

From: Mark Dance, Cabinet Member for Economic Development
Barbara Cooper, Corporate Director for Growth, Environment & Transport

To: Growth, Economic Development & Communities Cabinet Committee –
21 November 2017

Subject: **An Enterprise and Productivity Strategy for Kent**

Classification: Unrestricted

Electoral divisions: All

Summary:

1 There is currently no agreed strategy for improving Kent's overall standard of living which specifically aims to improve enterprise and productivity and to put in place measures that over the long term can significantly enhance the standard of living across Kent.

2 This report sets out a plan of work to develop an Enterprise and Productivity Strategy for Kent and Medway so that partners can work together across the County to improve the standard of living of Kent's communities.

Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to note the proposal to develop an Enterprise and Productivity strategy for Kent and make further suggestions to the Cabinet Member for Economic Development.

1. Introduction

- 1.1 The standard of living of those living and working in Kent and Medway will for the most part be determined by the national economic picture. There are however no reliable long-term forecasts for the economic performance of the UK nor is there common agreement on what drives improvements in enterprise and productivity which underpin economic success. Several other counties and some towns are working on local economic plans. This note sets out ideas on what a long-term enterprise and productivity strategy for Kent and Medway might cover and a timetable for its preparation.
- 1.2 The 2015 Growth and Infrastructure Framework for Kent and Medway is being refreshed: this will provide a picture of housing and infrastructure requirements based on forecasts of population for Kent and Medway and for each district in the county. These population forecasts and consequential housing needs will be projected to 2031; the refreshed GIF will also suggest different growth scenarios for up to 2050. An enterprise and productivity strategy can take these as its starting point.
- 1.3 Kent County Council, Kent's district and borough councils and Medway Council have adopted a range of policies and strategies but there is no agreed long-term vision of how we can achieve significant improvements in Kent's standard of living over the next thirty years.

2. The context

- 2.1 The Government and Bank of England have recently published papers considering the UK's economic performance and proposed measures to improve national enterprise and productivity.
- 2.2 In particular, the Department for Business, Energy and Industrial Strategy issued a consultative Green Paper earlier this year and have promised a White Paper alongside the November 2017 Budget. The independent National Infrastructure Commission published its final report on 1 November proposing an ambitious plan for strengthening the institutional foundations for delivering this strategy. And the Thames Gateway Growth Commission whose time horizon is 2017 – 2050 will shortly publish an interim report with ideas for the Thames Growth Corridor – which includes several Kent districts.
- 2.3 Recent economic studies have looked at the importance of local factors which influence local standards of living. They have concluded that a locally agreed and delivered plan can significantly improve productivity (defined as the output per person employed in the local area).
- 2.4 Local Enterprise Partnerships have also published Local Economic Plans: SELEP is refreshing its 2015 plan with a view to having the new version agreed in 2018.
- 2.5 The Greater London Authority will shortly publish its draft Economic Plan which will have implications for Kent. The outcome of the Brexit negotiations will also impact on Kent.

3. The evidence basis for developing the strategy for Kent

- 3.1 Statistics show that communities in areas with higher levels of enterprise and productivity benefit from better standards of living, but this needs testing and analysing as to how this applies to Kent and Medway where there are wide disparities across all social and economic indicators. The national Index of Multiple Deprivation is most commonly used to measure social and economic welfare but it ranks local places by weaknesses rather than their economic potential. The work on the strategy should start with a robust analysis of the economic and social characteristics of different areas in Kent.
- 3.2 “Standard of Living” can be measured in many ways: currently, the Office of National Statistics uses gross national product per person. A recent essay competition with a prize of £125,000 asked economists to propose a better way to measure the standard of living. Entrants were asked how to factor new developments such as the digital economy into quantifiable economic activity. The aim was to consider how to include social well-being, levels of creativity and entrepreneurship into official statistics. The prize winner suggested an approach based on combining measures of physical assets, natural capital, intellectual property, social and institutional capital and non-financial capital. The judging panel observed that “reported productivity in the UK is very weak, but that might be because we can’t measure new changes to our economy based on technological services like Uber and fast food delivery”. Using concepts like these would help make a Kent enterprise and productivity strategy more relevant to Kent’s people and businesses.
- 3.3 National economic and social policies appear to have the biggest impact on local standards of living but differences between local levels of the availability of skills, access to finance and business support, transport infrastructure, adoption of cost-saving

and quality-improving innovation and technology, and success of business enterprise are shown to be closely associated with indicators of prosperity and deprivation.

- 3.4 A joint report published in October by Nesta (the innovation based think-tank) and SAGE (a cloud computing financial support company) shows there is considerable disparity between regional and local levels of income per head and productivity. This report gathered data at local authority level – in contrast to Office of National Statistics data which concentrate on national analysis. By analysing data at a local level, the researchers showed that regional variations are deeply entrenched, and that the differences between neighbouring areas can be very significant. For example, the performance of companies in Kent broken down by local authority, shows that Kent and Medway have many of the highest performing areas as well as some of the weakest. (The **Annex to this Cabinet Committee paper** summarises the report's data for the 12 Kent Districts and Medway Council.)

