

## Trade, Inward Investment and International Engagement

### Purpose of report

For discussion and direction.

### Summary

This paper provides an update on the LGA's recent work on trade, inward investment and international engagement and proposes next steps for the board to consider in these areas.

### Recommendations

Members of the City Regions Board are asked to:

**Note** recent developments in relation to the LGA's work to:

1. Build an evidence base of council trade and inward investment activity (**paras 9-12**);
2. Raise the profile of international relationships established by councils with localities across the world (**paras 13-16**); and
3. Support councils to better deliver trade and inward investment activity (**paras 17-22**).

**Agree** next steps for the LGA's trade, inward investment and international engagement activities (**paras 23-24**).

### Action

Officers to proceed with next steps in line with Members' steer.

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## **Trade, Inward Investment and International Engagement**

### **Background**

1. Increasing exports and attracting greater levels of inward investment have a crucial role to play in driving local economic growth across the country post-Brexit. More broadly, councils have a strong track record of building connections with localities across the world, providing opportunities for knowledge exchange and shared innovation. As work to renew and reshape Britain's relationship with international partners has gained increased prominence, so too has the extent to which national policy and funding arrangements are able to fully support local activities.
2. Councils are uniquely positioned, with knowledge of their local economies as well as powers over infrastructure planning, to attract inward investment and work with local businesses to increase exports to foreign markets.
3. In recognition of this and within the context of Brexit, the Industrial Strategy and the pursuit of greater local devolution the LGA, steered by members of this Board and the People and Places Board, commissioned a review of the sub-national trade and investment policy landscape in late January 2017.
4. This review found that the institutional landscape in place to support trade and inward investment is needlessly complex and crowded. It also outlined the untapped potential for councils to play a strengthened role in helping develop and deliver more coherent and locally attuned support for trade and investment activity.
5. As withdrawal negotiations between the EU27 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 (LGA) has with the Department for International Trade (DIT) in order to press for a role of councils. In recent months there has been a notable and welcome uptick in engagement from DIT with the LGA and both the research commissioned to date and detailed below has played a key role in supporting this.
6. While it is likely to be several months before we have greater certainty over the UK's future trading position, the onus is on local government to continue to make the case for an active role in the development of future trade and investment policy.

7. With this in mind, officers have made progress across three strands of work that advance the Board's interests in this area:
  - 7.1. **Building an updated evidence base of council trade and investment activity**, by undertaking a sector-wide survey to better understand the depth and diversity of trade and international links established by councils and to understand the role that local government can play in building trade and investment links with cities and non-metropolitan areas across the world as the UK prepares to leave the EU.
  - 7.2. **Raising the profile of council trade, inward investment and international engagement activities**, principally through the LGA's engagement with the Department for International Trade and wider elements of the LGA's international work, including a recent meeting between the LGA and our French local government counterparts the AFCCRE.
  - 7.3. **Supporting councils to deliver trade and investment activity**, initially through the commissioning of a toolkit to support councils seeking to attract foreign capital investment in their area.
8. This paper updates members on progress within each of these strands of work and proposes next steps to take forward the LGA's work on trade, inward investment and international engagement.

#### **Building an updated evidence base of council trade and investment activity**

9. As previously agreed by the Board, officers have undertaken a survey to better understand the depth and diversity of trade and other international links established between councils and global partners, with a view to strengthening the role of local government in future trade and investment activity.
10. This survey sought to capture views from the sector on the following areas:
  - 10.1. The current local institutional arrangements in place to support trade and investment activity and the international relationships that have been established by areas;
  - 10.2. The effectiveness of external sub-national and national mechanisms and the ability of the local government sector to influence these; and
  - 10.3. The place and sectoral priorities for the national and sub-national trade and investment landscape following Britain's departure from the EU.
11. The survey deadline has been extended until 16 November and a full analysis of results won't be available until after the Board meeting. A note capturing initial findings from the survey is available as **Appendix A**, broad headlines include:

- 11.1. Many respondents demonstrated the extensive activity carried out by their local or combined authority to support trade and investment in their area and provided evidence to support this;
- 11.2. This activity has led to the establishment of a diverse range of international links across the world and particularly with China;
- 11.3. Views on the effectiveness of sub-national and national mechanisms at supporting trade and investment activity were mixed, with a further interrogation of responses required to establish whether there are specific types of council or areas where these mechanisms are less effective;
- 11.4. A majority of respondents indicated that they were aware of local evidence to suggest that trade and investment activity in their area was likely to alter as a result of the UK's departure from the EU; and
- 11.5. Respondents provided a range of asks of Government to strengthen the role of councils and local partners in this area, including the need for:
  - 11.5.1. adequate and sustained resourcing for this activity, particularly due to the dependence of current activity on EU funding streams;
  - 11.5.2. devolution of funding and functions relating to trade and investment; and
  - 11.5.3. clarity on institutional roles and responsibilities relating to trade and investment.

