

Birmingham City Council

Report to Cabinet

11th February 2020



Subject: Business, Investment and Trade Strategy
Report of: Interim Director Inclusive Growth
Relevant Cabinet Member: Councillor Ian Ward – Leader of Birmingham City Council
Relevant O & S Chair: Councillor Lou Robson, Economy & Skills
Councillor Sir Albert Bore, Resources
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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 006887/2019		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	No <input checked="" type="checkbox"/>
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

1.1 The report seeks approval to adopt a Business, Investment and Trade Strategy (the Strategy), for Birmingham which is attached at Appendix One.

1.2 In order to deliver on the goals of improving competitiveness and maximising inclusive growth, the City Council needs a clear strategy to support business, attract investment and boost trade. The Strategy sets out how the City Council will maximise the assets and tools that are available to it in order to deliver on three priority areas:

- Targeted support for business

- Attracting foreign direct investment (business investment e.g. relocation, expansion or acquiring business assets) and capital investment (commercial/residential development or asset acquisition)
- Boosting trade and export performance.

2 Recommendations

- 2.1 That Cabinet approve the Business, Investment and Trade Strategy for Birmingham City Council.

3 Background

- 3.1 Birmingham has created a strong platform from which it can build its international ambitions. Firmly set on a journey of transformation the growth plans for the city as set out in the Birmingham Development Plan aim to deliver the following by 2031:

- 51,000 new homes including a 6,000 home sustainable urban extension at Langley
- Over 1 million sq. m. of new commercial, leisure and retail space
- A minimum 5-year reservoir of 96 ha of land for employment use
- 2 Regional Investment Sites
- 71 ha new employment site at Peddimore
- £4bn worth of new infrastructure investment

- 3.1 Having set out a clear direction for how the city will develop, the tools and plans to accelerate further business growth need to be put into place to create new employment opportunities and attract investment in order to ensure Birmingham's economy grows and prospers, opportunities are exploited, risks mitigated and the Council's ambitions are delivered.

- 3.2 The Strategy is being developed in a period where the international economy is going through a period of profound change and as such the city faces a number of existing and emerging threats as well as opportunities.

- 3.3 The EU referendum result has created uncertainty across many aspects of internationalisation covered in the Strategy. It has brought about political change and led to some market instability that is likely to pose risks for the foreseeable future particularly where there is a prolonged period of uncertainty. The US market is becoming increasingly protectionist and the potential of a major fall-out with China has created an unprecedented level of uncertainty for global trade.

- 3.4 The City Council will aim to mitigate against this as far as it can and attempt to take advantage of new challenges and opportunities as they arise.

- 3.5 One key emerging opportunity will be an increased emphasis upon building deeper city to city international trading relationships, which we are well placed

to develop given Birmingham City Council's strong and well established history of working in formal relationships with cities from around the world. These relationships are formalised through what is known as 'partner city agreements' with the cities of Lyon in France, Frankfurt and Leipzig in Germany and Milan in Italy. We also have 'sister cities agreements' with Chicago in the United States, Guangzhou in China and Johannesburg in South Africa. Beyond these agreements we also have a Treaty of Friendship between Birmingham and Changchun and Nanjing in China and Mirpur in Azad Kashmir, Pakistan as well as established municipal and educational connections with India and Bangladesh. These existing relationships will enable the City Council to facilitate renewed and refocused activities in support of delivering our growth priorities and ambitions.

