Global Britain, Global Counties

Attracting Foreign Direct Investment

November 2022

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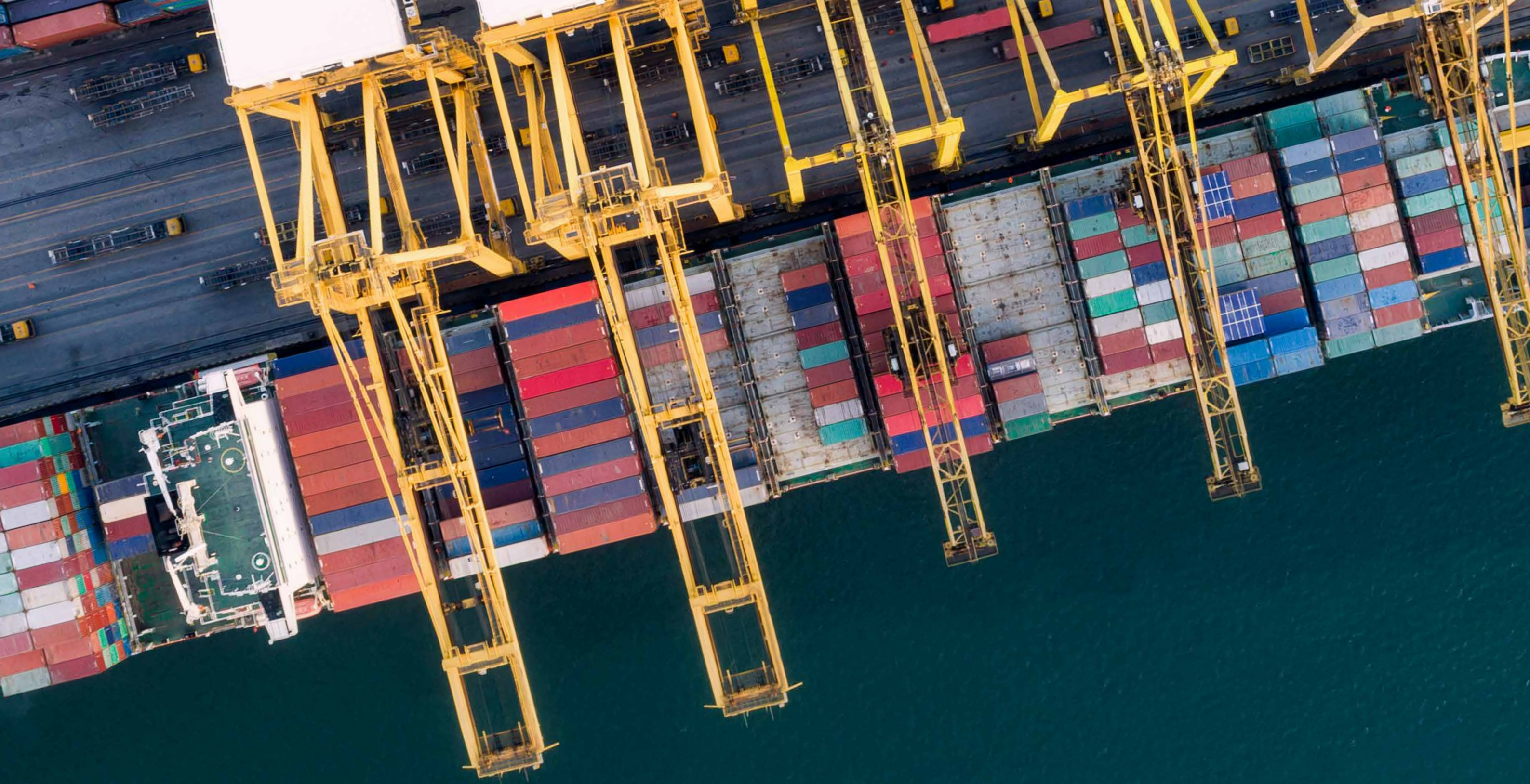
CCN
COUNTY COUNCILS NETWORK



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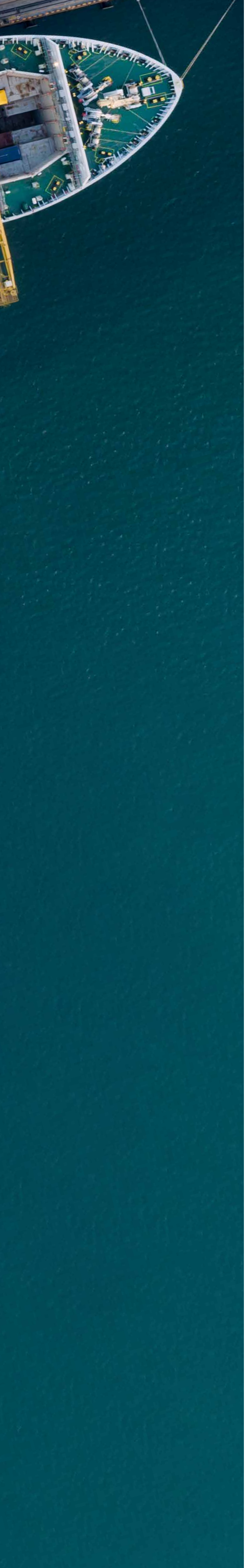


Foreword and executive summary

We are delighted to introduce this joint EY and County Council Network (CCN) report exploring FDI trends at global, national and local levels. It represents both a marker for global investment into the UK and Counties, and a call to action for CCN authorities to intensify and accelerate local investment activity.

Our headline findings

CCN authorities are significant contributors to FDI, with distinct structural advantages

CCN authorities represent a significant proportion of the country's annual FDI project volumes with land availability, strong infrastructure and competitive domestic markets, CCN Authorities have demonstratable structural components attractive to a wide range of foreign investment.

Global Britain, Global Counties shows how CCN authorities have attracted 22% of England's FDI between 2018-21. CCN authorities are the only council grouping to have increased their FDI project share in this period, with London, for example, seeing its share fall by 2%.

The industry experiencing the biggest level of investment in counties was digital, and the biggest investor was the US. In total, there were digital FDI projects set up in England's counties, followed by machinery and equipment (93) and agri-food (83). This means that counties are uniquely placed in being able to attract both emerging and services industries whilst helping deliver a renaissance in manufacturing and food economies in England. The US led the number of FDI projects with 191, followed by Germany (75) and the Netherlands (75).

Despite strong performance in project volumes, CCN authorities proportionately attract less FDI when adjusting for population

CCN authorities attracted 7.3 projects per million residents over the past four years. This compares to 13.2 for Mayoral Combined Authorities (MCAs), and 9.9 for Unitary Authorities (UAs). London, comparatively, attracted 50.1 projects per million residents over the same period.

On a regional basis, Counties also lag far behind the country's major urban areas, with every county region delivering lower FDI per capita compared to metropolitan combined authorities. Counties in the West Midlands have attracted the most amount of FDI per head of population at 11.85 – followed by the North East (10.3) and the East Midlands (9.1). Counties in the South West attracted the least FDI (4.22), followed by Yorkshire and the Humber (6.3) and the South East (6.6).

This illustrates investment remains proportionately concentrated around metro areas across London, MCAs and UAs. And although CCN authorities have grown their projects per million people between 2020 and 2021, there is still a significant gap to MCAs and London.

FDI investments in CCN authorities deliver more jobs for the UK economy, both in volume and on a per capita basis

Digging further, CCN Authorities impressively generate more jobs per investment than other Council groupings.

FDI created more jobs (40,169) in county areas over the last four years than in London (39, 357) despite the capital attracting almost 1,000 extra projects. On average, FDI projects in county areas generate 83 jobs each – higher than MCAs and London.

These national headlines generate meaningful growth in our communities; FDI has generated at least 10,000 jobs for CCN authorities in each of the last four years strengthening local employment outcomes alongside diversifying and amplifying the local skills, infrastructure and supply chain network.

What does this mean for local and national policy making?

The findings of our analysis present a fundamental opportunity; how can CCN authorities attract greater investment values whilst sustaining high employment per project?

This report's findings precipitate three critical success factors as the stimulus needed to increase private sector investment for the benefit of all communities.

First, tangible local action is needed on relationships, the skills agenda and business networks by CCN authorities. Secondly, a reimagining of market intelligence to create actionable insight that can best promote the differentiated investor proposition of local areas. Finally, leveraging devolution policy such as County Deals to design an effective accountability framework for investment at the local level or through other means to effectively empower local areas.

Inward Investment success necessitates tangible local action on relationships, the skills agenda and curation of vibrant business networks by CCN authorities

Councils apply varying degrees of focus to attracting FDI and account managing existing investors to encourage expansion, experiencing varying degrees of success. Global Britain, Global Counties defines how operating models for inward investment services must be shaped to promote regional integration, foster the right balance between facilitation of new enquiries and account management of existing investors, and reframe and innovate to protect from impending investment headwinds.

