

East of England Economic Summit – Tuesday 8th December 2020

Introduction:

On Tuesday 8th December 2020, the London & East Regional team and associated District Society Presidents held the East of England Economic Summit. This event began with analysis that focused on the results of the ICAEW Business Confidence Monitor before guests moved into their local breakout rooms for panel discussions around the economy and recovery, together with a focus on skills and Brexit. You can view the recordings from each breakout room via the following link:

<https://www.icaew.com/groups-and-networks/local-groups-and-societies/london-and-east/regional-economic-summits-december-2020>

Discussion rooms & Speakers

The summit began with an introduction from Gareth John, ICAEW President for East Anglia followed by analysis by the ICAEW and the Bank of England. Guests then moved into regionally focused breakout rooms. A panel discussion featuring local representatives then took place concentrating on the issues that will impact each region. Please see the rooms and panels as follows:

Cambridgeshire:

This session was chaired by Steve West, Chair of ICAEW East of England Regional Strategy Board with Jane Paterson-Todd, CEO, Cambridge Ahead, John Bridge, OBE DL, Chief Executive, Cambridgeshire Chambers of Commerce, Anne Glover, CEO Amadeus Capital & NED, Court of the Bank of England & Fran Howell, Head of Corporate Banking – East Midlands Region, HSBC UK Bank PLC as panellists.

Suffolk:

This session was chaired by Luke Morris, ICAEW East Anglia Ipswich City Head with Doug Field, CEO, East of England Co-Op, Andy Walker, Head of Policy, Suffolk Chambers of Commerce, Richard DeNetto, Associate Director, East of England, CBI & John Cockburn-Evans, IOD Suffolk Interim Chair as panellists.

Norfolk:

This session was chaired by Mike Burrows, ICAEW East of England Strategy Board member with Chris Sargisson, Chief Executive, Norfolk Chambers, C-J Green, Chief Executive, New Anglia LEP & Duncan Baker, MP for North Norfolk as panellists.

Essex:

This session was chaired by Simon Medcalf, ICAEW South Essex President with Paul Sullivan, Senior Manager, East of England, British Business Bank, Professor Neil Kellard, Dean of Essex Business School, University of Essex & Alison Shadrack, IOD Essex Interim Chair as panellists.

St Albans:

This session was chaired by Julian Daly (BBH President, FD Olim Property and former leader of St Albans Council) with Neil Hayes, Chief Executive, Hertfordshire LEP, Bim

Afolami MP for Hitchin & Harpenden & David Bisoni, Senior Vice President, Business Affairs & International Development at Warner Bros Studios Leavesden as panellists.

Milton Keynes:

This session was chaired by Philip Fenn, Partner, Mercer & Hole with Ben Everitt, MP for Milton Keynes North, Lewis Stringer, Senior Manager, UK Network – East & South-East Midlands, British Business Bank & Hilary Chipping, CEO, South East Midlands Local Enterprise Partnership (SEMLEP) as panellists.

Brexit:

This session was chaired by Rachel Underhill – Senior Business Strategy Manager, ICAEW with Alan Todd, East of England Regional Policy Lead, FSB, Mike Chapman, Trade Business Adviser, Suffolk Chamber of Commerce, Paul Davey, Head of Corporate Affairs, Hutchison Ports (UK) Ltd & Biplab Rakshi, IOD East of England Regional Chair as panellists.

Skills:

This session was co-Chaired by Julia Root-Gutteridge, Manager, Board Effectiveness, ICAEW and Dr Hilary Lindsay, Patterns of Learning with Anne Bailey, CEO, Form the Future, Laraine Moody, Vice Principal, Employer Engagement, West Suffolk College, Olga Tregaskis, Head, Norwich Business School, University of East Anglia & Fiona McGonigle, Director, Workforce Transformation Solutions Ltd as panellists.

ICAEW analysis of the Business Confidence Monitor provided by Iain Wright, ICAEW Director for Business & Industrial Strategy:

- BCM – has been operating for 20 years and is a strong guide for the pulse of the economy, factors affecting the economy and predictions for the future.
- BCM – this report reflects a great deal of uncertainty
- Pandemic has provided a cessation of economy activity followed by a partial rollout and then push backs
- Confidence is minus 19 on a national scale – this is bad but not severely bad
- We can compare and contrast the last 20 years and looking at the crash of 2008-09 – confidence was minus 45.
- It is surprising that confidence is not lower as economic activity is still subdued.
- Domestic sales are in negative territory
- Exports are also in negative territory
- Profits have fallen
- Bounce back will be slow in 2021
- Investment is subdued as businesses are holding on to cash
- Sectorial performance is varied
- Manufacturing, retail, construction, managed property, and transport are down
- Banking, insurance, energy, water, IT & Communication are up
- Employment growth in IT / Communication
- Large increase in unemployment expected in some areas
- Interesting point regarding savings – usual rate is 6% - current rate is 28%
- This could be due to lack of opportunity to spend, rise in unemployment, subdued economic demand – there may be a splurge once restrictions are lifted.
- Regional performance for EOE is 3rd best in the UK at minus 11 – behind Scotland & East midlands
- Relative optimism in EOE economy
- Sales have risen by 0.5%

- Profits are down 2.5%
- Investment continues to grow by 1%
- There is a resilience to the EOE economy

Discussion summaries:

Please see a summary of the key points from each breakout room discussion.

Cambridgeshire:

- Strong reasons for optimism, as echoed by both the ICAEW Business Confidence Monitor and comments from the Bank of England.
- No evidence that growth plans have faltered
- According to Oxford Economics, Cambridge is the most resilient city in the UK
- Imperative that Cambridge retains its research status
- Real contrast across the area, so businesses are doing well, others being devastated through no fault of their own
- Issues are sectorial, not geographical
- Everyone is impacted by what happens nationally
- Cambridge is more robust than London – smaller and easier to access
- University and students have been badly affected – how do we support them in future?
- Unemployment rate has not yet spiked, expect this in to do so in about 12 months
- The opportunity is the savings ratio – encouraging pensions and insurance to invest in growth to allow economy to grow
- Whilst we have all saved money by being at home we need to get out and spend that cash locally
- Infrastructure is being hit hard – people buying more cars due to fears around public transport
- The supply chain from Brexit is vulnerable, but we need to keep going with digital adoption
- Expect sustainability to drive growth, being used as a measure
- Focus on liquidity

Suffolk:

Emerging and important sectors:

- ICT important, gaming, agriculture, and clean energy
- All important for the regions competitive advantage
- Tourism recovery important
- Port logistics / freight sector important and will need support

Infrastructure priorities:

- Clean energy is an important focus
- Focus on opportunities for apprenticeships
- Wide support for renewable energy
- Green recovery important and an opportunity
- Green economy an opportunity
- Nuclear energy is a good infrastructure project
- Retain and retrain key for growth in these sectors
- A focus on youth & future workforce required
- Infrastructure focus for SME's
- Focus on factors that have assisted the economy

Support measures:

- Focus on measures – furlough, vat
- Look to move away from support
- Focus on business survival
- ICT connections & broadband infrastructure essential
- Revival investment required
- Long term decisions important
- Short-term tax relief for SME's
- Further loans for SME's

Professional community help:

- Revive & thrive focus
- Businesses need to ask for help
- Brexit focus – practical advice needed
- Brexit – guidance needed
- Insight needs to be shared
- Local & professional community to help each other
- Cash crisis – pay SME's on time
- Brexit – Suffolk will find a way to trade
- Brexit – remodelling will happen

Principal skills gaps that need to be addressed:

- Skills critical – numeracy, manual skills, working with robots
- Retraining essential
- Adult learning is key
- New economies such as green economy essential
- Kickstart scheme essential
- Agricultural skills needed
- Older workers retraining / upskilling
- Young workforce focus
- Look to adapting for the future

Norfolk:

Emerging and important sectors:

- Energy Coast - massive opportunity
- Green energy
- Organisations that can join the green energy emergence in the area
- Talk up need to develop these industries and the skills required for them to succeed
- There is communication regarding these industries, however, there is no infrastructure planning
- Region produces food & energy – this is important to the UK
- Focus on the energy coast, innovation for life sciences & agriculture as well as digital creative
- Investment in needed in the above project areas

Infrastructure priorities:

- Our opportunities are connected to infrastructure investment
- Rail needs investment
- Motorway investment is essential

- We need infrastructure investment in food production & green energy
- UK needs this region to succeed
- Digital connectivity needs attention
- Mast's and investment for 5g is essential
- We need to articulate and convey why we are an important region
- Clean growth is a focus

Support measures:

- Need there to be recognition that support is required
- Businesses will need support after furlough and grants / loans
- Mechanism for connecting with each other is needed
- Supporting each other locally is essential
- Need to emerge with a focus on diversity
- Find ways for groups to come together for support

Professional community help:

- Sharing of knowledge
- Collaborative learning
- Share real examples of practice and knowledge through media channels
- Advocate resources you have used
- Digital knowledge sharing is important
- Business needs to work with each other and help each other
- Embrace the virtual working and learning world

Essex:

Emerging and important sectors:

- Construction, manufacturing, engineering, healthcare, logistics, finance & insurance
- Education is important to the local economy
- Skills development will be important to the region
- Skills development will be essential for high tech & green future economy
- Manufacturing base is very important as well as their supply chains
- Logistics demand will continue
- Finance, insurance & professional services
- Visitor economy will require focus and targeted support

Infrastructure priorities:

- Broadband & connectivity needs attention
- Roads need focus for increased logistics
- Ports & airports need continued infrastructure review
- Level up personal needs alongside business development, for example, suitable level of housing, doctor's surgeries and so forth alongside the investment & development of business parks

Support measures:

- Covid business support schemes have been important
- Continued support needs to be in place
- Access to working capital moving forwards needs to be available
- Businesses will need regular funding

- Local government support for retail sectors
- Thrive not survive support available
- Support for visitor economy
- Extension of measures beyond March 2021
- Education needs investment
- Upskilling leaders will need attention
- Provide business with as much advance notice in regards to policy reform & financial support
- Cutting national insurance will drive jobs growth

Professional community help:

- Essential to support business leaders
- Share knowledge & advice
- Advice to join associations in order to talk and have a support network
- Socially connect with people
- Invest in mental health & personal development

St Albans:

Emerging and important sectors:

- large amount of assets within Herts, creative hubs and their spin-offs (tech, marketing)
- how can we get young people into these industries.
- Need to be talking to the universities / colleges / schools to angle the students' skills
- Skills required are many and varied – from plasterers to post-production,
- Access previously not via the traditional route, often via people who knew people but now getting more professional
- this also the case for the (Sola Gene / bio tech which is at a critical mass, there are difficulties in recruiting along with the IT industries in our area (Ocado, Apple (in St Albans) along with Environmental Herts IQ combined with BRE / Rothamsted. There's converging of technologies (digital)

Infrastructure priorities:

- Train timetables / availability of rolling stock, the need to be flexible when these are used – perhaps different timings for the rush hour(s) if wanting to encourage people to return to the city.
- Also need more connectivity locally – if people are working and spending more locally then investment in local roads (using electric cars?) so people can access the different sites for their businesses along with the digital
- At the point of lockdown decision was taken to slow down the Internet for everyone to make it more stable for all but can't keep this up forever, digital and mobile technology needs investment.

Professional community help:

- Innovation is needed – relief on VAT was very welcome and much needed, and to decarbonize
- Professional services have put their hands up and asked “how can we help” to business and been very supportive.
- Incubation facilities for new businesses.
- Young people who've been left behind – need to take them on, create apprenticeships, work experience, create domestic demand

- Reach out to schools and colleges, young people who have interaction with the workplace prior to leaving education fare better.
- Offer young people insights into your businesses and provide opportunities for work experience and to work locally.
- In Hertfordshire we have the component parts in place for us to grow – are we sweating these assets enough?

Milton Keynes:

- The panel spoke about the take up of Tech and AI within MK and that these sectors have been instrumental to MK. Retail and hospitality have been hit hardest.
- The businesses that have done well during this time are those around Tech, Innovation and those able to pivot and diversify and move into new markets. Ecommerce has been a strong area and anything with a USP and especially a tech focussed USP. Digital skills have also been key.
- There has been an impact on the local supply chain due to the large volume of manufacturing businesses in MK.
- MK is well positioned to take advantage of shift in the economy and MK is likely to recover fastest as have a buoyant local economy
- The initial impact for MK has been quite severe. MK has a great focus on wholesale which will help with a speedy recovery. MK looks to be fastest growth county out of recovery due to wholesale sector
- Infrastructure demands that roads of future will be based more on needs of electric and autonomous vehicles as well as good access for walking and cycling. We need a strong digital infrastructure and even though MK has stood up well here, there is a still demand for improvements.
- Due to WFH, locals are not going into city centres as much which is detrimental, but this decline had already started before Covid. However local centres are doing better so there has been a change of balance. The pandemic has highlighted what we really value and accelerated trends that were already in place. The high street was on its knees before covid hit.
- The infection rate was very low as the town was designed in such a way that it works well with social distancing. MK has more shorelines than Jersey and plenty of outside walking space.
- There has been a shortage of manufacturing space of a certain size both pre pandemic and since however there is a lot of vacant retail space. Need to look at office space too.
- It has become clear that there is a lack of financial management of the smaller end businesses who are probably not taking advice from a professional.
- The role of the local authorities is to pick the businesses up from the bottom to resume and to make it easier for these businesses to carry on and to ensure their survival.
- We want to allow businesses in MK the ability to grow and scale up and stay in the area rather than move out.
- We must all continue to work collaboratively with businesses to support them
- The right type of housing needs to be built to attract the right type of professionals with the right skills. Its digital skills specifically that have come way up the agenda.