- 3.6 In order to make the most of the available opportunities and ultimately realise the potential of the City Council's contribution to business growth, investment and trade the City Council will take a fresh approach in aligning internal resources. A small team within the City Council's Inclusive Growth Directorate will support and co-ordinate the implementation of this strategy, which will include working with our partners and local institutions to align activities, clarify roles and responsibilities and help connect projects and partners with potential investment opportunities. Where possible activities will be delivered through accessing external funding opportunities or from working in partnership with our city, regional and national partners.
- 3.7 Although this is a Birmingham City Council strategy the intention will be to complement and add value to the aims and activities of our city partners. Birmingham has a rich and compelling set of assets and organisations which includes some of the UK's best universities and world class cultural institutions. It is vital that we work with them to share knowledge and align our priorities: in doing so we can bring about a critical mass of connections, partnerships and opportunities which can have a positive impact on business, trade and investment. With the support of our partners, we can develop robust measures and plans that can drive value back into the city.
- 3.8 The Strategy sets out how the City Council will use its resources and work with partners to deliver on three priority areas: targeted support for business; attracting foreign direct and capital investment; and boosting trade and export performance, as detailed below.
- 3.9 The intention will be to deliver a number of targeted and strategic actions that will help deliver the City Council's growth objectives, namely:
- Pro-actively engage with a range of international investors to raise the profile of investment opportunities in Birmingham.
 - Encourage and support businesses currently exporting to traditional markets such as the EU to expand in to new markets.
 - Support development of business and trade links into cities that are 'twins' or are within priority and opportunity markets.

- Work with Core Cities to develop a strategic approach to accessing international markets drawing on an understanding of cities' unique strengths and assets.
- Design packages for incoming delegations that generate trade and investment opportunities for local businesses.
- Review our existing city collaborations, including twin cities, in relation to the aims and objectives of the Strategy.
- Working with universities to raise profile as leading centres of learning and research.
- Use the Birmingham Brussels Office to influence the city's future relationship with EU cities and networks post-Brexit.
- Work with the West Midlands Growth Company to ensure the city maximises the opportunities for our local business network from the Commonwealth Games.
- Promote the Strategy and build on existing relationships with the Foreign and Commonwealth Office and embassies in priority cities and markets.

Targeted Support for Business

- 3.9 The City Council's business support activities are undertaken by the Business Enterprise and Innovation Team (BEI) including developing, managing and delivering large scale business support programmes. A new three-year Business Growth Programme, funded by EU resources and delivered by the BEI team will support Small and Medium sized Enterprises (SMEs) seeking to grow, invest and create new jobs. The programme will also seek to support companies make the most of supply chain opportunities from the Commonwealth Games as well as help address any barriers to accessing new trading markets.
- 3.10 The City Council will also run a series of events designed to bring about closer engagement and working with major local businesses. It is proposed to hold a series of round table events over the Strategy period (2020 – 2023), which will be hosted by the Leader of the Council. Each event will include representatives from businesses across the city, with a focus on high growth companies as well as women and Black and Minority Ethnic owned businesses
- 3.11 The City Council also receives requests from overseas cities to host civic, trade missions and delegations. The City Council is ideally placed to influence these visit programmes for inbound civic and trade delegations, and identify opportunities to maximise the benefit to local business, by sharing intelligence with our partners, promoting new markets and supporting access to supply chains.
- 3.12 The City Council will work with local institutions, such as the Chamber of Commerce and our universities, many of whom have established a presence in key markets such as the USA, Dubai and China, to explore how our international and 'sister city' relationships can be more effectively used and aligned to support trade and investment. Ultimately we want to raise the city's

national and international profile and strengthen our engagement with partners across government, both regional and national, business, culture and academia to join up visit programmes, share information on forthcoming events, facilitate greater communication between networks and ultimately help open doors for business to access new opportunities for trade and investment.

- 3.13 Following adoption of the Strategy the Business, Enterprise and Innovation team will be renamed as the Business, Investment and Trade team in recognition of its wider remit and role.

Attracting Foreign Direct and Capital Investment

- 3.14 The City Council has a key role to boost general investor confidence and price growth that will in turn support a flow of interest in development activity across the city.
- 3.15 The City Council will continue its focus on promoting credible investment and partnering opportunities that will help deliver its economic vision and growth objectives. In doing so it will target those markets and investors that have a track record in delivering the scale and quality of development that is needed in the city. Given the City Council's established overseas programme of activity the focus will be on attracting overseas capital from the Far East (Singapore, Malaysia and Hong Kong) as well as the Gulf. The City Council already has a strong platform to build on, however success in attracting and maintaining investment from existing investors, especially those from North America, still needs to be cultivated and where possible supported, to identify opportunities to share benefits, international experience and networks more widely.
- 3.16 Our partners, the West Midlands Growth Company and Department for International Trade, play a leading role in proactively attracting foreign direct investment and promoting the city as a leading place to do business. The Growth Company will continue to lead the promotion of the city to national and international business with support from the City Council. In doing so we will maximise the benefits of working in partnership: sharing intelligence on growth markets and sectors, co-ordinating visit programmes and sharing information on forthcoming events. The success of this partnership working is evidenced by major foreign direct investment into the city during 2018/19 from US logistics company Genesee and Wyoming, Infosys BPM of India, Kirkbi of Norway, Japanese automotive company Aisin Seiki and the Danish company Ramboll.