Reimagining of market intelligence to create a differentiated investor proposition of local areas, and highly effective targeting of local areas

Global Britain, Global Counties reinforces how through intelligence and acuity of the local place, through people and the private sector offer, CCN authorities can develop clear, differentiated value propositions. These insights must interlink and integrate with national economic aspirations such as decarbonisation, digital and innovation to define a distinctive, targeted and high-value plan for growth. This will require councils to develop the capacity and capability to maximise local delivery – through the provision of capacity around data provision, funding, powers and recognition.

Attracting FDI is one of the few vital growth levers CCN authorities have to create jobs and stimulate local economies. By grasping the mantle at a time when Government investment is constrained, CCN authorities can reap the rewards from significant multiplier benefits and the return on investment that FDI generates.

Devolution policy such as County Deals are a key enabler for CCN authorities, unleashing their potential to attract Inward Investment

County Deals are an exciting new policy development as part of the Levelling Up agenda. They have been developed to extend the undoubted benefits of devolution beyond the great cities of England to our historic traditional counties. The Government has stated every area of England that wants a devolution deal will get one by 2030, representing a vital opportunity to cement the case for a more local inward investment offer.

By identifying the importance of County geographies, as opposed to LEP boundaries, as the geographical footprint for devolution outside our major cities it celebrates their historic and recognised identity, while embracing their economic scale, potential and coherence.

This new approach to devolution should place upper-tier Councils front and centre of local growth through inward investment from the UK and abroad, with the County Deals acting as the formal mechanism that frames this opportunity.

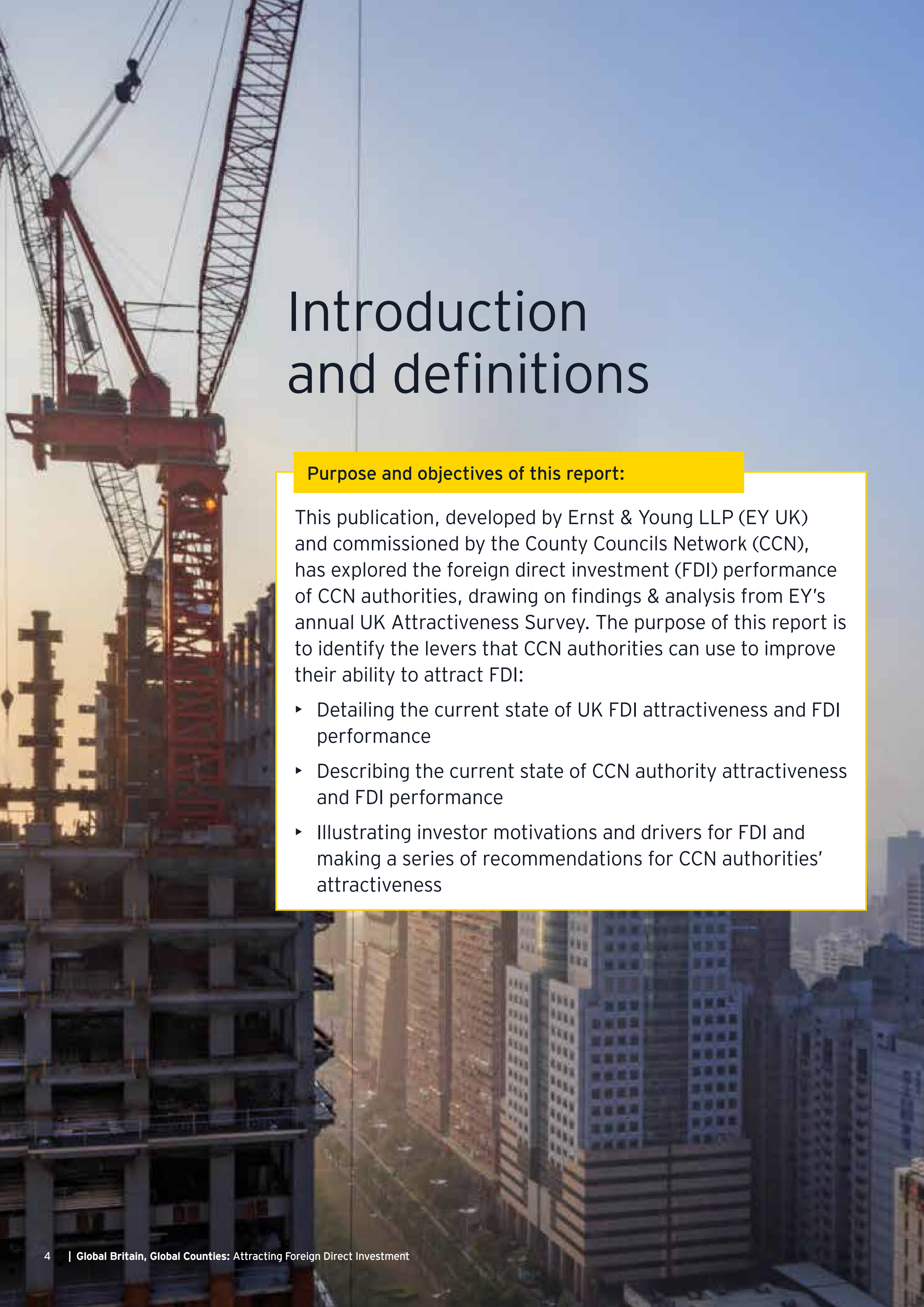
Devolution and County deals offer the opportunity for a multi-year, multi-million, investment fund which can help generate the infrastructure necessary to facilitate growth. This can include enabling local leaders to take locally focussed decisions on skills provision, creating labour markets that suit local investor requirements.

Stronger governance models created as part of any County Deal whether through an upper-tier leader and cabinet model, directly elected leader or mayor or County Combined Authority, can also act as conveners to support the development of business networks as well as act as a single point of contact and as ambassadors for their area in attracting inward investment.

> We hope the findings of this report will stimulate further discussion across CCN authorities and the wider local government sector on the role of FDI in delivering long-term sustainable growth and contributing to the levelling up and devolution agendas.

Neil Sartorio
EY Lead Partner for Local Public Services

Cllr Tim Oliver
CCN Chairman & Leader, Surrey County Council



Introduction and definitions

Purpose and objectives of this report:

This publication, developed by Ernst & Young LLP (EY UK) and commissioned by the County Councils Network (CCN), has explored the foreign direct investment (FDI) performance of CCN authorities, drawing on findings & analysis from EY's annual UK Attractiveness Survey. The purpose of this report is to identify the levers that CCN authorities can use to improve their ability to attract FDI:

- Detailing the current state of UK FDI attractiveness and FDI performance
- Describing the current state of CCN authority attractiveness and FDI performance
- Illustrating investor motivations and drivers for FDI and making a series of recommendations for CCN authorities' attractiveness

This report aims to identify the trends of FDI for CCN authorities, and identify how Councils can increase their attractiveness to foreign investors.

The County Councils Network (CCN)

The CCN is a group of 36 counties and member unitary authorities representing 26 million people in England. The CCN acts as the voice for county authorities across Westminster, seeking funding, powers and better conditions for its members.

Comparative council groups

We have identified comparable groups to CCN authorities: London boroughs, Mayoral Combined Authorities and other English unitary councils.

These groups will be used to examine FDI performance and attractiveness against CCN authorities.

EY European Investment Monitor (EIM)

The EY EIM is a proprietary EY database. The survey has been conducted annually since 2012, and tracks FDI projects across Europe. EIM FDI project total include both new and expansion project, the latter referring to a foreign investor expanding existing operations.

EY Attractiveness Survey

EY UK surveys C-suite investors annually to examine their perceptions of the UK as a destination for FDI. The latest UK Attractiveness Survey was conducted in April 2022, surveying 442 investment decision-makers.

Methodology and limitations

This research includes FDI project data from the EIM between 2018–21 mapped to mayoral combined authority (MCA) and upper-tier authority destinations. FDI project data has been analysed within standard EIM breakdowns, and drivers of FDI have been drawn from the EY Attractiveness Survey and through testing FDI project data against local indicators. Data on jobs per project is only announced for 60% to 70% of projects – but remains an important point of comparison.

Acronym	Meaning	Definition
MCA	Mayoral Combined Authorities	Group of 2+ councils legislated to operate regionally, including Combined and Mayoral Combined Authorities
CCN	County Councils Network	Group of 36 Counties and CCN member Unitary authorities
DIT	Department for International Trade	Government department which develops, coordinates and delivers trade policy for the UK
EIM	European Investment Monitor	A proprietary EY database tracking FDI projects, produced in collaboration with OCO
FDI	Foreign Direct Investment	Cross-border investment made with objective of establishing a lasting interest in the host economy
IPA	Investment Promotion Agency	Local agencies which attract investment in an area by marketing and creation awareness
LEP	Local Enterprise Partnership	A locally owned partnership between local authorities and businesses, working on local economic priorities and skills
OfI	Office for Investment	Government agency supporting the landing of high value FDI opportunities into the UK
UA	Unitary Authority	A council in an area with just one tier of local government
UKAS	UK Attractiveness Survey	EY survey of investors into perceptions and motivations of the UK as a destination for FDI

1 The national picture

How should FDI trends and headwinds influence council's strategic approach to attracting investment?

