to take time and find capacity – however hard that might be – to consider their business and management strategies and growth ambitions: these were crucial for developing persuasive funding proposals as well as for managing the business effectively.
19. The TIGER programme was generally welcomed but it was suggested that for some categories the match-funding percentage expected was perhaps too high and that the scheme overall was not really suitable for micro-businesses as the lower limit was likewise too high. It was suggested that small-scale grants rather than loans for micro-businesses (along the lines of Medway's Partners for Growth) made sense. There was still a need to raise awareness about TIGER and it was suggested that a targeted survey of companies who might benefit should be considered.

20. For both match-funding and as a source of business finance in its own right, Jane Ollis (Growth Accelerator) had drawn attention to alternative sources such as crowd-funding. Some delegates reported positive experience of Funding Circles as a form of alternative finance. There was encouragement to use networks to identify potential sources of investment and also to use arrangements such as experienced non-executive directors to mentor younger businesses.
 21. Businesses looking to innovate should ensure they are making full use of research and development tax credits, which could amount to a cash injection to support growth.
-

Question 4: What would help your business to grow in North Kent; and what kind of advice or support would be most helpful?

22. There was broad consensus about the value of business support services, but also agreement that the offer was confusing. Businesses found it hard to know what was available, where the most appropriate advice could be sourced, and were not always confident about the quality of advice, brokerage or support available. SMEs do not have time to digest and respond to all the communications they get from Government (central and local) as well as commercial sources, so as to sift out the material that might actually be useful. Face-to-face advice and support and trustworthy brokerage were important, to complement more streamlined web-based products and portals.
 23. It was acknowledged that businesses do not always help themselves, and need to be more open to seeking advice from councils and other public sector bodies. There was also scope to use informal networks to point businesses in the direction of the help or product they need, but it required determination and staying power.
 24. Many of the comments and suggestions highlighted the need for a simplified point of entry – similar to aspects of Business Link – to help businesses navigate to appropriate sources of advice, identify funding sources, and cut through red tape.
 25. The key suggestions emerging from the discussion were:
 - Businesses should make more use of UKTI (for both inward investment and exporting advice).
 - Signposting and coordination of information about business support should be promoted through a one-stop-shop / business hub arrangement.
 - More attention should be given to services and informal arrangements which help to mentor small businesses, e.g. through non-executive directors or other ‘critical friends’ (which might include accountants or services such as Growth Accelerator), coaching and support in business planning
-

26. The Chairman thanked delegates for their feedback and input into the discussions, which would help shape TGKP’s action plan.