



Derby City Council

COUNCIL CABINET
4 October 2017

ITEM 14

Report of the Cabinet Member for Regeneration
& the Economy

City Council International Partnerships

SUMMARY

- 1.1 The UK's proposed exit from the European Union is likely to have an effect on a wide array of economic issues including the trade of goods and services, labour supply, regulation, the strength of sterling and the visitor economy. At all levels of Government important new policies are being devised to help mitigate some of these effects.
- 1.2 The Council has pledged to, "Protect investment in building links with overseas markets, as a way of guaranteeing the future economic prosperity of the city in light of Brexit" (by spring 2020, Pledge PL04). The Council is leading the preparation of the next Derby Economic Growth Strategy. This strategy will contain an international strand of activities.
- 1.3 This report describes the progress that the Council has made in developing international partnerships in China and India in the last two years and why these markets are considered so important to Derby. It outlines the most recent achievements, planned next steps and the benefits we hope to achieve.

RECOMMENDATION

- 2.1 To note the contents of this report.

REASONS FOR RECOMMENDATION

- 3.1 The City Council is creating a new five year Economic Growth Strategy with four pillars – local, regional, national and international elements. We need to look further afield to secure jobs and investment and help local companies expand their markets. Derby's future economic prosperity will depend on the ability of local businesses of all sizes to look beyond national and regional boundaries to secure jobs and investment. This report sets out how the Council can continue to deepen its range of international projects in China and also develop similar relationships in India. This work builds upon the city's existing links with Toyota City and Osnabruck.
- 3.2 The City Council has focussed on developing strong links in China and latterly India for a number of reasons. These are two of the fastest growing economies in the world. With rapidly growing middle-classes both nations have a strong affinity with the UK and treasure British brands. Over recent years China alone has witnessed over 10% year on year growth in retail sales of consumer goods. In the last five years the volume of Chinese citizens taking international flights has more than doubled. The Indian economy has been one of the largest contributors to global growth over the last decade, accounting for about 10% of the world's increase in economic activity since 2005, while GDP per capita in purchasing power parity

terms is today three times as high as in 2000.



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Report of the Strategic Director for Communities & Place

SUPPORTING INFORMATION

4. Background

- 4.1 Over the last few years national economic policy has begun to increasingly focus on improving national productivity. The green paper *Building Our Industrial Strategy* (HM Government, Jan 2017) outlines the Government's priorities over the next five years. The Industrial Strategy will set out how the UK can improve growth and productivity through investment in research and innovation; improving workforce skills; supporting business growth; developing world-leading sectors; adopting a 'whole country' approach to growth; and stimulating global trade.
- 4.2 Derby sits at the heart of the country and is a core hub of the wider Midlands economy. The Midlands Engine is a coalition of nine Local Enterprise Partnerships, local authorities, businesses and universities across the wider Midlands region – established in late-2015 and focused on opportunities for collaborative working and strategy to boost productivity and growth in the heart of England. The coalition has identified five core themes to concentrate upon and collaborating to develop a regional brand to strengthen as single reputation across global markets is one of these.
- 4.3 Derby City Council is already working alongside the D2N2 LEP and the Midlands Engine to ensure that the City's economic needs – particularly the global trading future of its largest production businesses – are properly represented in the national dialogue on the UK's post-EU economic future. This requires the continual development of an outward-looking city approach and collaboration with regional partners to present a unified and stronger voice to the outside world.
- 4.4 More than ever, Derby is working closely with Nottingham on shared agendas for growth. The *Derby & Nottingham Metropolitan Strategy 2030* establishes the shared commitment of the cities to work together across four key themes including working together on joint promotion of investment and trade in a competitive global environment.
- 4.5 Derby has strong trade relationships around the world which will become particularly important to maintain and nurture following the UK's departure from the EU. Export trade and global collaboration is a vital contributor to the City's ongoing competitiveness. Per job, the value of the City's exports is almost 50% higher than the national average and more than double the East Midlands average; making it a UK top 10 City for export value. The City has also been ranked as top 10 European city for foreign direct investment by the Financial Times.

5. Current Status

- 5.1 The City Council has been developing trading relationships with China and India over the last two years. The Economic Regeneration service plans to recruit an International Officer to further develop these partnerships. The remaining sections of this report summarise the progress to date and outline future plans to build upon this work.

