

Kent and Medway Economic Strategy

Draft Outline Strategic
Framework

Growth, Economic Development & Communities Cabinet Committee
10 May 2022





Introduction

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- In autumn 2021, Kent and Medway Leaders decided to progress a new **Kent and Medway Economic Strategy**. This will replace the Economic Renewal and Resilience Plan prepared in summer 2020 to support recovery from the Covid-19 pandemic, taking a longer-term view to 2030 and identifying county's shared priorities for sustainable economic growth.
- It is anticipated that the new Economic Strategy ought to provide a basis for joint working between Kent County Council, Medway Council and the Kent Districts, as well as with the business community, and it is expected that the Strategy will eventually be endorsed by Kent and Medway Economic Partnership (KMEP) as well as by the Kent and Medway Leaders. It should also help to support discussions with Government, in relation to future investment opportunities and potential devolutionary asks associated with a 'county deal' or similar arrangements.
- This pack presents an **initial draft structure** for the Economic Strategy, within which priorities can be identified. It sets out a '**logic chain**' for the development of the Strategy; works through a '**SWOT**' analysis of the county's economy to identify a series of high-level overarching **objectives**, and translates these into a number of county-wide **ambitions** within which more granular actions can be taken forward. It also sets out the **next steps** in taking the structure forward and translating it into a draft Strategy.
- At this stage, the Strategic Framework is an **outline for discussion**. It builds on earlier consultation with Kent and Medway Economic Partnership, the Kent Districts and within KCC and (when revised as appropriate) will provide a framework for the draft Strategy.

The starting point: Some key parameters...

- The overall approach to the Economic Strategy is set out in a Scoping Report considered by Leaders in the autumn. This set out some **principles** on which the Strategy should be based. These are:
 - Shared ownership: Jointly ‘owned’ by the Kent and Medway Leaders and endorsed by KMEP.
 - Based on evidence: Line of sight between the evidence and the policies and actions that it sets out.
 - Looking to 2030
 - An ‘economic strategy’, rather than a ‘community plan’: The ‘economy’ is a broad concept (it is not just about ‘business growth’ for example), but the Strategy isn’t intended to be an all-embracing ‘Vision for Kent’ type of document
 - Links to impact: Ambitious and aspirational, but avoiding ‘asks’ and proposals that are unlikely to have a credible business case
- **The Strategy must also align with KCC’s new Strategic Statement**, and the range of linked strategy work currently underway (including the Infrastructure Proposition, the Kent Environment Strategy and the new Local Transport Plan)

What it is...

- A partnership strategy
- An overall framework that partners can get behind
- Medium-to-long term (so recognising that policies and programmes will change over time and new ideas and investments will come forward)
- Covering the whole of Kent and Medway
- Helping to strengthen the ‘case for Kent and Medway’ in the context of future Government investment

What it isn’t...

- A ‘KCC’ strategy (although KCC is a leading partner)
- A detailed action plan (although it should set the context for action, and an action plan could follow)
- A funding bid (although it should inform funding proposals)
- Mandated by Government (although we would be sensible to recognise the direction of Government policy)

The starting point: The Levelling Up context

- The Government's recently-published Levelling Up White Paper provides important strategic context, given that it will 'set the tone' for the Government's approach to sub-national economic development over the next few years. Key points to note include:
 - The breadth of the concept of 'levelling up': making the links between productivity, pay and employment; health and wellbeing outcomes; and 'community pride' and sense of place are important.
 - Emphasis on reducing spatial disparities (locally as well as regionally)
 - Some risks to Kent, given the focus on increasing the relative balance of investment towards the North
 - Alignment of time horizon (with the White Paper also setting missions with an outlook to 2030)
 - County geographies are likely to be important as the next phase of devolution progresses – and there is clearer guidance regarding the nature of devolutionary opportunities that might be available.