4 Timescale

- 4.1 Kent County Council has adopted a number of strategies and policies covering different time-frames (such as the “Local Transport Plan 4: Delivering Growth without Gridlock 2016 – 2031, the Kent Environment Strategy – a strategy for Environment, Health & Economy 2015 – 2020” and a Cultural Strategy: “Inspirational Creativity: Transforming Lives Every Day, our cultural ambition for Kent 2017 – 2027”). But there is no agreed strategy for improving Kent's overall standard of living which looks at the wider economic picture.
- 4.2 The planning horizon for major infrastructure projects frequently takes 20 – 30 years, if not longer. Crossrail, for example, was first proposed in the 1940s, officially advanced in the 1970s and 80s, cancelled in the 1990s before being reinstated in the early 2000s – although without any funding commitment – and it will be another 12 months (December 2018) before trains begin to run on the new Elizabeth line to Abbey Wood: we are of course hoping that it will be extended to Ebbsfleet in due course.
- 4.3 Setting a time horizon of 2050 with specific actions to deliver a step change improvement in Kent's standard of living would enable the strategy to set out a framework for investment in infrastructure, technology and skills which require long term planning, consistency of delivery and a widely supported vision for Kent's future. The strategy also needs to be sufficiently flexible to adapt to the changing national framework: there are likely to be at least half a dozen General Elections before 2050.

5 Ambit

- 5.1 There are four dimensions to developing an enterprise and productivity strategy, each of which is not mutually exclusive of the others:
- a. places (eg urban/rural/coastal, expanding towns/new communities);
 - b. themes (eg skills, finance, infrastructure, connectivity);
 - c. sectors (eg manufacturing, logistics, culture, tourism and leisure): and
 - d. new technologies (eg digital innovations in transport, access to services).

These will need to be explored in detail as part of the analysis phase of the work developing the strategy.

6. Engagement Plan and Timetable

- 6.1 The Kent and Medway Economic Partnership (KMEP) provides the main forum for discussions between Kent's local authorities and businesses on economic issues. KMEP should therefore be fully involved in the development and implementation of Kent's enterprise and productivity strategy. This engagement should be extended to the three sub-county partnerships as well as bilateral co-ordination with Medway Council.
- 6.2 Kent's Universities and schools should also be fully engaged, not least because the strategy must cover the skills needed by the next generation of Kent's workforce. One way of directly engaging with students at school and university would be to offer a prize for an essay on the topic of a vision for Kent in 2050 and how we should achieve it through improving enterprise and productivity.
- 6.3 Kent County Council also has many stake-holders who have a direct interest in developing such a strategy: the twelve districts, Locate in Kent (whose mission is to attract new investors), Visit Kent (which helps promote and develop Kent as a visitor destination), Produced in Kent (which promotes Kent's food) and our key partners who deliver Kent's cultural strategy. The skills, health and social care sectors should also have a part in forming the strategy as will government departments including the Department for Communities and Local Government and the Department for Business, Environment and Industrial Strategy. They can be invited to contribute to a series of 'round table' discussions on relevant topics which can be initiated by background presentations from relevant bodies such as the Bank of England, Design South East and the National Infrastructure Commission. We should engage the business community through the Business Advisory Board and engaging Kent's Chamber of Commerce, as well as other membership organisations such as the IOD and FSB.
- 6.4 To help develop the strategy, we should engage with stake-holders on a robust definition of the outcomes sought and the ways to achieve them.
- 6.5 The development of the strategy should encompass not only the national policies of Government but draw on the work already being undertaken by District Authorities as well as academic work in Universities.
- 6.6 The timescale should allow for the issues to be widely debated and understood: the Cabinet Committee should have several opportunities to review progress and provide guidance.
- 6.7 The emerging proposals for the strategy will be presented to the Cabinet Committee early next year before the start of drafting the strategy itself, with a view to public consultation in the Autumn of 2018 and formal adoption by the Council later in the year.

7. Recommendation

The Growth, Economic Development and Communities Cabinet Committee is asked to note the proposal to develop Enterprise and Productivity strategy for Kent and make further suggestions to the Cabinet Member for Economic Development.

8. Contact details

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NESTA/SAGE report on local productivity and entrepreneurship

The key findings of this report published in October 2017 were:

1. Small and Medium-sized Enterprises (SMEs) have disproportionately driven job creation: since 2010, SMEs have created 73% of new private sector jobs. An SME is defined as a business with fewer than 250 employees.
2. There are very strong regional differences across the UK, and the local variation in productivity is huge. The most productive local authority in the UK produces 26 times more turnover per worker than the least productive.
3. The belief that long business survival rates are a sign of a thriving SME landscape is misplaced: some of the most productive areas of the UK have the lowest survival rates, and vice versa.
4. Digital infrastructure without digital skills and tools will not boost productivity: equipping SMEs with basic digital capabilities would result in a significant productivity gain: 38 per cent of SMEs lack digital skills.
5. Our solution does not suit all areas: the report recommends a local, data-based strategy, involving local businesses in policy decisions.
6. The report also recommends making business support as accessible as possible: SMEs are “both time and cash poor”. It also recommends that local authorities increase the number of SME suppliers – “procurement is a powerful way to support local businesses”.
7. The data for Kent and Medway 2013 – 2016 in the report is summarised in the following Area tables. (The local authorities are ranked in each table by the number of SMEs in each district.)