a) China

- 5.2 In November 2016 a Memorandum of Understanding was signed in China with the city of Hefei, one of the worlds fastest growing cities in the world. This agreement sets out aspirations for our two cities to work on economic development projects, tourism, culture, sporting and education initiatives. This important partnership agreement was signed in the presence of a Derby and Derbyshire delegation of businesses and other stakeholders.
- 5.3 Since this Memorandum of Understanding was signed, the following progress has been made:
- Derby participated in a Regional Leaders Summit in Shanghai, sponsored by the Chinese Government and hosted by the Mayor of Shanghai in November 2016.
 - Derbyshire County Council have developed a similar partnership relationship with the province of Anhui, for which Hefei is the capital city.
 - The University of Derby has established a range of collaborative projects with Hefei University and Anhui University.
 - The City Council has opened an active dialogue at the most senior levels of the Hefei government over our plans for a new performance venue, swimming pool and other key regeneration projects across the city. We hope to continue this dialogue to establish their interest in possibly investing in any of these projects when the Council hosts a small delegation from Hefei on 19 - 22 October.
 - Derby County FC have agreed to train Hefei football coaches with a view to also assisting the development of a professional football team in Hefei.
 - Heads of 2 secondary and 3 primary schools are planning to visit counterpart schools in Hefei between 28 October and 3 November to establish educational partnerships that could lead to shared projects used in the curriculum from 2018 and to student and teacher exchanges.
 - A Chinese micro-site has been created as part of the Visit Derby website. Plans are well advanced to create a partnership between one of the main UK-based Chinese travel agencies, Derby's tourism team and Marketing Peak District and Derbyshire with travel agencies and tourism bodies in Hefei city and Anhui province.
 - On 6 - 10 November, the City and County Council's will again join forces with Midlands Engine partner cities in leading a business delegation to Shanghai, to attend the China International Industrial Fair (CIIF), and then to Hefei/Anhui. CIIF is one of the world's largest Advanced Manufacturing Expos, with around 160,000 visitors and 2,000 exhibitors. This year the UK has been given the status of 'Country of Honour'. This will provide British advanced engineering and manufacturing companies with an unrivalled platform to promote their goods and services to businesses, government departments and consumers.

- In the next few months a Chinese "Liaison Officer" should be appointed to work in Hefei and Anhui as a representative of Derby and Derbyshire.

b) India

- 5.4 Earlier this year the Council procured a research report that establishes the size of the opportunity in India and recommended a series of short term and longer term approaches. In June Derby City Council hosted a meeting with the Deputy High Commissioner of India and delivered a seminar with local businesses who are thinking of exploring the Indian market. A second seminar for local businesses is planned to be held in November.
- 5.5 Over the next few months the Council will make contact with the city governments in several satellite cities near Bengaluru and Kolkata. Our aim is to create an economic development partnership in India similar to our relationship with Hefei.
- 5.6 Jointly with Leicester and Nottingham City Councils a meeting has been held with East Midlands Airport, to explore opportunities for joint working to benefit these and other similar international partnerships.

6. POTENTIAL OUTCOMES

- 6.1 The range of potential outcomes to benefit Derby arising from these activities and plans include:
 - Generating Chinese and Indian visitors to Derby – each overnight Chinese visitor would be expected to spend at least £100 per night / Indian visitor £47 per night (Visit Britain, 2013)
 - Assisting to broaden the world view of school-age students through international project activity
 - Increasing the number of overseas students studying at The University of Derby – an international student can generate at least double the current University fees and generate additional accommodation revenue. UoD expect to grow their Chinese students enrolling from around 70 to 500 in 3 years
 - Increasing the range and significance of University of Derby's international research projects
 - Creating the potential for investment from Chinese and Indian companies into projects and companies in Derby – in 2016 Chinese outbound investment grew by 44% to £136bn and the UK was the second biggest recipient of this investment in all of Europe; India is the third largest source of foreign direct investment into the UK, accounting to over 110,000 people employed by more than 800 Indian companies
 - Opening opportunities for Derby companies to export to new markets – British brands have a premium status to consumers in China and India
 - Creating jobs in Derby as a result of this direct and indirect investment and visitor spend – the Council has pledged to create 2,000 more jobs and apprenticeships by 2019.

<h2 style="text-align: center;">OTHER OPTIONS CONSIDERED</h2>

- 7.1 Opting to not encourage and support local businesses develop export and investment opportunities – this is considered short-sighted and parochial.
- 7.2 Opting to play a more passive role in supporting regional partners (through the Midlands Engine) and national government (through the Department of International Trade) - this is unlikely to generate the same opportunities.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu, Head of Legal Services Amanda Fletcher, Head of Finance, Communities & Place Liz Moore, Head of HR Greg Jennings, Interim Director of Regeneration, Property & Housing
For more information contact: Background papers: List of appendices:	Tel: 01332 641624 E-mail: alan.smith@derby.gov.uk 1. Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 The expenditure to date in developing these relationships has cost circa £30,000. This has been funded from the Economic Regeneration budget. Appointing a Derby & Derbyshire China Liaison Officer, secured through a service contract with the China Britain Business Council, will cost the Council circa £25,000 p.a. (inclusive). Appointing a fixed term International Officer in the Economic Regeneration service will cost the Council a further £30,000 p.a. plus on-costs. The Economic Regeneration service has provision for these additional commitments for 18 months.

Legal

- 2.1 None directly arising from this report.

Personnel

- 3.1 None

Equalities Impact

- 4.1 None

IT

- 5.1 None

Health and Safety

- 6.1 None

Environmental Sustainability

- 7.1 None

Asset Management

- 8.1 None

Risk Management

- 9.1 None

Corporate objectives and priorities for change

- 10.1 This partnership activity will make a direct contribution to the Council's objective of "..... supporting job creation and regeneration".