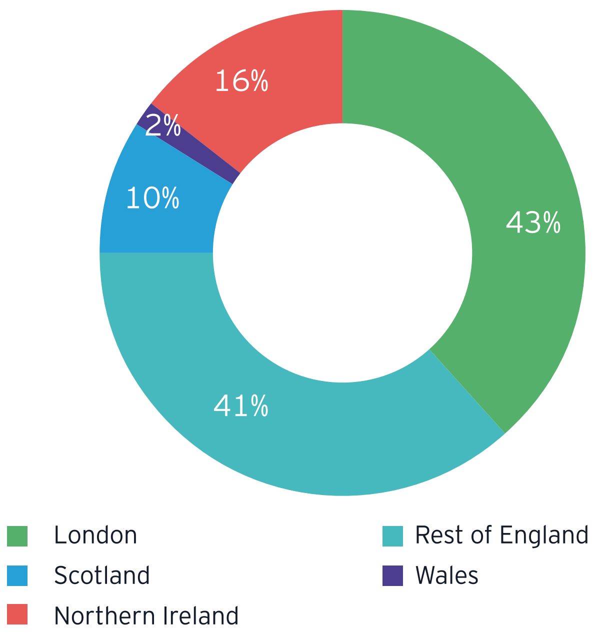
UK FDI project volumes demonstrated growth of 2% in 2021, representing an important rebound year that also saw the UK lead Europe on FDI value.

A return to growth for FDI into England and the UK as a whole

In 2021, FDI into both Europe and the UK had a positive year, rebounding from a loss of momentum through the COVID-19 pandemic. FDI projects into the UK rose by 1.8% in 2021 to 993, with cumulative FDI projects into the UK now totalling 4,130 since 2018 (EY European Investment Monitor (EIM), 2018–21). This validates recent investor sentiment that the UK remains an attractive destination for FDI; 58% expected to invest in the UK in the next 12 months (EY Attractiveness Survey, 2022).

In terms of FDI project volumes, the UK remained the second leading European destination in 2021, with France leading the way. However, importantly, the UK led on total value. The UK was also ranked as the most attractive country in Europe for FDI, attributed to the swift government action to protect the economy during the pandemic – and re-open the economy promptly post-COVID-19, enabling the UK to rebound to growth.

Figure 1: FDI project distribution within the UK, 2018–21



Source: EY European Investment Monitor (EIM) 2018–21

New FDI projects continue to be concentrated in London, with regional investment more balanced between new and expansionary projects

The UK boasts a positive story for new investments, having seen a 10%+ year-on-year increase in such FDI in both 2020 and 2021. These new investments remain London-centric, with the capital maintaining a dominant account of 43% of the UK's FDI.

Outside the capital, FDI projects are split more evenly between new investments and expansion projects (those drawn from existing foreign investors operating within a region).

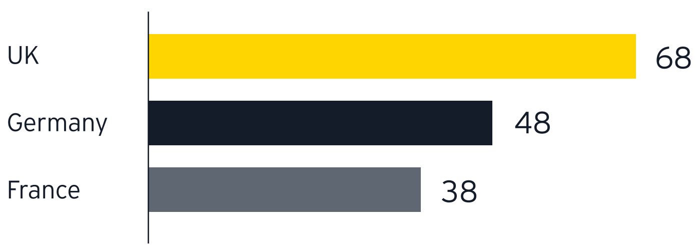
FDI into the UK leads on value creation for the economy

The job market in the UK has benefited positively from FDI, with announced jobs associated with FDI projects in 2021 totalling 60,372. This constituted a rise of over 30,000 jobs announced year-on-year, up from 27,926 in 2020, according to EIM data.

The UK boasts the highest job creation per-FDI project in Europe, experiencing 68 jobs per project in 2021, with Germany second with 48. The DIT 2021 Understanding FDI report found that, on average, a £1mn FDI project in the UK would produce a net increase of £98,000 gross value added (GVA) and 2.9 jobs (The Department for International Trade, 2021) – evidencing the strong positive impact FDI has on the UK economy.

FDI also creates significant financial value for the UK economy. For example, as a result of FDI projects between 2019 and 2020, DIT estimates the UK economy will benefit by an additional £2.8bn of GVA (DIT, 2021).

Figure 2: Average job creation per FDI project in the UK, Germany and France



Source: EY European Investment Monitor (EIM) 2018–21

Evaluating this UK FDI rebound over four years, CCN authorities have grown their share of FDI projects but still lag behind London and MCAs on FDI per capita

Since 2018, CCN authorities have secured a larger share of the FDI projects into England, rising to 22%. This has solidified their position as attracting the greatest volume of FDI projects outside London on an annual basis.

Indeed, CCN authorities are the only council grouping to have increased their FDI project share in this period, with London, for example, seeing its share fall by 2%. Over the same period, MCAs have experienced their project share fall by 1%, including a 5% fall of share since 2020.

Whilst total FDI into the UK has decreased, CCN authorities have increased their project volumes since 2018

London has experienced a 13% decrease in FDI projects since 2018. MCAs and UAs have also seen decreasing project numbers, albeit not on the same scale. In the same period, CCN authorities delivered an absolute increase in project volumes, from 200 to 207.

Despite positive trends on project volumes, CCN authorities comparatively attract less FDI per capita than London and urban MCAs

CCN authorities attracted 7.3 projects per million residents over the past fours years. This compares to 13.2 for MCAs, and 9.9 for UAs. London, comparatively, attracted 50.1 projects per million residents over the same period.

This illustrates investment is still proportionately concentrated around metro areas across London, MCAs and UAs. And although CCN authorities have grown their projects per million people between 2020 and 2021, there is still a significant gap to MCAs and London.

More work is needed from CCN authorities to close the gap, given the population and geography they cover. Although it should be noted that, from a jobs perspective, CCN authorities have outperformed all other council groups since 2018. CCN authorities have also created more jobs per FDI project than London and MCAs over the past four years.

Figure 3: Breakdown of FDI projects by council grouping and county region, 2018–21

Group	Total FDI projects	Share of England FDI projects	FDI projects per million population	Total jobs announced	Jobs announced per project
CCN authorities	761	22%	7.3	40,169	83.2
‣ East of England	145	4%	6.8	7,230	47.8
‣ East Midlands	140	4%	9.1	15,587	190.1
‣ North East	35	1%	10.3	847	36.8
‣ North West	57	2%	6.7	2,352	58.8
‣ South East	181	5%	6.6	4,585	39.2
‣ South West	57	2%	4.1	1,066	31.4
‣ West Midlands	122	4%	11.9	7,426	85.4
‣ Yorkshire and Humber	24	1%	6.3	1,076	67.3
MCAs	662	19%	13.2	31,396	77.5
London	1,786	51%	50.1	39,357	39
UAs	271	8%	9.9	17,313	104.2

Source: EY European Investment Monitor (EIM) 2018–21

FDI into CCN authorities is well balanced across all CCN authorities, but all county regions see lower FDI per capita than metro cities across England

FDI volume into CCN authorities is concentrated in the Midlands and South East, reflecting the quantity of member councils in these regions

Regionally, CCN authorities in the South East have attracted 24% of the group's projects since 2018, showing strong performance.

The East and West Midlands together accounted for 262 projects, over a third of the total into CCN authorities. Forty-three per cent of their FDI projects were targeted at manufacturing or logistics, highlighting the enduring comparative advantage in these sectors the Midlands enjoys. CCN authorities in the West Midlands primarily drove this strong performance, which delivered a 161% growth in project volumes between 2020 and 2021.

Members in Yorkshire and the Humber, meanwhile, have attracted just 3% of CCN member projects since 2018 but have witnessed the start of a positive growth trajectory in recent years.

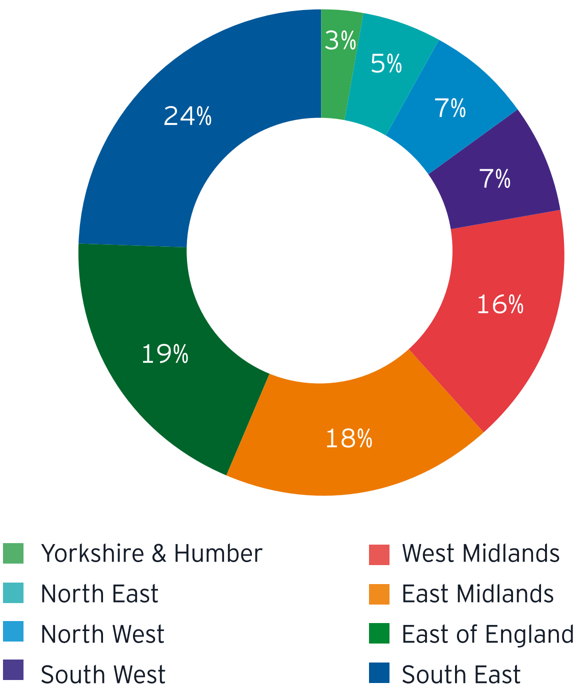
The regional distribution of FDI projects into CCN authorities is more balanced when adjusted for population, diluting the South East's performance

When adjusted for population, FDI projects into CCN authorities are more regionally distributed within county regions across the UK. However, again, all county regions lag behind metropolitan MCAs.

