

22 March 2018

Trade and International Update

Purpose

For information.

Summary

This paper provides Members with an update on the progress, focus and direction of work to advance the position of local government in relation to trade and inward investment policy, pending a more detailed discussion at a future board meeting.

Recommendations

Members of the People and Places Board are asked to:

1. **Note** the progress in relation to engaging stakeholders on the role of councils in trade and inward investment policy (**paragraphs 7 – 10**).
2. **Note** the proposed policy priorities in advance of further discussion at a future Board (**paragraph 14**).

Action

Officers to take forward work-in line with Members' steer.

Contact officer: Philip Clifford
Position: Senior Adviser
Phone no: 07909 898327
Email: philip.clifford@local.gov.uk

Trade and International Update

Background

1. In January 2017, recognising that significant elements of Britain's future trade and inward investment landscape were still to be determined, the Local Government Association commissioned Value Adage to carry out qualitative research in support of work to develop a strengthened sub-national approach to these issues.
2. The research concluded in early April and its key findings were presented to members of the People and Places and City Regions Boards in June 2017, which were as follows:
 - 2.1 The current institutional landscape for supporting trade and investment in the UK is needlessly complex and crowded, with over 80 programmes and projects designed to promote trade and investment at multiple spatial levels.
 - 2.2 Despite positive relationships between national and local agencies, strategic planning and delivery lacks consistency. This is confusing for businesses, investors and delivery agencies.
 - 2.3 The volume based targets that national and local strategies work to are at odds with the Government's commitment to building an economy that 'works for everyone' and are prioritising volume over value. There is also heavy competition for funding and a considerable dependence on the Regional Growth Fund and European Funding and Local Growth Fund, all of which face uncertain futures
3. Board Members broadly agreed with the thrust of these conclusions and welcomed the opportunity to highlight how councils are making a success of local approaches to trade and inward investment despite current national constraints.
4. They noted however that the challenges of taking forward the research's recommendations for institutional reform in support of simplifying and streamlining future arrangements should not be underestimated and that the coming months were likely to present potentially significant changes in Britain's trading environment following our departure from the European Union.
5. As such, at the City Regions and People and Places Board meetings in September 2017 it was agreed that officers would focus their work in the short term on engaging with Whitehall and business stakeholders to better understand their respective priorities, explain the role of councils in supporting trade and inward investment, and, to explore the opportunity presented by the then forthcoming Industrial Strategy to strengthen local and sub-national approaches.
6. This paper provides members with an update on the progress, focus and direction of this work in advance of a more detailed discussion at a future board meeting.

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Stakeholder Engagement Progress

7. The Government's future approach to trade and inward investment following Britain's departure from the European Union remains contingent on the parameters of both the withdrawal agreement and the scope of any future trade deal between the UK and EU 27.
8. While this has afforded the LGA with an opportunity to meet with representatives from the business community - the Confederation of British Industry, the Local Enterprise Partnership Network and Federation of Small Businesses - their perspective has understandably been characterised by uncertainty regarding future trading arrangements and an absence of clear policy priorities.
9. Equally, the Department of International Trade's (DIT) primary focus in recent months has been to build negotiating capacity and trade policy expertise. The Chair of the Brexit Task and Finish Group met the Permanent Secretary of the Department at a DIT seminar in January. Subsequently, she invited him to contact her to discuss the local government role. Although this meeting has yet to take place, in pursuing this invitation with DIT officials LGA officers have met with them to discuss both the Department's Export Strategy Review and opportunities for councils to help shape future policy.
10. Further meetings are planned and, in addition to ongoing work with the Department for Business, Energy and Industrial Strategy, and with the Ministry for Housing, Communities and Local Government in relation to both the development of Local Industrial Strategies and the expected Common Devolution Framework, this will be an opportunity to begin a more structured conversation regarding the focus and direction of council activity the area of trade and investment policy.

Future Policy Focus

11. Britain's withdrawal from the European Union is scheduled to take place in a little over a year. The generally accepted understanding is that the UK's future trading relationship with the EU and the rest of the world may only be negotiated once departure arrangements have been formally agreed. As such, the Department for Exiting the European Union has the preeminent role in shaping policy at the national level and has thus far been the priority for the LGA's engagement in this area, particularly in relation to the impact Britain's departure from the Custom Union might have on councils' statutory responsibilities in relation to food and animal hygiene at ports.
12. As withdrawal negotiations between the EU 27 and the UK continue it is expected that issues relating to future trade deals will assume greater priority. This will place greater emphasis on the relationship the Local Government Association has with the Department for International Trade. However, it is likely to be many months before we have greater certainty over the UK's future trading position.
13. Consequently, while, as indicated above, informal exploratory conversations between officials have already begun, we now have the opportunity to continue to develop our policy position in advance of more formal, board-level engagement, recognising that both the LGA Chairman and the Chairman of the LGA's Brexit Task and Finish Group will also continue to have an active interest in this area.

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14. It is therefore proposed that the future policy focus of the People and Places Board should be aligned with the pursuit of three objectives:
- 14.1 To continue to evidence the role councils and mayoral combined authorities can play in building trade and investment links with cities and regions across the world so that the LGA might more effectively advocate for greater council representation in the Department for International Trade's work to secure future trade deals.
 - 14.2 To continue to press ahead with our work to show that current sub-national arrangements are not fit for purpose and to shape thinking in relation to the funding, focus and functions of a future localised approach, that includes a specific consideration of the role of combined authority mayors.
 - 14.3 To offer best practice advice to support the development of Local Industrial Strategies that seek to anticipate to changes in the pattern of Britain's export and inward investment flows. Noting that while the Local Government Association would advocate for the inclusion of such considerations, the government has yet to provide certainty regarding this.
- 15. Members are asked to note this update and the proposed direction of policy work in this area in anticipation of a more detailed discussion at a future board that supports the development of a formal policy position.**