The Levelling Up White Paper sets out four key objectives (set out below), supported by 12 missions:

Boost productivity, pay, jobs and living standard by growing the private sector, especially in places where they are lagging

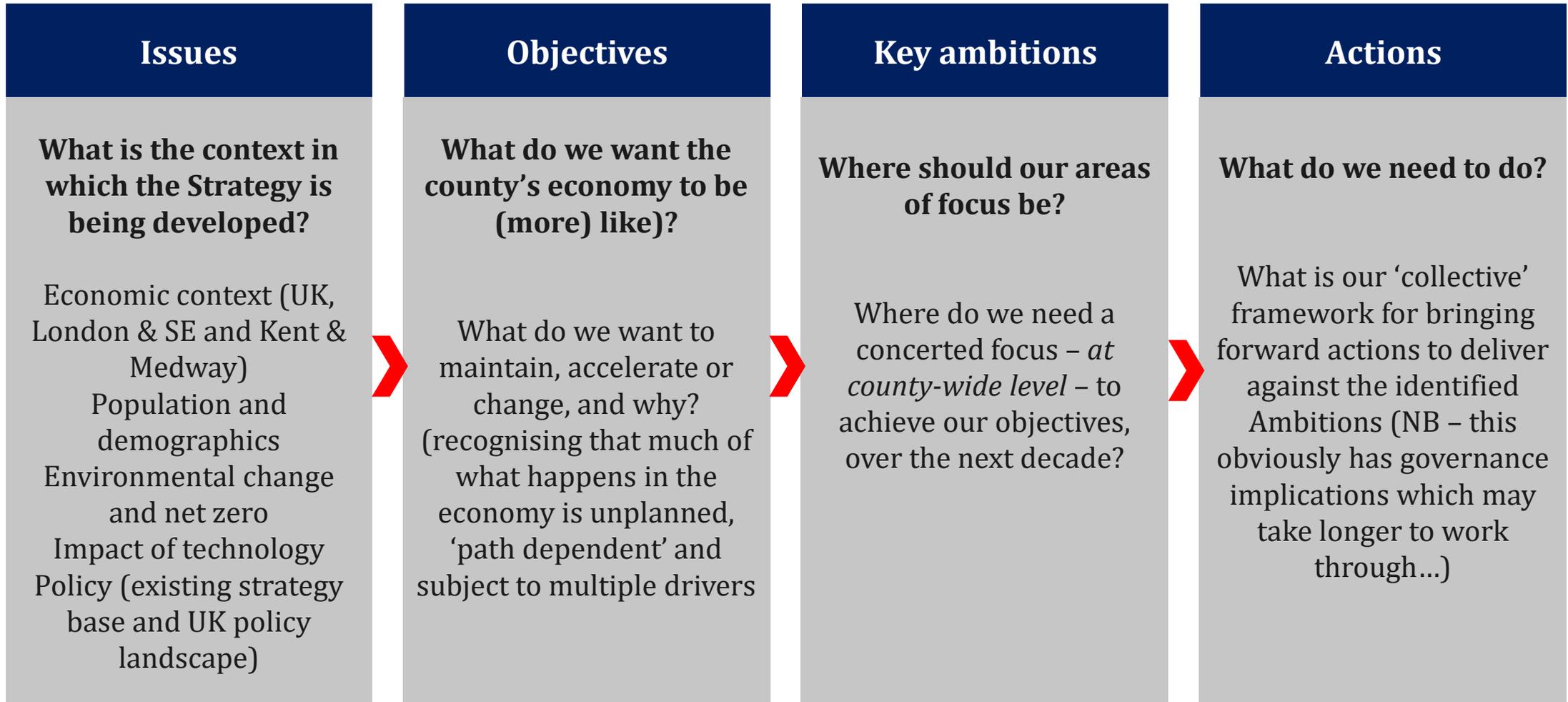
Spread opportunities and improve public services, especially in those places where they are weakest

Restore a sense of community, local pride and belonging, especially in those places where they have been lost

Empower local leaders and communities, especially in those places lacking local agency

An initial analysis of the implications of the White Paper for the Economic Strategy is set out in a separate pack

Developing the Strategy: A logic sequence





Consolidating the issues:
Summary of strengths,
weaknesses, opportunities and
threats

Issues: Introduction

- Building on the evidence base, the following pages summarises the county's economic strengths and weaknesses and the opportunities and threats that it faces.
- Unsurprisingly, many of these are shared with other parts of the UK: Kent and Medway has a large and diverse economy which is highly integrated into the rest of the Greater South East, and some major opportunities and threats (for example associated with decarbonisation and new technology) are universal and will impact all regions. On many indicators, Kent and Medway also performs around the UK average, even if that masks substantial local diversity. But some assets are more locally distinctive, and the combination of local characteristics will determine the way in which the county is able to respond.
- The next few pages work through each of the identified strengths, weaknesses, opportunities and threats to set out the nature of these, where they are locally distinctive and specific and their relevance for the development of the Strategy.