Boosting Trade and Export Performance

- 3.17 Trade export performance is a key contributor to economic success with exporting businesses disproportionately responsible for productivity growth in the national economy. Trade and exports matter because exporters tend to be drivers of productivity as a result of a greater ability to generate and absorb new innovations.

- 3.18 The City Council's international involvement and connections also means that it is well placed to support the benefits of internationalisation to local business networks. It will support the city's business base to access the support networks and funding that will enable them to exploit new export trade opportunities. The City Council will also work with local partners to maximise the collective impact of networks and relationships.
- 3.19 The City Council will also develop and deliver a 'Leaders International Business Programme'. The programme will provide mentoring and coaching support in partnership with business leaders, advice and workshops, trade missions and access to trade opportunities as well as supporting and improving management practices of existing exporters through continued professional development courses.
- 3.20 Based on the City Council's analysis of export markets, where possible we will prioritise engagement with the US, China and given the significance of existing trade flows, Europe. This will be supplemented with engagement with identified 'secondary/opportunity markets' that offer future growth potential such as India, the Middle East and Far East. Birmingham City Council has representation in key networks and associations such as Eurocities and the Birmingham Commonwealth Association as well as having a 'Brussels Hub' which will also be used to support work to engage with European cities and influence EU institutions across a range of issues including the effectiveness and future development of wider trade policy.

Economic analysis

- 3.16 A key part of the Strategy will be undertaking economic analysis work which will be commissioned in order to gain a fine grain understanding of where value is created in our economy (sector and business size) alongside detailed modelling work which will assess the returns on investment from implementation of the Strategy. Following the modelling work, we anticipate being in a position where we, the City Council, can effectively 'invest to save' based on an understanding of business rates and council tax revenue uplift as well as benefits saving.

4 Options Considered and Recommended Proposal

- 4.1 Do nothing, i.e. not to pursue the option of a co-ordinated and strategic approach to supporting business, attracting investment and boosting trade – whilst this approach may help address negative publicity as to questions of resources being used to develop international relationships and longer-term investment areas, by not adopting the Strategy the policy benefits outlined in the report and Strategy would not be achieved. Not investing in priority relationships and co-ordinating our approach across business, investment and trade would not deliver opportunities for the longer-term success and inclusive growth of the city,
- 4.2 Look to city partners to deliver the work themselves. Whilst this option may deliver some short-term benefits to the City Council in terms of resources, this

option would not address the issue of how best to manage the numerous requests the City Council receives for international engagement and will not create the additional levels of benefit for local businesses that a co-ordinated approach across business support, trade and investment is able to deliver.

- 4.3 Adopt and deliver the Business, Investment and Trade Strategy. This is the preferred option as it makes the most of the connections between business support, trade, investment and internationalisation and establishes a framework to better co-ordinate the City Council's overseas engagement activities. In addition, adopting such an approach will help promote the message that the City Council is being strategic about its international role and support for business and is prioritising areas where it believes Birmingham will gain most in respect of investment and delivering opportunities for inclusive growth.

5 Consultation

- 5.1 The Chamber of Commerce, West Midlands Growth Company, Department for International Trade and the city's universities have all been consulted on the detail of the strategy and are supportive of its aims and ambitions.