**12. Members are asked to note the update on work to build an evidence base of council trade and inward investment activity and comment on the next steps proposed in paragraph 24.**

**Raising the profile of council trade, inward investment and international engagement activities**

13. The LGA has taken steps to build a relationship with the DIT and ensure that the role of councils in driving trade and investment is a key consideration as the UK's future trading relationship with the world is developed following Brexit. This work has commenced with initial engagement at political and official levels between the LGA and DIT.

Most recently, the Chairman of the LGA's Brexit Taskforce, Cllr Kevin Bentley gave evidence to the International Trade Select Committee on the role of local government in post-Brexit trade on 14 November. At the time of drafting this report it is anticipated that the session will focus on the role of local government in facilitating international trade and the priorities for local government following the UK's departure from the EU.

14. In addition to engagement with DIT, the LGA is also seeking to use elements of its international work to promote the role of local government in supporting trade and

investment. Recently, the LGA held a meeting with the French LGA (AFCCRE) where local and regional politicians from both countries came together for a roundtable discussion.

15. This roundtable provided an opportunity for members to discuss a range of topics of shared interest with their counterparts, including the national-local relationship, financial and demographic pressures, reorganisation and relationships between rural and urban authorities. Members also had an initial conversation regarding a potential bilateral summit of local leaders organised by the UK and French national governments, including consideration as to how to develop a new type of economic partnership between localities over and above traditional twinning relationships.

**16. Members are asked to note the update on work to raise the profile of council trade and investment activity and comment on the next steps proposed in paragraph 24.**

#### **Supporting councils to deliver trade and investment activity**

17. Following the research that this Board and the People and Places Board have undertaken in this area, officers have had several discussions with officials at the Department of International Trade to understand how councils can be supported to attract inward investment.

18. The Department's Capital Investment Team have outlined a mixed level of success across the country in attracting Foreign Capital Investment (FCI) into infrastructure projects; while some areas are breaking new ground and successfully developing 'pitch books' to attract international capital investment, others require a greater level of support.

19. Recognising the work that is already taking place, and the support that some areas may need in this area, officers have begun the process of commissioning a piece of improvement work to outline the role councils can play in facilitating and attracting FCI. It will capture sectoral best practice and develop a set of resources to support councils and their private sector partners to maximise investment opportunities and consider how to develop a longer-term pipeline of projects to meet international investor need.

20. The supplier will work with a selection of councils, combined authorities, Government Departments and other stakeholders to produce a set of practical resources. It is expected that this product will include:

20.1. A detailed but accessible explanation of FCI and its flows across the world;

20.2. A set of case studies outlining examples of councils working successfully to attract FCI into their area;

- 20.3. An overview of the existing support available to councils from the regional and national teams within the Department of International Trade's Capital Investment Team and the Department for Business, Energy & Industrial Strategy;
  - 20.4. An outline of the key areas in which international investors need support at a local level;
  - 20.5. An exploration of how councils in more sparsely populated areas could potentially "bundle" opportunities to meet the requirements of investors and the needs of their communities; and
  - 20.6. A set of policy recommendations for the Local Government Association and the Government on how to improve support local areas to attract capital investment going forward.
21. The project will be completed by March 2019. The supplier will be asked to present to both the City Regions and People and Places Board as part of its stakeholder engagement process.
- 22. Members are asked to note the update on support to councils to deliver trade and investment activity and comment on the next steps proposed in paragraph 24.**

### **Next steps**

23. With consideration to the LGA's work on trade and investment to date, Members of the City Regions Board are asked to consider and agree on the next steps for the LGA's work on trade and investment. Proposed next steps include work to:
- 23.1. Develop a detailed set of policy proposals for consideration by the Board to guide the LGA's future work on trade and investment, using evidence provided by councils and feedback from relevant Boards;
  - 23.2. Establish a virtual sounding board of trade and investment lead officers from local and combined authorities to inform the LGA's response to emerging announcements from DIT and the Government on the post-Brexit trade and investment landscape; and
  - 23.3. Invite a representative from DIT to present at a future meeting of the Board on the potential role of councils and local partners in the post-Brexit trade and investment landscape.
  - 23.4. Continue to explore opportunities for bilateral co-operation with localities, including a potential summit between the UK and France in the New Year.

24. Board Members are invited to **comment on the proposed next steps** and **consider any further activity** specific to urban authorities that the LGA might undertake relating to trade and investment.