

London & South East Economic Summit – Monday 7th December 2020

Introduction

On Monday 7th December 2020, the London & East Regional team and associated District Society Presidents held the London & South East 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 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 Tom Ahmad, ICAEW President for Croydon 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:

London:

This session was chaired by Vicky Andrew, LSCA President with Luke Bruce, Head of Economic Development, GLA, Lauren Quigley, Heald of Innovation Programmes, London & Partners & Rowena Howie, London Policy Chair, FSB as panellists.

Croydon, South London & Surrey:

This session was chaired by Tom Ahmad, President, ICAEW Croydon with Richard Plant, Chairman, Develop Croydon, Steve Broom, Area Director, Metro Bank, Matthew Sims, CEO, Croydon BID & Caireen Mitchell, Chief Executive, Croydon College as panellists.

Kent & Sussex:

This session was chaired by Sam Mason, President, ICAEW South East with Jonathan Neame, Chief Executive, Shepard Neame Ltd, Gavin Cleary, CEO, Locate in Kent & James Bullock, Partner, Corporate, Brachers LLP as panellists.

Thames Valley:

This session was chaired by Paul Wagstaff, President, ICAEW Thames Valley with Alison Webster, Chief Executive, Thames Valley Berkshire LEP, Michael Cooper, Director, UK Co-ordinating Body at the Department for Environment, Food & Rural Affairs & Katy Rabindran, Director, Innovation & Technology, BDO as panellists.

Brexit:

This session was chaired by Rachel Underhill, Senior Business Strategy Manager, ICAEW with John Boulton, Director, ICAEW Technical Policy, Allen Simpson, Managing Director of Strategy & Corporate Affairs, London & Partners & Paul Samrah, Partner & Brexit Impact Specialist, Moore Kingston Smith 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
- Regional confidence in London is minus 28.7 & in the South East is minus 18.7
- WFH has had a large drag on economic performance in London
- Interaction is key to the London economy
- South East & Home Counties have the potential to eclipse London
- Financial services after Brexit transition will impact London's position
- London's position as international hub for travel has been affected with closed airports
- 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.

Discussion summaries:

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

London discussion:

Working from Home:

- There are challenges and benefits to all sizes of business
- Technology has enabled this
- Offices need to be more creative in the future in terms of how the workspaces is used
- Work life balance will continue to be a focus
- Home working is not for every sector – need to keep central London going
- Working from home is not the full picture of the London economy
- Businesses are optimistic about the future way of working
- Must be aware of whole other working world that still needs consideration

Employee's Health & Well-being:

- Every business has needed to look at physical and mental health of their employees
- Investment has been required to focus on COVID-19 risk assessments and risk management processes as well as physically adapting businesses where required
- Businesses have adapted amazingly to the changes required
- The openness and awareness around mental health has been prominent

- Current issues have enabled businesses to engage with their employees on an empathetic level.

Diversity and inclusion

- There is now an opportunity to effect and impact this during recovery
- Programmes will allow this to accelerate
- Businesses need to champion change
- Work with larger organisations to champion this
- Create solutions
- There is value in inclusive economic growth
- There is an actionable approach over the next 3-5 years
- Quality affordable childcare is a key issue
- Tackling inequality is an important London issue
- There needs to be equal resilience across London's population

Professional community help:

- Cut through the complexity of the situation
- Provide guidance
- Help businesses to see opportunities
- Help businesses to pivot & change
- Help businesses to become more digital

Croydon, South London & Surrey Discussion:

Emerging and important sectors:

- Discussion begins with exploring that the function of the office will change
- WFH is a massive threat to local economy
- Also a threat to next generation
- Foresee a seismic shift in office occupation & demand
- This point will have a knock on effect for all other sectors of the economy such as retail & hospitality as footfall will decline
- Retail / hospitality is normally a catalyst for renewed demand in a recovering economy
- Government needs to look at ticketing for trains to encourage people to return to towns and cities for work and thus spending in the areas they visit / work
- There will be a demand from young people to go back to the office in order to learn & develop
- Home environment doesn't suit all employees in terms of conditions for work / learning / development & productivity, however, does suit some areas of workforce
- Comments in regards to productivity and working from home – consensus that working from home does allow for a greater or similar level of productivity

Infrastructure priorities:

- Commuting issue – need for focusing on ticketing to encourage local activity
- Focus on infrastructure such as roads & public transport
- Continued business support is essential – bounce back better campaign mentioned
- Hospitality drivers required such as continued vat cuts
- Fundamental issue of IT infrastructure review needed – there is a lack of access for many young people for work & life – investment is required
- Overall point of access mentioned as a focus whether it be transport or IT

Support measures:

- Financial grants, furlough scheme – both measures essential
- Vat cut & rates holiday for hospitality businesses for 21/22
- All of these measures will enable business survival
- Bounce back loans – need to focus on levels of prepayment in line with businesses activity / recovery and then consider payment plans
- Training / retraining essential for young people / job seekers
- New infrastructure to support this takes time
- Private sector & public sector needs to work with colleagues / educational institutions to develop apprenticeships / opportunities for the future

Professional community help:

- Business community needs to organise events when possible
- Share experiences / share best practice
- Support moves with change of circumstances – for example downsizing, setting up suitable premises for business
- Potential for local development as less people commute into central London

Kent & Sussex Discussion:

Emerging and important sectors:

- Traditional industries will do well including agricultural and food production industries
- There will be Brexit implications for all sectors
- Investment into local wine production
- Life sciences and pharmaceutical – important
- Creative industries – will need support for start-ups
- Green energy
- Manufacturing – reshoring
- Commuting patterns – opportunities closer to home

Principal skills gaps that need to be addressed:

- Hospitality & tourism – strong in Kent
- These sectors will need long term vat and rates cut
- Economy stimulus essential with or without a Brexit deal
- Focus on education
- Skilled workers required for future local economy
- Lifelong learning & re-training needs to be emphasised

Support measures:

- Government schemes have been vital to businesses
- Furlough & business interruption loans
- Capital gains tax increases needs to be reviewed as will dampen entrepreneurial spirit
- Foreign direct investment – focus on this statute
- Local governance important – roads in Kent
- Wi-fi in area needs improvement
- Vat cut important

- Business rates need remodelling
- Small business stimulus
- Investment stimulus
- Encourage / incentivise investment and risk
- Apprenticeships and training – look ahead at employment requirements for 2022 and beyond

Professional community help:

- The experience and expertise required for your business is on your doorstep
- Use local businesses rather than London based
- Working from home and working locally will be a continued trend
- Use local supply chains
- Embed your business in the local community
- Cash and cash management essential
- 2021 will be an opportunity for businesses to stabilise and strengthen their balance sheets

Green recovery:

- Green revolution can emerge in next 10 years
- Many businesses aiming to be carbon neutral by 2030
- Concentrate on solar, working practices, lighting, insulation, charging points for vehicles & waste product use
- Carbon neutral town centers
- Green emphasis – investors want to see this in business plans / opportunities
- Green credentials increasingly important

Thames Valley Discussion:

Emerging and important sectors:

- Digital industries are important
- Huge strengths in pharmaceuticals and life sciences
- Research & Development
- Film & Production industry
- Real strength in engineering
- Agri tech
- Freight & lorry logistics
- Hydrogen power
- Need to focus on IT infrastructure to maintain development
- Reimagining city centres to create shared innovation spaces
- These reimagined city centres need to be attractive to entrepreneurs

Infrastructure priorities:

- Infrastructure plans have accelerated
- Rail improvements

- Smart motorways underway
- Digital challenge – change is required – full fibre broadband needed for 4g & 5g
- Thames Valley attractive place to do business
- Innovation & co-working spaces are important
- Housing challenge – affordable housing is required, and government funding is essential
- Priority is connectivity whether this be road, rail and digital
- Rebuilding the community is a priority in terms of creating personal connections
- Need to plan how we can create physical and personal connections once restrictions allow this to happen

Support measures:

- Extension of support is vital such as furlough, bounce back loans and so on
- Funding going forward will be restricted
- Government spending levels will drop
- There will be a balance between maintaining economy and public expenditure
- Hope that vaccine will allow restrictions to be lifted in the near future

Professional community help:

- Help get cash in businesses
- Create awareness of the support available
- Advisors in the local community need to help
- Creating connections and networks will be important
- Business advice is essential
- Business pivoting needs to be realistic
- Lots of change to many businesses infrastructure such as converting to an online platform
- Lots of work to do locally regarding Brexit
- Businesses need to concentrate on how they will manage the situation
- This is a period of unprecedented change for business
- Digital ways of working are still a challenge
- Offices of the future – need to look ahead at how they will function
- Future working will be a hybrid model and mix of office & WFH
- Office is essential to help & develop younger generation
- Local Business growth hubs are here to assist with all issues
-

Brexit Discussion:

How prepared are businesses?

- Depends on the size of the business – large companies are prepared and have previously diverted resources and funds to prepare for multiple outcomes
- SME's – slow off the mark in terms of preparation
- Covid-19 has had an impact on preparation
- Businesses may be expecting the same trading terms if a deal is agreed – need to be ready for customs declarations
- Regulated industries are prepared – unregulated industries less prepared
- Uncertainty has delayed business planning
- Businesses now having to deal with customs which is a major change and a point of friction.
- Businesses may have used buffers available to cope with covid-19 and have delayed preparation

A focus on pinch points for businesses?

- Tariffs will be a concern
- Equivalence & adequacy considerations
- Businesses need to be ready for customs
- There will be changes with intermediaries in the supply chain
- Businesses need to agree all processes with their suppliers and clients
- VAT considerations for EU countries
- Need to consider the switch to points-based immigration
- Businesses need to focus on trade terms with clients
- Consider access to ports
- Communicate with suppliers and customers regularly
- Implement agreements with suppliers and customers
- Devise procedures for new processes
- Chambers of Commerce can provide a guide on import & export procedures
- Long-term uncertainty will mean that a focus on corporate strategy is essential
- Focus on free-trade agreements – keep informed

Focus on potential free trade agreements:

- Businesses are aware of the opportunities; however, the practical approach is too much of a risk & expense at this stage
- Some businesses are embracing the new way of working by looking to virtual pitching – has seen that sector aligned companies are pitching together to place themselves in front of investor's
- High standards will be selling point for the future
- Strength in numbers – working together as organisations & companies to win business
- US trade deal is a concern at this stage

A focus on business advice:

- Corporate strategy very important – businesses need to focus on this and consider managing risk, decline of EU trade, focus on new customer groups and analyse supply chains.
- Focus on long-term plans – look 10 years ahead
- Be aware of all guidance – sign up to alerts
- Keep up to date on all changes published
- Advise your clients to acquire the UK border operating manual
- Advise clients to obtain preparation checklists
- Advise clients that communication is key

Conclusion:

The Business Confidence Monitor analysis provided by the ICAEW has concluded that the London & South East economy is in negative territory. London with a score of minus 28.7 is suffering from restrictions that have reduced the ability to be an interactive economy. Other factors to consider are that large numbers of workers have been working remotely and there has been very limited travel in and out of the city on a domestic and international scale. The South east economy is in negative territory at minus 18.7 and the analysis noted that the region has the potential to eclipse London.

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.