Enterprise and Productivity

District	SME Nos.	SME job Nos.	Earnings £	SME turnover £m	Av prod'y £m	5 yr survival %	Prod'y % 2013-1
Dover	3,275	19,381	25,254	1.7	86,274	38.5	+4.6%
Shepway	3,595	18,606	24,527	1.5	80,323	40.3	+13.1%
Gravesham	3,610	17,253	29,623	1.8	103,980	40.0	(-6.2%)
Thanet	3,655	22,657	24,150	1.7	73,296	41.6	+2.3%
Dartford	3,900	22,376	32,233	3.7	164,876	33.8	+21.5%
Swale	4,595	26,359	27,501	2.7	101,553	47.4	+9.2%
Canterbury	5,130	28,120	27,949	2.4	84,995	40.8	+6.7%
Tonbridge & Malling	5,405	22,768	33,372	8.0	287,980	45.9	+94.9%
Ashford	5,750	27,483	27,795	3.0	110,032	38.2	+14.0%
Tunbridge Wells	6,205	29,648	29,962	4.0	132,419	42.6	(-9.6%)
Sevenoaks	6,495	31,026	30,989	4.5	144,511	47.1	+9.4%
Maidstone	7,020	37,808	29,592	4.0	105,529	44.5	+11.3%
Medway	7,935	40,245	29,503	4.4	107,914	45.0	+16.3
Data sources:							
Office of National Statistics	Longitudinal Small Business Survey	Interdepartmental Business Register	Global Entrepreneurship Monitor				

Small & Medium Sized Enterprises in Kent: largest sectors by turnover

Dover	Transport & Storage £292k	Production. £196k	Retail. £169k	Construction. £164k	
Shepway	Construction. £236k	Health. £148k	Transport & Storage £145k	Production. £141k	
Gravesham	Production. £503k	Construction. £238k	Wholesale. £149k	Business admin & support £136k	
Thanet	Construction. £239k	Production. £222k	Retail. £162k	Agriculture. £141k	
Dartford	Motor trades. £731k	Wholesale. £673k	Construction. £554k	Production. £454k	
Swale	Production. £535k	Construction. £401k	Wholesale. £397	Agriculture. £162k	
Canterbury	Construction. £388k	Professional services. £223k	Health. £211k	Wholesale. £210k	
Tonbridge & Malling	Wholesale. £821k	Professional services £749k	Construction. £586k	Production. £373k	
Ashford	Wholesale. £829k	Construction. £323k	Business admin & services £296k	Production. £274k	
Tunbridge Wells	Professional services £654k	Wholesale. £589k	Business admin & services £466k	Construction. £274k	
Sevenoaks	Wholesale. £779k	Business admin & support £677k	Construction. £675k	Professional services £452k	
Maidstone	Wholesale. £723k	Construction. £614k	Business admin & services £412k	Production. £405k	
Medway	Construction. £774k	Production. £574k	Wholesale. £522k	Finance & insurance £338k	

Small & Medium Sized Enterprises in Kent: largest sectors by jobs

Dover	Health. 2240	Accommodation & food services.1949	Production. 1709	Construction. 1598	
Shepway	Health. 2969	Accommodation & food services. 2101	Construction. 1631	Production. 1474	
Gravesham	Construction. 2142	Business support. & admin services. 1929	Health. 1761	Accommodation & food services. 1732	
Thanet	Health. 4091	Education. 2921	Production. 2338	Accommodation & food services. 2187	
Dartford	Construction. 2947	Production. 2668	Business services & admin. 2482	Health. 2303	
Swale	Production. 4036	Health. 2794	Construction. 2473	Accommodation & food services. 2121	
Canterbury	Health. 4326	Accommodation & food services. 3369	Professional services. 3085	Construction. 2418	
Tonbridge & Malling	Professional, scientific & technical. 3528	Construction. 3005	Production. 2611	Business support & admin services. 2445	
Ashford	Production. 2867	Professional, scientific & professional. 2769	Business support & admin services. 2578	Health. 2516	
Tunbridge Wells	Professional services. 4360	Business support & admin services. 2843	Health. 2785	Education. 2535	
Sevenoaks	Professional services. 4012	Construction. 3401	Business support & admin services.3140	Production. 2620	
Maidstone	Business support & admin services. 4406	Construction. 4098	Professional services. 3896	Health. 3540	
Medway	Construction. 5051	Health. 4168	Business support & admin services. 4095	Production. 3970	