Brexit:

Business preparation:

- Many businesses not prepared – some stats from the Suffolk chamber are that 19% of businesses are not prepared whilst 53% of businesses prepared
- Businesses are dealing with COVID-19 implications
- Businesses are being pragmatic but are asking for more detail

- Border operating manual is an important tool
- Some clarity on services information required
- The documentation required for import / export is a concern
- The import / export process will be new to many businesses
- Micro businesses are less prepared
- All preparation action will affect the flow of ports
- Government is expecting many businesses not to be prepared to some extent
- Getting businesses to understand what terms of trade are is vital
- Businesses need to establish if they are importers or exporters
- Businesses need to talk to their suppliers and clients and clarify all terms
- There is a lack of skills and knowledge regarding requirements after transition
- Many small businesses are trying to survive day to day rather than focus on preparation
- A focus on VAT analysis will be essential to support small businesses
- Businesses need to focus on factors that they can control
- Positively, there are many opportunities in the EOE with many projects earmarked for investment

Pinch points:

- Ports will be a physical pinch point
- Regional difference in use of the ports
- Businesses need to consider the import & export control
- July 2021 – full import terms from the EU will be applicable
- Customs declarations are complex
- Government has provided grants for training and recruitment of agents
- There is a skills shortage of import / export agents
- Software will be required for customs declarations
- Lots of considerations regarding staffing, licensing and paperwork all add to business costs
- Training and access to talent will be an issue
- Data transfer and Data privacy
- Equivalency regarding financial services
- Policy makers need to keep concentrating on all these issues for the long-term
- Small Businesses need to investigate the efficiency of their supply chain

Practical Advice

- Talk to suppliers and clients
- Complex time for businesses – look to reassure
- Provide direction on where they need to look for accountancy or legal advice
- Focus on logistics, supply chain, knowledge of import & exports, consideration of costs and where they can be passed on
- Do not delay any action – prepare for new procedures and collaborate with your supply chain
- Analyse your business operations and do a full risk analysis

Skills:

How Covid-19 has affected skills:

- Sector by sector has been affected
- Significant decrease in job opportunities – 50% in greater Cambridge
- Positively, health, social work, logistics, supermarkets are all high growth areas
- High skills jobs growth

- Low skills jobs decline
- Some research work into well-being has shown that firms have accelerated their programme of care and support for workers having to adapt to the remote working environment
- Some lower-level skills jobs have been replaced and are now automated
- Well-being agenda is now an important focus for businesses
- Self-care is essential
- Pandemic has shown that the UK needs to upskill
- Future workforce needs to be educated & technically skilled
- Green recovery needs investment into training & skills

Impact of Brexit on Regional skills:

- There are gaps in the regional IT structure – connectivity is an issue and this needs to be addressed
- Talent in social care, however, connecting this talent with business is a challenge
- Overall skills requirements will be a challenge for the region
- Creating opportunities is vital whether this be work experience, internships, and volunteering
- We need to find out businesses' capacity in terms of offering experience opportunities
- We need to keep talent in the region
- Have conversations with employers to make them realise that their future workforce is here in the UK
- Give local people a chance whether this be young people or retraining experienced workers
- Skills training needs to be embedded into education
- Industry focused career advisors are important for the future
- Business needs to invest in providing career advisors who can work with schools, colleges, and universities.

Skills opportunities in the Region:

- Businesses to look at apprenticeships differently and revise structure
- Look for mentor's in business
- Government should be leading by example and ensuring that a skills focus for the future is paramount
- Funding for skills-based organisations should be central

Conclusion:

The Business Confidence Monitor analysis provided by the ICAEW has concluded that the East of England economy is in negative territory, however, has shown resilience to the recent challenges faced and has been one of the best performing regions in the UK behind Scotland and the East Midlands. Confidence in the East of England economy is at minus 11.

The regional breakout rooms have enabled discussion and reflection to take place which has provided our members and guests with new knowledge and strategic direction to take back into their businesses, companies and to share with their colleagues, clients, and wider network.