Whilst all county regions still trail MCAs, this highlights the strong performance of the West and East Midlands, ranking first and third respectively when adjusted for population, and close to MCAs 13.2 (Figure 3) projects per million population.

The strong underlying performance of the North East county region is also clear, with 10.3 FDI projects per million residents since 2018. This has been driven by the strong performance of Durham, which has attracted 25 projects since 2018.

Figure 4: CCN authorities FDI project volumes regional distribution, by county region

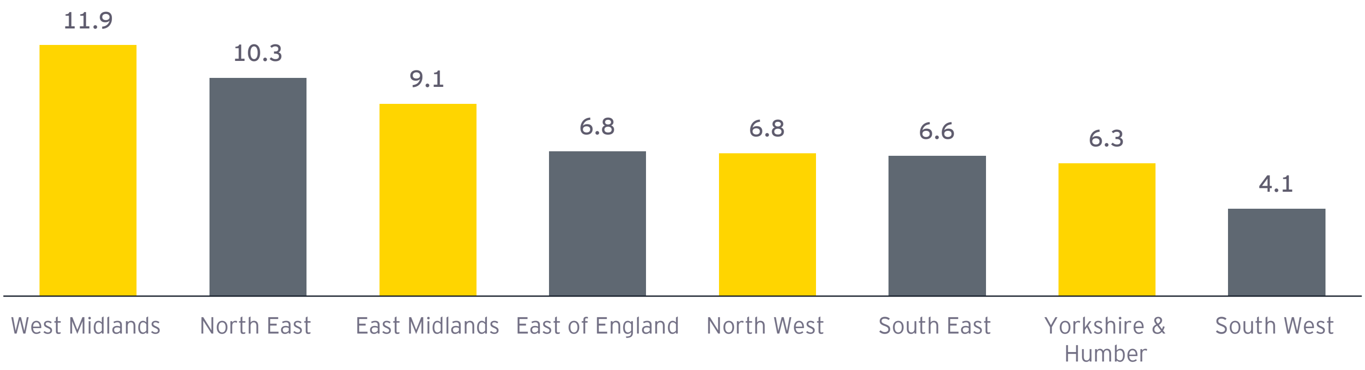


Source: EY European Investment Monitor (EIM) 2018–21

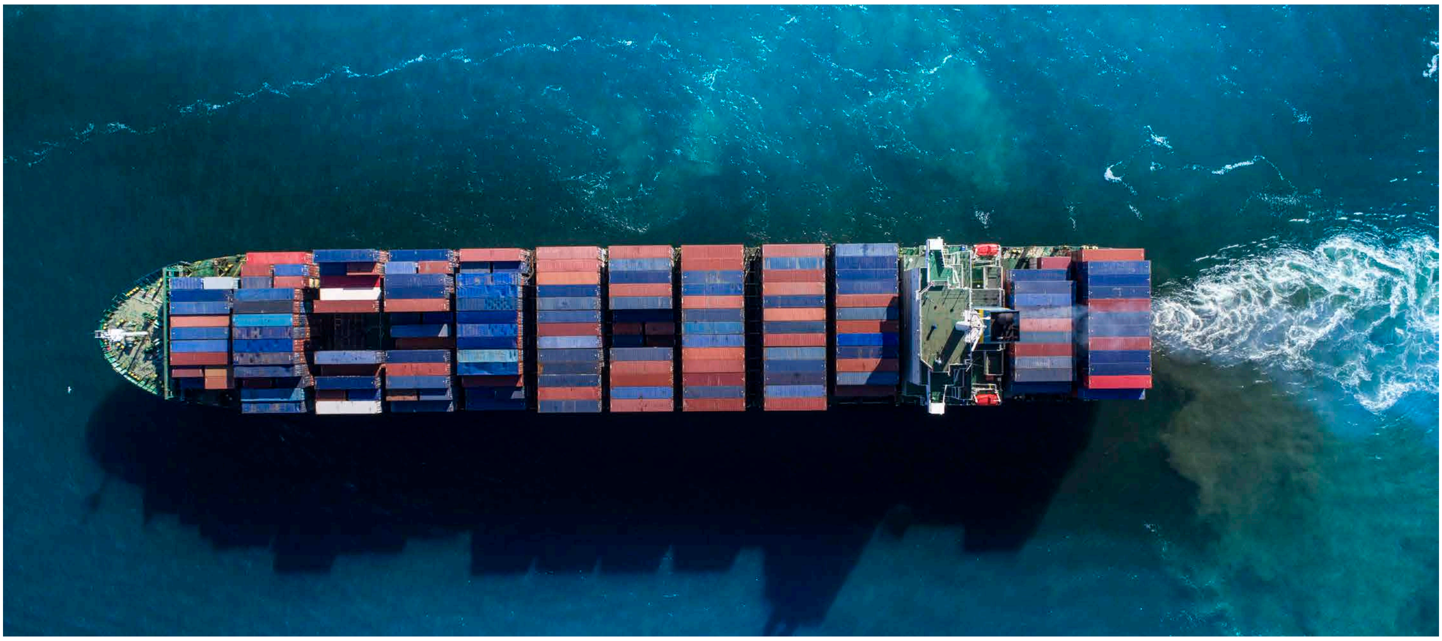
The South East's attraction of FDI projects per capita is below the CCN authority mean. However, it demonstrates similar performance to the East of England, the North West and Yorkshire & Humber.

Since 2018, CCN authorities in the South West have attracted 4.1 projects per million residents, trailing all other county regions. However, CCN authorities in this region are competing directly with the West of England MCA, which attracts significant levels of FDI, driven primarily by Bristol.

Figure 5: FDI projects per million population regional distribution, by county region



Source: EY European Investment Monitor (EIM) 2018-21



Breakdown of FDI projects and jobs announced across all CCN authorities between 2018 and 2021

Figure 6: Breakdown of FDI projects into each CCN member, 2018–21

CCN member	2018	2019	2020	2021	Total	Projects per mil. Pop,	Jobs announced
Buckinghamshire	5	3	5	8	21	9.59	167
Cambridgeshire	13	14	16	15	58	21.96	1,721
Central Bedfordshire	3	1	2	0	6	5.21	81
Cheshire East	2	10	11	6	29	18.69	1,339
Cornwall	3	2	2	2	9	3.95	180
Cumbria	3	1	1	4	9	4.5	71
Derbyshire	6	6	3	5	20	6.26	247
Devon	6	1	6	2	15	4.66	337
Dorset	3	0	1	1	5	3.31	43
Durham	9	6	3	7	25	11.86	637
East Riding of Yorkshire	2	1	1	0	4	2.93	40
East Sussex	1	2	0	0	3	1.35	22
Essex	8	7	4	3	22	3.7	1,430
Gloucestershire	2	3	2	5	12	4.68	263
Hampshire	14	12	16	10	52	9.38	2,430
Herefordshire	0	2	0	2	4	5.27	73
Hertfordshire	7	5	10	8	30	6.29	3,071
Kent	4	7	3	5	19	3.01	216
Lancashire	3	7	5	4	19	3.88	942
Leicestershire	6	5	8	7	26	9.18	8,221
Lincolnshire	10	11	8	7	36	11.81	426
Norfolk	3	3	2	3	11	3.02	484
North Northamptonshire	9	4	13	6	32	22.83	1,119
North Yorkshire	6	3	6	5	20	8.1	1,036
Northumberland	6	2	1	1	10	7.79	210
Nottinghamshire	3	4	10	5	22	6.63	5,466
Oxfordshire	5	9	10	17	41	14.52	698
Shropshire	2	0	3	6	11	8.5	2,653
Somerset	4	2	2	4	12	5.31	225
Staffordshire	11	4	4	10	29	8.26	2,467
Suffolk	6	4	8	0	18	5.92	443
Surrey	8	6	11	12	37	7.72	850
Warwickshire	12	5	9	20	46	19.65	1,733
West Northamptonshire	1	0	0	3	4	2.38	108
West Sussex	2	2	2	2	8	2.3	202
Wiltshire	1	1	1	1	4	1.99	18
Worcestershire	11	7	3	11	32	13.39	500
Totals	**200**	**162**	**192**	**207**	**761**	**7.33**	**40,169**

Source: EY European Investment Monitor (EIM) 2018–21

Whilst the trajectory for FDI in the last four years has been upward, CCN authorities are likely to experience challenging external headwinds that influence FDI volumes

Global headwinds have created an uncertain environment for FDI

Since the latest EIM FDI data (2021) and UKAS Survey (April 2022) was collected, the global macroeconomic environment has worsened, which will negatively impact the outlook for FDI:

- Turbulence in global energy markets caused by the war in Ukraine raising the cost of supply and limiting energy investment
- Ongoing supply chain disruptions and challenges
- Inflationary pressures leading to globally synchronised increases in interest rates, raising the cost of capital and revenue for businesses

Additionally, over the medium term, the pace of business investment is still not at pre-pandemic levels, with that benchmark not expected to be achieved until late 2024 (EY Item Club, 2022).

