

KENT INVICTA CHAMBER OF COMMERCE

Canterbury District Economic Development Group (CDEDG)

Wednesday 22 January 2014
Canterbury Innovation Centre

MINUTES

Present:

Carole Barron (CB)	University of Kent - Chair
Ros Swanston (RS)	University of Kent – Secretary
Nick Churchill (NC)	Canterbury City Council
Sezen Zeki (SZ)	Kent Invicta Chamber
Paul Wood (PW)	Reeves Chartered Accountants & Business Advisers
Chris Richard (CB)	South East Coachworks
Don Bowman (DB)	University of Kent
Rachel Downer (RD)	Canterbury HR
Jonathan Ulmer (JU)	CATS College
Mike Northern (MN)	Mike Northern Legal
Nick Rowell (NR)	The Portable Business School

1) Welcome and apologies

CB welcomed Nick Rowell who came to speak on the KICC Quarterly Economic Update. NR explained that he is the Director of Policy for the Chamber and a former lecturer. He is now a freelance consultant and teacher. He founded the first Kent Business School. Other members of the group introduced themselves, the following apologies were received:

Apologies were received from:

Andy Harris	A1Webstats
Heather Novak	Nova IT Solutions
Andrew Walker	Betteridge and Milsom
Adrian Thompson	Foxwood Maclean Estate Agents
Andy Davies	Handelsbanken
Pat Mills	Clague, Urban designers and historic building consul
Paul Gardiner	BFS Consulting Engineers
Peter Hawkes	Furley Page Solicitors
Martin Tanner	ADM Computing
Mark Hill	Canterbury College
Malcombe Pollett	Pollett Marketing
Michael Stannard	Cardy Construction Ltd
Jo James	Kent Invicta Chamber

2) Minutes and outstanding actions from previous meeting

The Minutes of the meeting held on 19 November 2013 were received. There were no outstanding Action Points.

NC asked what the general view of the Chamber is on the Business Improvement District. CB replied that people can see what the BID is trying to achieve, but there are concerns regarding increased business rates and whether some parts of Canterbury would benefit and not others. There was also concern over what would happen if a business could not pay their fees. NR said that a BID proposal was narrowly turned down in Maidstone and PW added that there was a BID in Southwark where the subject of what the money was spent

on became contentious. NC said that he did not want Canterbury to be left behind and that there are many BIDs around the country operating well.

3) Chamber Update

SZ reported that the Chamber has 1113 Members: 271 in Ashford, 163 in Canterbury, 242 in Maidstone and 104 out of area. There are 251 Members in Thames Gateway, 82 in West Kent. There are 220 New Members but the Chamber had also received 173 resignations. Overall there is a 84% growth in membership. Most resignations are due to cost cutting and not seeing any benefit from membership. SZ said that it was difficult to convey on the website exactly what the Chamber does, but KIC was the fastest growing Chamber.

B2Bs: There is an event at the Canterbury Cathedral Lodge on 10 September where there will be 50 exhibitors. There is also a joint construction and manufacturing exhibition at Detling in October. The Chamber continues to take members on board for international trade and it is taking on a trade advisor for the international trade sector and there will be more training and workshops for international trade.

CB said the fact that the Chamber is getting start up contracts is really good news. She added that Jo had done an amazing job keeping the Chamber's profile at the top of the LEP's agenda. The Chamber is only there to represent the business community and Jo is one of the business representative on new Board.

CB said that the KMEP had a presentation on feedback from the Government. It was felt it needed a lot more vision, but several people said the Kent part of the document was well written and impressive. Feedback has to be given to Ross Gill by end of the month.

AP1: CB said she would circulate the link to the document.

The Gridlock Kent document is being circulated. NC said there is a lot to be optimistic about but there is concern with Ministers' view on how money should be spent on developments already planned for should not have funding, just the new.

CB said there had been a lot of discussion around housing. Businesses do not understand the benefits of the LEP. She felt that everything is being done in isolation rather than looking at innovation, what skills are needed, etc.

4) KICC Quarterly Economic Update

NR began by asking everyone present to write down the two most important things they would like to know about their business environment. He said that his were: who has got any cash and who might want to invest in better business? He presented the Quarterly Economic Survey. He then presented the Survey Findings as follows:

Overview

Key Local Findings

UK Sales continued their strong, year-long growth, with an all-time high of 57% of respondents reporting an increase in Sales (Q3:39%) – though UK forward Orders dipped to their weakest since Q4 2010. Nonetheless, three-quarters expected Sales to grow in the next 12 months.

Exports also grew to a record high of 85% reporting an Export Sales increase (Q3:74%), and forward Orders held up well. Since over 90% of respondents export, it is likely that (a) for most firms Exports are a fairly modest – albeit growing – part of their overall sales mix, and (b) buoyant Exports are a particularly promising feature of their hopes for 2014.

Recent **Cashflow**, which has been a perpetual problem since 2007, also showed a record high: 38% of respondents reported improvement (Q3:29%) and only 23% reported worsening Cashflow.

Plans for **business investment** were up: a record 47% had upped their planned spend on equipment. With 9 out of 10 recent hires for Permanent staff not Temps, 50% of those with over 20 staff expected to hire more in the next 3 months (all respondents: 25%).