Issues: Strengths

Strength	Is this strength specific and distinctive to Kent and Medway?
Diverse, growing and resilient business base	Partly. Kent and Medway's business profile is strongly oriented to small and medium enterprises (although this is true of the UK as a whole, and Kent's profile is not dissimilar to the national average) But the SME stock is growing; general population growth drives opportunities for expansion.
Some major concentrations of economic activity	Partly. Linked with Kent's polycentricity, these are dispersed across the county (with business parks such as Crossways and Kings Hill especially significant). The pattern of activity (polycentric and complex) is more distinctive than the overall scale.
Strong record of job creation and increasing economic activity	Partly. The UK generally has a good record of job creation in recent years, although Kent's job numbers have expanded at a faster rate than in the UK overall.
Proximity to London and the wider employment and business opportunities of the Greater South East	Partly. The whole of the Greater South East has strong connections with London, and counties to the west are (on average) better connected and integrated. But London and the GSE is an important commuter destination and market for local services, and parts of Kent have some cost advantages over other parts of the wider region.
Recent and current infrastructure investment	Yes, in terms of the specifics – e.g. High Speed 1 as a nationally-significant infrastructure investment (substantially removing the historic deficit in rail connectivity, and although now well established, leading to further investment (e.g., Thanet Parkway)
Natural and built environmental quality and 'quality of life' offer	Yes, in terms of the specifics (AONB, coast and heritage assets) and the wider cultural offer, contributing to the county as a visitor and investment destination and source of spatial 'distinctiveness'
Some established sectoral strengths	Partly. Generally, the county is characterised more by sectoral diversity than by key concentrations. But there are some localised concentrations, and distinctive assets in some smaller sector groups (e.g., land-based industry)
Substantial university offer, supported by recent investment	Partly – some distinct strengths (e.g. bioscience at Kent, engineering at Greenwich), with prospects for future development. Strong investment in recent years (e.g., EDGE, KMMS), despite current funding challenges.

Issues: Weaknesses

Weakness	Is this weakness specific and distinctive to Kent and Medway?
Moderate productivity gap	No. Most of the UK has 'below average' productivity, due to the skewing effect of London, and Kent's performance in recent years has not been much different from the rest of the UK. But it is still weaker than neighbouring counties in the South East and there is scope to catch up.
Relatively weak workforce skills	Yes. The 'deficit' in the proportion of the workforce qualified to NVQ4+ is long-standing and persistent: although the qualifications trajectory is in the right direction, the difference between Kent & Medway (<i>as a whole</i>) remains significant, and is especially pronounced in North and coastal Kent).
Weak performance on most measures of innovation	Partly. To some extent driven by the absence of larger firms; Kent performs worse than other parts of the GSE (and much of the UK) in R&D spend, Innovate UK investment, etc.
Relatively high costs	Partly. Reflects Kent's South East location, and similar issues apply elsewhere – but housing affordability ratios are high and rising (esp. in West Kent), and relatively high living costs relative to workplace wages can impact on staff recruitment and retention (e.g., in sectors such as Health)
High and localised inequalities and concentrations of disadvantage	Yes. The spatial pattern is quite distinctive, both across the county as a whole (economic indicators in Thanet (for example) tend to mirror those of coastal towns in the North, rather than the GSE), and at local level. Relationships between employment, skills, health and wider wellbeing outcomes are likely to be important.
Industrial transition legacies	Partly. Spatial patterns of inequality are partly determined by long-term patterns of deindustrialisation, which have been persistent over time. This is a UK-wide issue, although Kent (esp. North and East Kent) are relatively more impacted than the wider South East.
Market change impacting on viability and vitality of town centres	No. This is a structural issue affecting towns and cities everywhere, although the impacts are highly distinctive at individual town level (e.g., linked with the physical configuration of the town)
Relative peripherality	Partly. Objectively, Kent isn't peripheral. But perceptions can be important (linked with some of the issues above), even as measures to improve connectivity etc. come forward