The uncertainty and risk that investors are currently confronted with globally are compounding the legacy effects of the EU referendum, which resulted in a sharp loss of European FDI share for the UK following the 2016 vote (EY Attractiveness Survey, 2022). With the UK's market share remaining relatively stagnant since, it appears that the UK has settled into having a lower share of EU FDI.

The national policy environment is responding to economic headwinds to mitigate the effect on FDI into the UK

The commitment to 'levelling up' detailed in the government's manifesto is an important element of attracting investment.

A majority of investors in 2022 reported that the UK government's levelling up policy would affect their location decision (EY Attractiveness Survey, 2022) — showing that both national and local governments have the opportunity to demonstrate the value and importance of the regional distribution of investment. The Levelling Up White Paper also challenged the private sector to play an active role in driving growth and social outcomes up and down the country.

More recently, the proposal for Investment Zones alongside the UK Freeports programme is further evidence of the government's shift of approach. Offering targeted tax reliefs in areas around the country, these policies are aimed at engaging the private sector to stimulate local investment, and are framed to attract foreign investment.

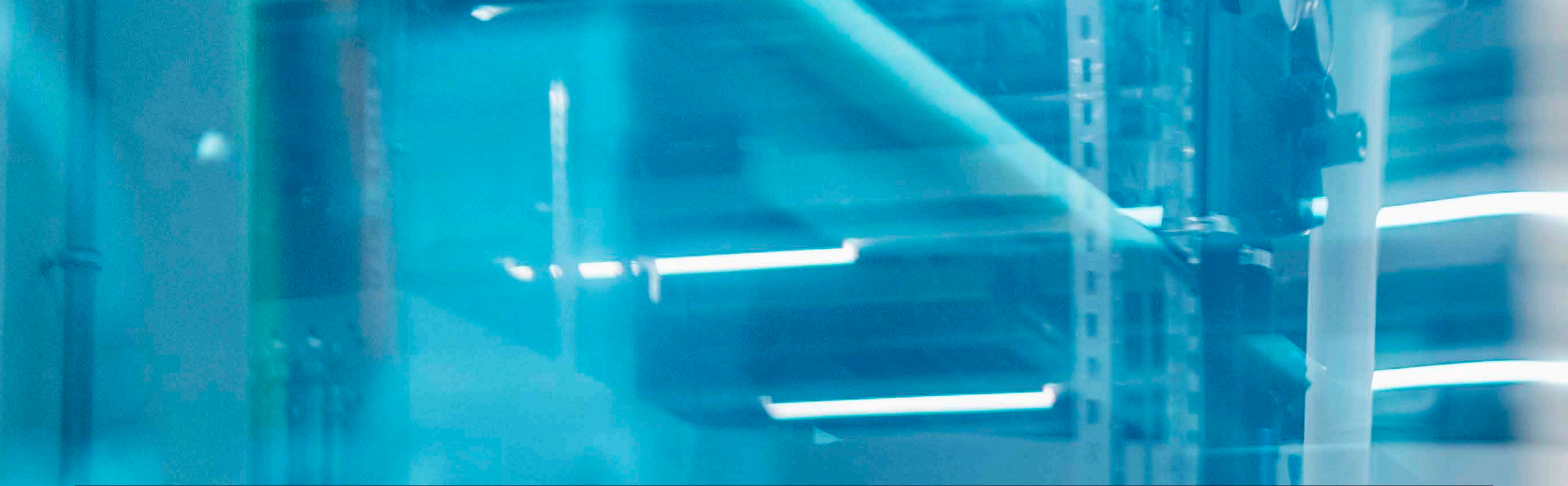
While it now seems unlikely that Investment Zones will proceed, the timing of this report precludes any policy certainty. However, their proposal and the policy commitment to Freeports are evidence of the government's willingness to think radically about tax devolution or zoning. Future policy interventions from DIT & DLUHC in this space are likely to be interventionist, and aimed at encouraging private sector investment.

In response to the economic climate, there is the risk of reductions in public spending which could affect delivery of FDI, on top of European funding being withdrawn

Government departments will likely require rapid and immediate efficiency savings that could further constrain local government finance following austerity, challenging the capacity for creating investible propositions to foreign businesses. CCN authorities are already facing £3.5bn of cost pressures this year (CCN, 2023), meaning any further funding reduction will only exacerbate the existing resource constraint many councils are operating under.

The EU's ESIF and ERDF grant schemes that offer match funding of up to £150,000 for the support of inward investment and opportunity development close at the end of 2023, with EU funding not being renewed for the UK post-Brexit. Local authorities, LEPs and investment agencies that have relied on this funding will need to source alternative funds or develop a new approach.

The UK Shared Prosperity Fund will partially replace these funding streams. This funding for local areas, up to £2.6bn, outlines one of its core mission as growing the private sector and encouraging private investment and could offer a vital lifeline for needed investment capacity.



The Council Imperative: what are the implications for Council Economic Growth powers and use of data & intelligence?

With councils likely to face a more challenging FDI environment, a strategic approach should be adopted that leverages the national policy agenda to local advantage

With the global long-term economic outlook complex to predict and business investment slow to return to pre-pandemic levels, the FDI landscape looks challenging. Indeed, with interest rates forecast to rise, debt-based investments are likely to become more expensive, raising investment viability thresholds further.

To plan resiliently in this environment, councils must:

- **Fully translate the national long-term policy direction into their local capabilities and strengths:** the government's net-zero agenda – including the UK Hydrogen Strategy – and the UK Innovation Strategy are examples of where the government sees the national growth agenda being focussed. Councils should move with confidence to draw out the capacity and requirements detailed within national policies and lead the charge locally to target sectors and skills that align with this national direction.
- **Maximise focus on the local skills agenda:** with skills of the local workforce being the top-ranking attractiveness characteristic for investors (UKAS, 2022), progress in this space will improve the attractiveness of a council's area to foreign investors. And with local areas gaining greater control over skills delivery and other factors that influence growth through devolution, CCN authorities are likely to have more ability to influence this moving forward.
- **Ensure a robust place-based marketing approach:** the promotional strategy should reflect an understanding of the fiscal environment that investors are operating in, and any subsidies or business support offered should be directed at resolving financial constraints. This is crucial to ensure differentiation in a challenging and competitive macroeconomic environment.

Combined, these factors will enable councils to integrate and respond to national policy direction in their localities in a manner that increases local attractiveness and presents a compelling offer to foreign investors.

However, a council's strategic approach must balance short and long-term activity. And there are several actions CCN authorities can take to capitalise on short-term opportunities for investment

While the short-term economic outlook is challenging, there are still FDI opportunities for the UK and CCN authorities. The UK's larger consumer market and leadership in some key sectors, such as digital technologies and life sciences, will always be attractive for investors. A weaker currency in the short-term, particularly against the dollar, provides an opportunity for US investors.

To take advantage, councils should proactively engage already-expanding businesses in their area to explore how this could be amplified, aligning with trends for onshoring and a re-emergence of manufacturing and large factory investment. Additionally, the improved viability case for investment should be promoted and reinforced for those in the pipeline originating from countries such as the US.

Short-term engagement and place marketing should also leverage the current economic growth landscape. Freeports and DIT's High Potential Opportunities are a good example of a localised policy push from the government to attract investment around the UK to be maximised by councils in their investor conversations. It evidences a clear willingness from the government to deploy incentives around the UK, as does the devolution direction of travel through county deals; passing more powers to stimulate growth to local leaders.

2 Sectors and origins

How are specialisms driving investment success and what are the implications for Councils?

The origin of FDI into CCN authorities is more diversified than the UK picture. However, investment from the US and Europe, our largest trading partners, remains high

The origin of projects into CCN authorities broadly matches the national picture

Whilst a significant proportion of FDI into the UK originates from Europe, unsurprisingly the US is the largest single contributing nation – a picture replicated within CCN authorities. However, member councils see a greater share of FDI from the Netherlands, Germany and Japan compared with the rest of the UK.

Whilst CCN authorities experience strong FDI project numbers from US investors, 196 since 2018, US FDI is responsible for a reduced share comparable to other council groups. With US FDI as a source for the UK decreasing in recent years, this is positive for CCN authorities. A diverse origin base for projects acts as a protectionist strategy against US trends.