6 Risk Management

- 6.1 The EU referendum result has created uncertainty across many aspects of internationalisation covered in the strategy. It has brought about political change and led to some market instability that is likely to pose risks for the foreseeable future particularly where there is a prolonged period of uncertainty. The City Council will aim to mitigate against this as far as it can and attempt to take advantage of new challenges and opportunities as they arise. Where there is a significant variance in achieving strategic objectives, the Strategy will be reviewed and where appropriate expert advice on international trade will be brought in to ensure priorities and actions are relevant and appropriate for the international economy.
- 6.2 The Council receives numerous requests for international engagement, which creates a risk that resources are spread too thinly in the pursuit of new opportunities. The Strategy proposes a targeted approach to international engagement based on securing outcomes across business, trade and investment. This approach will focus our work and ensure that we align our efforts with the international ambitions of our partners thereby ensuring we secure the greatest economic return for the city.
- 6.3 Successful delivery of the Strategy's objectives will be dependent on engagement with our city partners. There is a risk that a change in partners' priorities or resources may negatively impact on the successful implementation of the Strategy. In order to mitigate this level of risk we have consulted with partners and will continue to meet regularly and share information on business and international activity.
- 6.4 There is a risk that targeting overseas capital and investment markets will not yield any tangible returns. Whilst this type of work can be 'slow burn' on

occasions the City Council will focus on engaging the most credible investors but recognising that these aren't always the biggest players in their domestic or global markets. Those potential investors who are looking at UK regional options and can operate within UK legal and regulatory frameworks with ease, have the operational ability to transact on land, joint venture or asset obligations within a reasonable timeframe and crucially, are able to deliver or fund the type of development at a quantum and level of quality that the city needs, will be prioritised.

- 6.5 The Council's Business, Enterprise and Innovation team has been particularly successful in attracting European funding to support small and medium businesses. Since 2002 the team has successfully attracted £224m of external funding to support the growth aspirations of local businesses, which has led to the creation of 10,000 new jobs. The removal of access to EU funding flows is a significant risk and challenge to supporting our local business base – the City Council will continue to lobby Government to ensure a seamless transition to the proposed new UK Shared Prosperity Fund as well as continued access to current and future EU research framework programmes.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.1.1 Outcomes, specifically: Birmingham is an entrepreneurial city to learn, work and invest in and Birmingham residents gain the maximum benefit from hosting the Commonwealth Games.

7.1.2 In line with the Big City Plan, the Strategy includes a series of "Big Moves" including a new business growth programme, an investment and development database and either individually or through our representative bodies such as Core Cities, lobbying for a joint Trade or Investment Programme that is tailored to the needs of particular cities, for example, focusing on the export of goods from core cities rather than a more London based focus on the export of services.

7.2 Legal Implications

7.2.1 The investment in economic development is made pursuant to the general power of competence contained in Section 1 of the Localism Act 2011.

7.3 Financial Implications

7.3.1 The Strategy has been produced by staff within Inclusive Growth (Planning and Development), funded from existing revenue budgets.

7.3.2 The Strategy outlines the plan to align existing staffing resources to support and co-ordinate implementation of the Strategy. Implementation of the Strategy will require international travel (subject to authorisation) and funding will be sought where possible in order to fund/part fund approved international travel.

7.3.3 The Strategy refers to commissioning an economic analysis, costing between £0.050m - £0.100m in order to gain a fine grain understanding of where value is created in our economy (sector and business size) alongside detailed modelling work which will assess the returns on investment from implementation of the Business, Investment and Trade Strategy. The intention is to secure external funds, such as from the residual European funding programme as well as regional and national funding bodies to cover the costs of the commission but if this is not possible then it can be funded from existing approved Inclusive Growth revenue budgets.

7.3.4 The Strategy refers to the introduction of a new Business Growth Programme totalling £13.5m to provide grant funding to SMEs in priority sectors. This is to be funded externally (European Regional Development Fund) and will complete in June 2023.

7.4 Procurement Implications

7.4.1 None.

7.5 Human Resources Implications

7.5.1 None.

7.6 Public Sector Equality Duty

7.6.1 An equality analysis has been completed and concluded that by adopting a strategy to support business, attract investment and boosting trade the City Council will be able to deliver on the goals of improving competitiveness, maximising inclusive growth and thereby supporting greater equality of opportunity for all.

8 Appendices

8.1 Appendix One – Business, Investment and Trade Strategy

8.2 Appendix Two – Equality Impact Assessment

9 Background Documents

9.1 Birmingham Development Plan

9.2 Big City Plan