Issues: Opportunities

Opportunity	Is this opportunity specific and distinctive to Kent and Medway?
Opportunities for growth associated with technology development and adoption	No. Largely shared across the UK as firms adapt to new technology and respond to regulatory and market pressures to decarbonise and increase efficiency. The challenge is to enable Kent's SMEs to respond effectively and take advantage of and supplement where necessary national incentive measures
Some distinctive innovation assets with prospects for future development	Yes. These include the concentration of life science activity at Discovery Park, NIAB-EMR at East Malling, some of University of Kent's data science assets. These are relatively small in the context of the county's economy as a whole, but have prospects for growth and wider policy traction.
Population growth driving workforce growth and demand	Yes. Kent & Medway's working age population is growing much faster than the UK average. This creates demand for local goods and services, including those of a strategic nature that concentrate in areas of high population (e.g. specialist medicine)
Transformational investments associated with nationally-significant regeneration	Yes. The continuing development of Ebbsfleet Valley and major investments such as London Resort are of bigger-than-local significance; and within the county, developments such as Otterpool Park also present specific growth opportunities.
Locally-specific regeneration opportunities	Yes, at local level – e.g. town centre investments which may be locally transformational (although diverse and locally specific, given the county's polycentricity).
Potential to retain and develop talent building on the university base	Partly. Graduate retention is a challenge and objective in lots of places (and ought to be a consequence of increased demand). But there are opportunities through general economic and population growth, perhaps linked with increasing productivity and adoption among SMEs.
Opportunities arising from increased flexible working	Partly. The benefits from hybrid/ home working apply everywhere, although there may be some specific opportunities for Kent, given proximity to London and the opportunity to work on a more flexible basis.
Improved collaboration and partnership working	Partly. This might include measures linked to a 'County Deal'. But there is scope to work collaboratively more broadly, building on the experience of institutions during the pandemic and recent experience in relation to employment and skills activity

Issues: Threats

Threat	Is this threat specific and distinctive to Kent and Medway?
Infrastructure pressures	Yes, through the combination of existing population distribution patterns, housing and population growth and nationally-important strategic infrastructure (e.g., linked with the Channel ports). This impacts on perceptions of accessibility and resilience as well as constraints on connectivity
Economic impact of environmental pressures and climate change	Partly, although flood risk issues are significant across the county and impact on existing employment locations as well as new development.
Brexit-related uncertainties relating to export markets, port-related activity, etc.	Partly. In general, trade-related risks apply everywhere (and perhaps less to Kent than to some other parts of the country, given the county's mostly service-oriented economy). But port-related challenges are locally significant and contribute to the infrastructure resilience issues highlighted above.
Government prioritisation and consideration of local need	Partly. From a regional policy perspective, Kent and Medway is not a Government 'priority', and it is not likely to be. This presents some challenges, given that some of the issues that the county has are distinct in relation to the rest of the South East, and have the potential to be overlooked in the context of national rebalancing. This possibly means that i) Government investment should probably not be central to the Economic Strategy; and ii) 'making the case' for investment probably needs to be clearly focused.
Loss of competitiveness in London and the Greater South East	Partly. This is relevant to the whole of the GSE (and the UK), but given London's importance as a commuter destination and service market, London's economic health is important to Kent. The long-term effect of the pandemic (and Brexit) on London's competitiveness has yet to fully play out, but while there are opportunities for Kent in terms of home working etc., any net loss of jobs in London would likely have a negative impact on the county.
Risk that existing inequalities could be exacerbated	No. This is a generic risk, although linked with the Government funding risk above.

Issues: Bringing it together

- Overall, **Kent and Medway has a diverse and dynamic economy**, which has been successful in recent years in increasing employment, growing its business stock and attracting investment
- **Recent and forecast population growth (including *working age* population growth) is substantially higher than the UK average, and is transformational in parts of the county.** Linked with this, Kent's 'share' of the UK population is rising fairly rapidly. It's a place where people want to live, and it enjoys a substantial stock of 'quality of life' assets which are important to enhance and protect.
- However, the county is **polycentric and complex**: while the Kent 'brand' is easily recognisable ('garden of England', 'gateway to the UK', etc.), in *economic geography* terms it is quite complicated: there is scope for rural, urban, suburban and coastal narratives, but there are strong connections across all of them. **Local distinctiveness and diversity** is likely to be important to the strategy – but so are the **complex links across places and industries** within a dense geography that is both 'peninsular' and integrated into London and the wider South East.
- Across the county, there is **some underperformance on conventional measures of innovation, significant underperformance in workforce skills** (although, reflecting the county's diversity, not *everywhere*), and, partly reflecting this, **average performance on productivity**.
- **There are important opportunities for innovation and growth** linked with (for example) Kent's life science and agritech capabilities. But **productivity growth won't just come from the 'leading edge'** – the ability of the county's SMEs to adapt to new markets, changing technology and the decarbonisation imperative will be important across sectors and places.
- **Making best use of the county's workforce will be critical in supporting that.** Local inequalities are quite high, there is scope for raising aspirations and the supply of and demand for an increasingly skilled workforce at all levels.