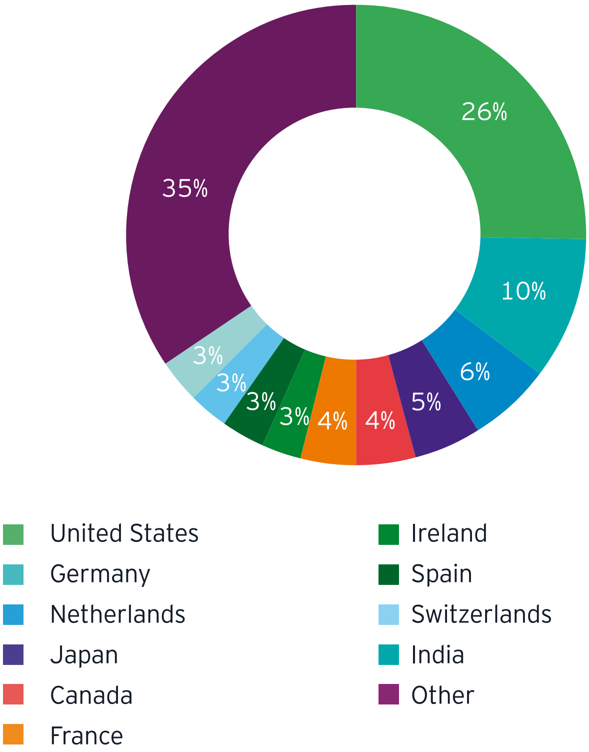
CCN authorities see strong levels of FDI from Europe, particularly from Germany and the Netherlands

CCN authorities are an attractive location for German inward investment, attracting 75 projects since 2018. This has primarily been into machinery, electronics, and transportation & logistics.

Since the pandemic, German investors have also increased FDI focussed on pharmaceuticals and medical equipment, reflecting medical and health demand in the UK.

FDI projects from the Netherlands are also rising, having increased by 137% between 2020 and 2021. With 19 in 2021, CCN authorities attract more FDI projects from the Netherlands than other council groups, with London and MCAs attracting just eight projects each in 2021. Projects from the Netherlands are concentrated in the midlands, attracting projects within the argi-food and machinery sectors.

Figure 7: FDI project origin into CCN authorities, 2018–21



Source: EY European Investment Monitor (EIM) 2018-21

Non-EU investment makes up a large proportion of projects into CCN authorities; including from the US, Canada and Japan

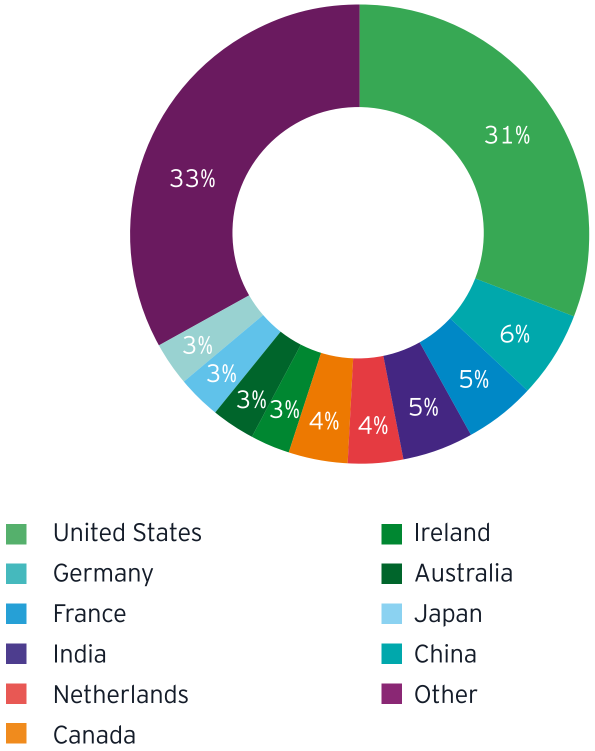
The strength of FDI project numbers into CCN authorities from non-EU countries – the US (even with the decline in recent years), Japan and Canada, all with 30+ projects since 2018 – is a positive for member councils competition for FDI in a post-Brexit UK, where FDI from EU nations has fallen since the 2016 EU referendum.

CCN authorities have attracted more FDI projects from Japanese investors over the last four years than London, MCAs and UAs. Japanese FDI is spread around the country across multiple county regions, driven mainly by projects within pharmaceuticals, medical devices and agri-food.

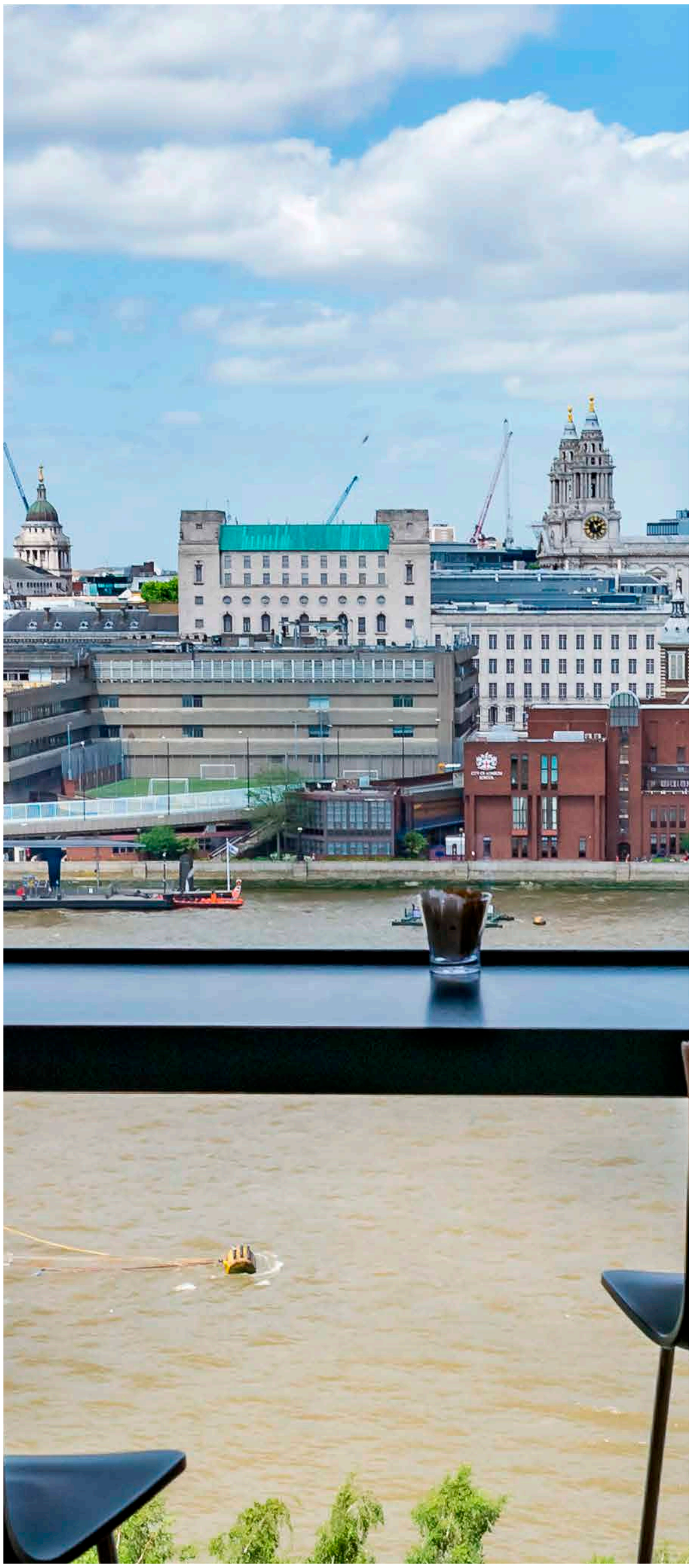
CCN authorities have not seen the same rise of FDI from India as the rest of the UK

Whilst FDI from India has increased significantly into the UK in recent years, ranking fourth since 2018, CCN authorities have not seen the same increase. Indian FDI projects have typically focussed on digital projects, concentrated in metro areas rather than more rural areas within CCN member geographies.

Figure 8: FDI project origin into UK, 2018–21



Source: EY European Investment Monitor (EIM) 2018–21



Our sector evaluation shows CCN authorities hold deep specialisms in transport and logistics, agri-food and a growing comparative advantage in pharmaceuticals

Digital projects lead the way on FDI into CCN authorities; however, their sectoral balance of projects is more varied than London, MCAs and UAs

Digital is the leading sector for FDI projects into CCN authorities, matching the UK picture, delivering 101 projects since 2018.

Whilst digital accounts for 40% and 20% of London and MCA FDI projects, respectively, it represents a comparatively minor 13% of total projects for CCN authorities.