And yet...

Even with cost pressures slightly diminishing throughout 2013 (sterling strengthened), no fewer than 40% said **Competition** was of greater concern than previously (Q3:31%).

These include 58% of Professional Services, our biggest single sector of respondents.

Indeed, 47% of those with fewer than 20 employees (the bulk of our respondents in both Services and Manufacturing) reported Competition of greater concern.

As many as 20% of all respondents were planning to cut their **Prices**, almost double the previous record proportion contemplating this measure.

The Bigger UK Picture

QES figures across the UK show similar high levels of Sales, employment and investment, though Manufacturing is less buoyant than Services.

At the same time, other sources indicate a dip in December for both Sales and forward Orders in the South East. With many small local firms competing harder for their slice of a finite cake, it's worth noting that insolvencies traditionally peak the year after a recession ends, as the survivors try to catch up too fast.

Specifically:

UK Sales & Orders

Since the credit crunch we've noticed some divergence between thrivers and strugglers (see Q1 2013), as all sought to adapt. From Q2 the general uplift in UK business has appeared in stronger Sales across our membership, especially in Q4.

Equally unexplained is the loss of buoyancy in forward Orders in Q4.

Export Sales & Orders

Export Sales – and Orders – continue to perform very well. Over 90% of QES respondents export.

Recent Cashflow

Members have reported healthier Cashflow since UK Sales picked up in Q2. Detailed analysis (of data not shown here) indicates ongoing weak Cashflow among Retailers & Wholesalers, Hotels & Catering and Voluntary organisations.

Planned Price Increases

Whilst one-third felt confident enough to raise Prices, very unusually 20% planned to cut them, an all-time high. Since as many as 40% reported facing stiffer Competition (especially smaller businesses) it's likely that many little, local, non-exporting businesses will struggle as we enter 2014.

Expectations of Sales Turnover & Profits

The pattern of increasingly buoyant Sales is repeated in members' forecasts for 2014. This

general optimism for Kent business works through also to Profit forecasts, albeit less conspicuously than for Sales T/o.

It is, meanwhile, important to note that these 12-month expectations have always been higher than the Sales & Profits eventually achieved. They show a trend in confidence levels, rather than accurately predicting actual levels of business.

Employment: last 3 months, next 3 months

The return to 25% expecting to hire in the next 3 months probably reflects members' strong Sales growth. What we are not seeing represented is the shrinkage among the minority that struggle.

Detailed analysis (of data not shown here) indicates that jobs growth is most buoyant among the firms with 20+ employees already. Of these, 50% expect to hire more staff in the next 3 months.

Planned Investment in Training and Kit

Q4 shows the highest proportion ever (47%) of respondents planning to raise their investment in equipment. This proportion is higher in Services than Manufacturing firms.

Tried to Hire in last 3 months

With more than 4 in 10 hiring, business and employment prospects have looked healthy through 2013.

Job type offered

In one year we have seen hiring patterns shift away from as many Temps as Permanent to twice as many Permanent as Temps.

NC said that there is also scope to convert part time jobs into full time. He felt there was a mismatch between the Survey's findings and what is being seen nationally. NR responded by saying that a lot of the country is still suffering economically more than the South East.

Hard to Hire suitable staff?

Not much difficulty hiring suitable staff in Q4.

Hard to Hire: categories sought

Appropriately skilled professional/ managerial staff are usually the hardest to find: developing them takes time and investment. It's encouraging that, after a recession in which these were not the most sought-after, since Q2 the demand for them has again begun to exceed supply.

Pricing Pressures & issues 'Of Greater Concern'

The gradual reduction in pressure on Pricing from both Raw Materials and Overhead costs probably reflects the sterling's strengthening through 2013.

Issues 'Of Greater Concern'

Whilst concern about Competition fell as the economy started to recover in Q2, since then it has mounted to recessionary levels.

Detailed analysis (of data not shown here) reveals that now 47% of our smallest businesses, i.e. with 1-19 staff, across both Services and Manufacturing say Competition is

of greater concern; as do 58% of all Professional Services respondents.

MN said that competition was now a major concern for lawyers and that large law firms are going under.

NR said that competition appeared to be more of a concern to small businesses. It was a potential problem for the economy and KICC Membership.

Capacity Utilisation

Capacity utilisation stayed at normal levels in Q4.

Percent of Members Exporting

The growth during 2013 in members Exporting occurred almost entirely in Services. Such a high proportion of respondents now export, that it seems likely much of this rapid growth has been in Internet-generated Sales as an extension of members' existing UK business.

CB thanked NR for his presentation and said she had found it very useful.

5) Group Member Updates

CB asked if anyone had anything they wished to raise. PW said he felt the economy was improving with less people seeming to be concerned about how to pay their bills and more people saying they need to invest now.

6) Any Other Business

There were no items for Any Other Business.

7) Date of Next Meeting

CB thanked everyone for attending the meeting.

The next meeting of the CDEDG will be held at 5.00pm on Thursday 13 March 2014 in Meeting Room 2, upstairs in Canterbury Innovation Centre.

AP2: All to confirm attendance and send any items for discussion at next meeting to RS by 6 March 2014.