**Towards a framework:
Potential Objectives and
Ambitions**

Towards a framework...

Three objectives: By 2030, we want our economy to be more...

Productive

Sustainable

Inclusive

Enable innovative, productive and creative businesses

Widen opportunities and unlock talent

Secure resilient infrastructure for planned, sustainable growth

Place economic opportunity at the centre of community renewal and prosperity

Create diverse, distinctive and vibrant places

To 2030: Five ambitions to...

Leading to...

Economic and wider environmental, health and wellbeing outcomes

Narrative principles

In drafting the Strategy...

- We start from an optimistic and ambitious perspective: building on assets and capabilities, rather than mitigating deficits
- We recognise that 2030 isn't far away – ambitions are longer-term, but action in the next few years will set the course for the future
- We link to wider policy, in relation to the wider benefits highlighted opposite
- We recognise diversity, but the narrative is county-wide
- We're not locked into specific funding streams (unlike, for example, the former Strategic Economic Plans). That means the Strategy is at relatively high level

Objectives

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- Overall statements of ‘what we want our economy to be (more) like over the next few years. These are likely to be uncontentious, and could apply anywhere (i.e., they aren’t distinctively ‘Kentish’, although the way in which they are might be). But they set out the parameters for the Ambitions that follow – so *all* the actions that are taken in support of the Strategy should support an economy which is more...
 - **Productive:** Overall, productivity is the main driver of economic growth. Increased productivity (more output per hour or per job) drives salary growth and tax take – and it is especially important in the context of weak productivity growth in the UK as a whole. Formal measures of productivity are driven by the sectoral balance and activities taking place within sectors – but more broadly, local productivity is influenced by skills, infrastructure, housing markets and so on.
 - **Sustainable:** Across the Strategy, the climate emergency and achieving net zero is a central contextual factor. This impacts all aspects of the ‘economy’ (i.e., it relates to the promotion of those business activities at the leading edge of low carbon innovation, as well as adaption across the business base, but it also relates to all other factors in the economic system (energy systems, housing, transport, skills and so on. So it impacts across the whole Strategy and the subsequent Ambitions.
 - **Inclusive:** Inequalities in Kent are relatively sharp and impact on most other wellbeing outcomes. But while higher productivity and higher investment should drive higher pay in aggregate, it won’t automatically benefit everyone - and all technological advances have transitional downsides which need to be mitigated.

Ambitions (i)

To 2030, we aim to...

Enable innovative, productive and creative businesses

Why?

- Jobs and GVA growth are ultimately driven by existing firms expanding, new firms starting, or through inward investment.
- Kent and Medway has a generally strong and diverse business base, which has grown in recent years. University-industry links have strengthened (c.f., EDGE at Canterbury Christ Church) and there are emerging concentrations of innovative/ high-value activity.
- While Kent's productivity challenges are well cited, there are opportunities for productivity growth across the board. Direct local public intervention might only make a marginal difference – but stronger links with the 'knowledge base and incremental change can build over time.

What?

- Understanding and developing the county's core innovation assets and building connections to the wider business base.
- Supporting expansion and 'scaling up', especially through addressing barriers to growth (e.g., in the supply of commercial property, especially where current constraints have negative environmental impacts; or in access to finance and wider support
- Supporting resilience (technology adoption, management capacity, etc.
- Recognising and optimizing the role of the public sector, where it is a key purchaser of goods and services (and where it has a dominant market role, e.g., in respect of Health and social care)

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To 2030: Five ambitions to...

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Ambitions (ii)

To 2030, we aim to...

Widen opportunities and unlocking talent

Why?

- Kent and Medway's workforce skills profile is moving in the right direction – but there is still a deficit against the UK average, and this is persistent over time. This impacts on the ability of residents to command higher rates of pay and better progression prospects, and is a barrier to business growth (although supply and demand are not independent).
- There is a strong policy and strategy basis for action, linked with the Employment Task Force, recent consolidation of the FE sector, new initiatives (such as the LSIP) and the traction provided by the Skills White Paper.

What?

- Delivering the actions within the Workforce Skills Evidence Base Action Plan as that develops
- Continuing to build stronger relationships between the FE and HE sectors and employers (building on and broadening out from the LSIP process)
- Coordinating funding (for example through the Adult Education Budget, where this may be amenable to devolution, although potentially leading to wider opportunities.

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To 2030: Five ambitions to...

Leading to...

Economic and wider environmental, health and wellbeing outcomes

Ambitions (iii)

To 2030, we aim to...