The range of sectors attracting FDI is more diverse in counties. Seven sectors have a greater than 5% share of projects, and these collectively only account for c.60% of total project volume. This positions CCN authorities well to deal with major sectoral shocks, providing resilience during periods of uncertainty.

Given that CCN authorities are well placed to attract digital FDI projects, identified as the leading driver of future growth for the UK's economy by investors (EY Attractiveness Survey, 2022), this does present an opportunity. With the reliance of digital projects on metro cities reducing due to hybrid working, CCN authorities could target investors in the sector and seek to capitalise on the UK's European leadership in digital project attraction.

The transport and logistics sectors are a major comparative advantage for CCN authorities

Across all transport and logistics-focussed sectors, CCN authorities have attracted 112 FDI projects since 2018, 30 projects higher than any other council group. This evidences the strength of connectivity links that some CCN authorities offer.

CCN authorities retain national leadership in agriculture and food

Agri-food FDI projects have remained resilient since 2018, due to the UK's increased reliance on the domestic food market following the EU referendum.

CCN authorities' attraction of agri-food projects has remained significant. With more than double the projects of London and UAs, and more than triple the level for MCAs, CCN authorities attract 47% of England's agri-food projects, showing market leadership and strong, year-on-year performance.

The growth of pharmaceuticals within CCN authorities outstrips the rest of the UK

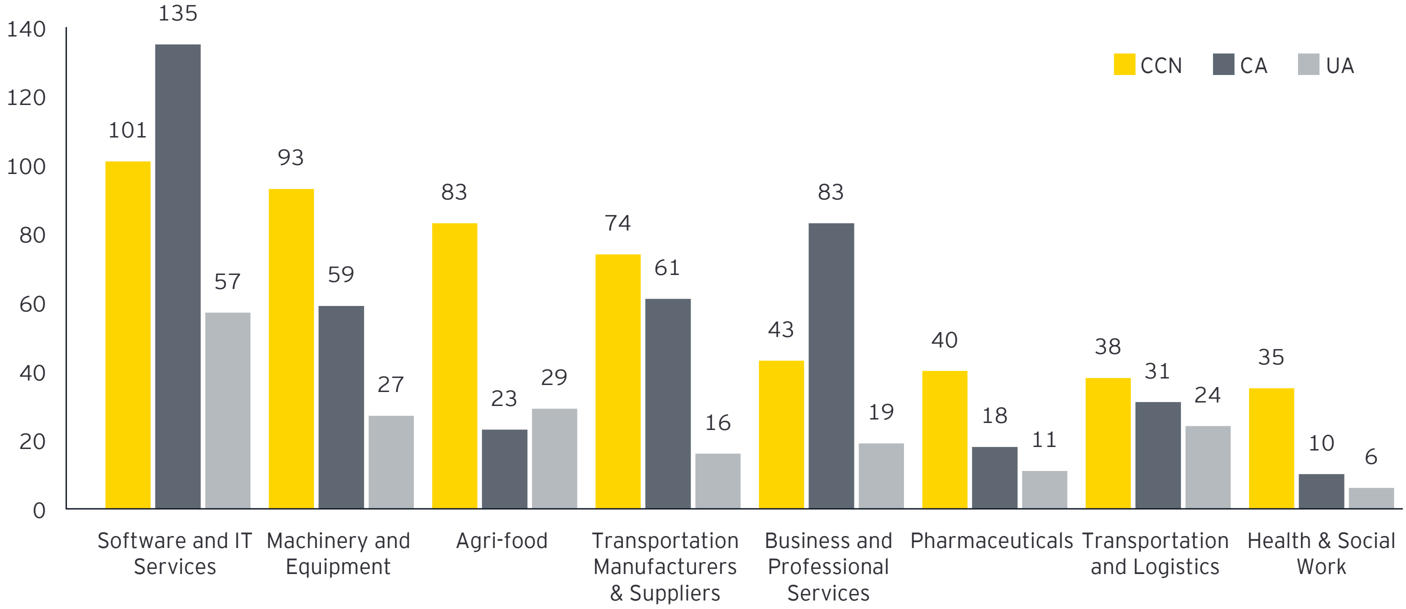
FDI projects in the pharmaceutical industry has been steadily rising since 2018 for CCN authorities, with the greatest increase seen between 2019 and 2020 — a response to the COVID-19 pandemic.

Whilst driven by the comparative advantage that Oxfordshire and Cambridgeshire bring, FDI within pharmaceutical projects has been secured into 18 member councils since 2018. This totals 40 projects attracted in that period and 32 in the past two years, greater than the total projects MCAs and UAs have attracted together since 2018.

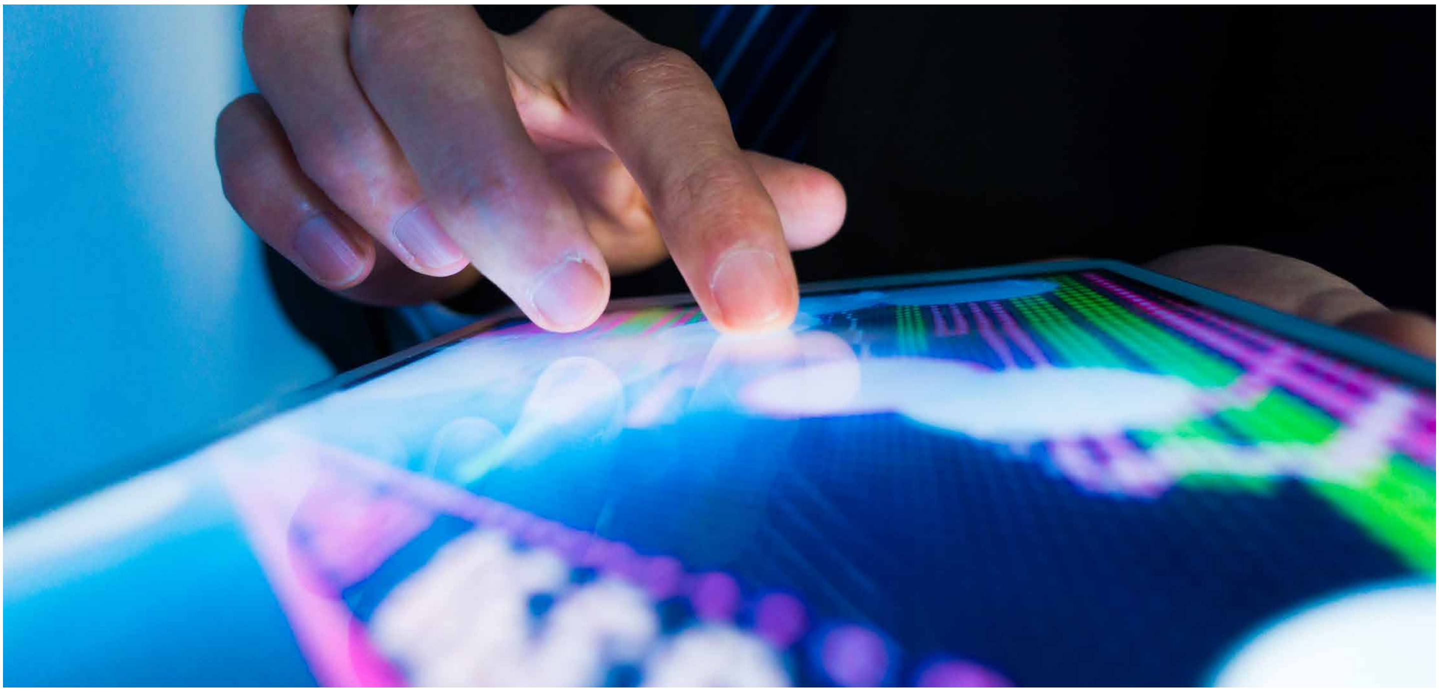
This is replicated in Health & Social Care, with CCN authorities attracting 35 FDI projects since 2018.

This performance, while volumetrically strong, should be qualified noting the geographic and population scale that CCN authorities bring, compared to London and MCAs.