Secure resilient infrastructure for planned, sustainable growth

Why?

- Kent and Medway has some unique infrastructure resilience challenges, given its 'gateway' function, rapid growth and development and complex existing travel patterns.
- At the same time, infrastructure constraints (in terms of environmental infrastructure and community infrastructure) act as a barrier to bringing forward planned growth.
- Over time, infrastructure demands will continue to evolve, linked with a increasing shift towards sustainable transport and demand for increased digital capacity.

What?

- Taking forward the Infrastructure Proposition (securing investment in advance of development, and developing the business case and securing a funding route for this)
- Securing investment in the county's primary infrastructure priorities *[NB – the Economic Strategy shouldn't aim to duplicate existing/ planned strategy. But it could provide the hooks to support it, and act as a basis for articulating the wider economic benefits of key investment priorities]*

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Leading to...

Economic and wider environmental, health and wellbeing outcomes

Ambitions (iv)

To 2030, we aim to...

Place economic opportunity at the centre of community renewal and prosperity

Why?

- Recent economic strategy has tended not to emphasise community economic development, or the interface with wider community renewal issues (other than in the context of skills), partly because this has not been central to the Government's funding approach. However, the Levelling Up White Paper provides some change in direction.
- Spatial inequalities are relatively sharp in Kent and Medway. These impose public costs and impact wider wellbeing outcomes – and there is a key role for public policy in mitigating them and supporting wider economic participation and inclusion

What?

- Community economic development activity (through supply of support services, business space, etc.)
- Securing investment in wider regeneration
- Supporting community-focused intervention through the Shared Prosperity Fund
- From a longer-term strategic perspective, recognising the inter-relationship between employment, pay and wider aspects of prosperity and wellbeing (in terms of health and housing outcomes and so on) and developing a stronger framework across public service and other partners to better coordinate action.

Three objectives: By 2030, we want our economy to be more...

Productive Sustainable Inclusive

To 2030: Five ambitions to...

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Leading to...

Economic and wider environmental, health and wellbeing outcomes

Ambitions (v)

To 2030, we aim to...

Create diverse, distinctive and vibrant places

Why?

- Kent and Medway's town and city centres have been challenged recently by structural shifts in the retail sector and by the experience of the pandemic. However, they are central to local identity and pride and as commercial, cultural and public service centres and economic opportunity – and are important locations for housing growth.
- More broadly, Kent has a complex typology of urban, rural and semi-rural communities, which are strongly interconnected. We want to see sustainable growth across the county.

What?

- Coordinated use of public sector assets to support town centre regeneration
- Coordinated approaches to investment (potentially linked with, but going beyond specific Government funding streams).
- Likely to be geared around distinctive strategies for different places, with District leadership.

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**Next steps and questions for
discussion**

Next steps: Implementation

- The Strategy itself is a partnership document, ‘owned’ by the Kent Leaders and with a time horizon out to 2030. This means that:
 - There are likely to be several routes to delivery, via the local authorities individually, via the private sector and through collective action
 - There will need to be flexibility as Government funding sources and priorities change over time, within the context of the ‘ambitions’ we have set out
 - The Strategy *could* form the basis for a ‘County Deal’. But it shouldn’t be limited to this (and discussions about a County Deal will take longer to work through).
- **KCC’s role** will be two-fold:
 - First, in the direct delivery of specific action areas within the Strategy (alone or in partnership). Some of these are highlighted on the preceding slides.
 - Second, in providing coordination and programme management services at county-wide level (building on the role that KCC already plays in (for example) coordinating Kent and Medway Economic Partnership)
- Both of these roles will potentially have resourcing implications. However, the Strategy provides a *basis* for decision-making (and for securing external funding) over the medium to long term, rather than making any resource commitments.

Questions for discussion

- Do you agree with the overall SWOT assessment (in headline terms)? Is anything missing or over/ under-emphasised?
- What are your views on the overall suggested framework:
 - Do the high-level objectives make sense? What should be added, if anything?
 - Do the five 'Ambitions' capture the breadth of the agenda that the Economic Strategy should address? What else would you add?
 - Do you agree that the Strategy should go beyond narrowly-defined 'economic development' actions and is this achieved through the framework?
- How can we best ensure alignment with existing/ emerging strategy work in other fields of activity?
- What are your initial thoughts on priority areas for action?



Contact

For more information:

Ross Gill

Associate Director

SQW

t. 07837 872705

e. rgill@sqw.co.uk