Figure 9: Top eight CCN sector performances by project levels, between 2018 and 2021

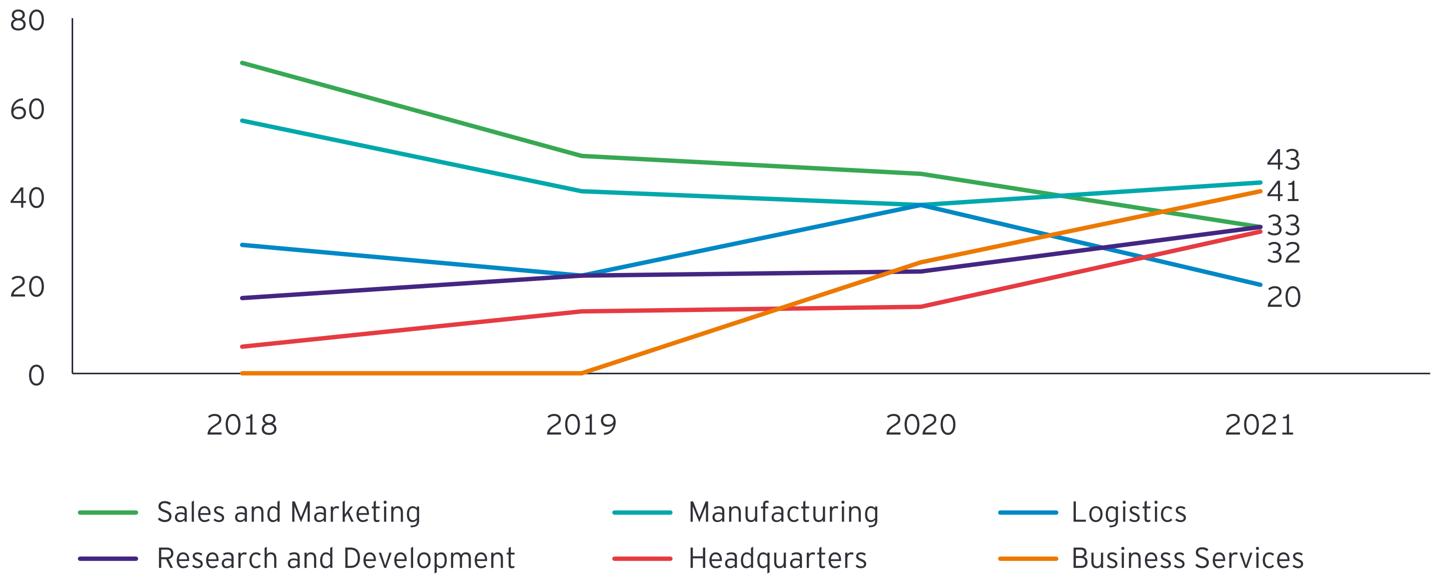


Source: EY European Investment Monitor (EIM) 2018-21



CCN authorities are experiencing increasing volumes of R&D and headquarters' projects whilst retaining a comparative advantage in logistics and manufacturing activities

Figure 10: CCN authorities top 6 performing activities in terms of FDI project levels between 2018–2021



Source: EY European Investment Monitor (EIM) 2018-21

CCN authorities are seeing fewer sales and marketing FDI, trending towards R&D

Prior to the pandemic, CCN authorities experienced the greatest level of activity within sales and marketing-based FDI projects – with 70 projects in 2018. The consumer and business digital transition online has reduced the requirement for a UK sales and marketing presence, with such projects down to 33 for CCN authorities in 2021.

This is contrasted with an increase in higher-value activity within CCN authorities, evidenced by a 94% increase in research and development (R&D) FDI projects since 2018. The attraction of R&D projects by CCN authorities, whilst only marginally lower than London's volume, is more than 50% greater than that of MCAs, and nearly triple the total of UAs.

With R&D facilities tending to be based in more rural areas, and R&D FDI projects into the UK rising since 2018, this represents a significant opportunity for CCN authorities to attract FDI projects involving R&D.

CCN authorities are attracting more foreign investors to establish their UK headquarter (HQs) away from metro cities

CCN authorities saw an additional 17 HQ FDI projects between 2020 and 2021, exceeding the increase seen in both London and MCAs. CCN authorities saw a rise of 113% in that period, whilst London and MCAs saw more modest increases of 35% and 16%, respectively.

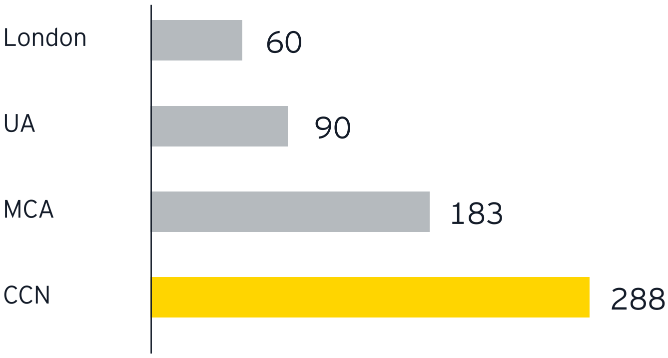
By attracting a greater volume of HQs than MCAs and UAs, CCN authorities have shown themselves as the preferred destination for UK HQs through FDI outside London.

This is tempered, however, by the 2022 outlook, with only 3.5% of investors reporting they want to establish or expand an HQ in the UK (EY UK Attractiveness Survey, 2022).

Counties still lead the UK in manufacturing and logistics-based FDI projects

Although manufacturing-based projects saw a decline between 2018 and 2020 (a reduction of 19 projects), they remained a key strength for CCN authorities and returned to growth in 2021. Member councils have accumulated 288 manufacturing and logistics projects since 2018, more than London UAs and MCAs.

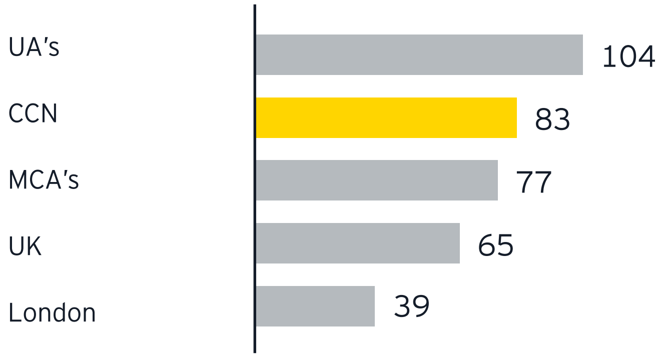
Figure 11: FDI projects within manufacturing and logistics activities into CCN authorities and comparative council groups, 2018-2021



Source: EY European Investment Monitor (EIM) 2018–21

FDI into CCN authorities creates more jobs on a per-project basis than the UK average, and Members attracted the greatest volume of expansionary projects last year

Figure 12: Average number of jobs announced per project between 2018 and 2021



Source: EY European Investment Monitor (EIM) 2018-21

CCN authorities show balance between attracting new and expansionary projects

Nationally, the UK has been more attractive to foreign investors looking to create new projects rather than existing businesses looking to expand their FDI. However, the national picture is skewed by investors heavily focusing on new FDI projects in London. Across the rest of the UK, a more even split is experienced between new and expansionary projects.

CCN authorities consistently attract the greatest number of new projects outside of London compared with other council groups, with 66% of their FDI projects being new versus the MCA new project share at 59%. The manufacturing and logistics sectors are responsible for driving significant new investment, accounting for 20% of all new projects into CCN authorities.

Compared with London, CCN attracts greater numbers of expansionary investments, 85 more since 2018. This signals the enduring attractiveness of CCN member areas and demonstrates the strong work member councils undertake, engaging closely with businesses and demonstrating a facilitative and consistent ecosystem for foreign investors.

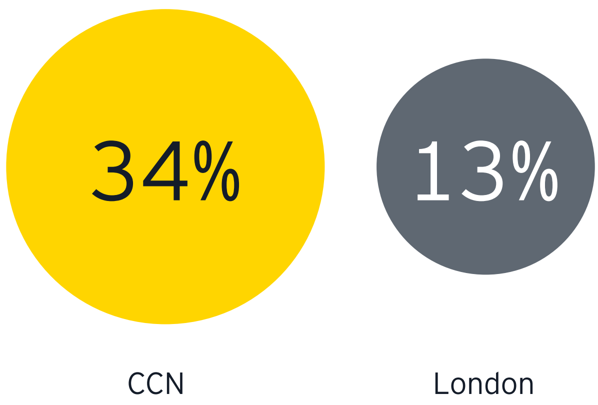
CCN authorities' ability to work with businesses to increase FDI is particularly evident within the agri-food and manufacturing sectors, where, respectively, 50% and 59% of FDI projects are expansionary. This suggests that, in sectors where CCN has a comparative advantage, investors have expanded in recent years.

CCN authorities deliver strong value creation per project compared with the rest of England

When analysing jobs per FDI project, CCN member councils experience an average of 83 jobs, comparing favourably with the UK average of 65 jobs per project. CCN authorities also, on a per FDI project basis, leverage more jobs than London and MCA areas.

This is particularly evident from the new projects that CCN authorities attract, creating an average of 100 jobs per project – significantly higher than the UK average.

Figure 13: Percentage of projects which are expansions in CCN authorities compared with London



Source: EY European Investment Monitor (EIM) 2018-21

The council imperative: What are the implications for council economic growth powers and use of data and intelligence?

CCN authorities have evidenced growing FDI success in recent years that should be further enabled and turbocharged through targeted policy and capacity

CCN authorities are attracting consistently high numbers of FDI projects, seeing growth since 2018 and exceeding pre-pandemic levels of inward investment in 2021, bucking the UK-wide downward trajectory. However, when adjusting for population, CCN authorities attract few FDI projects than London, MCAs and UAs – showing there is still work to do for councils to build on recent progress. Further progress would help to enhance local economic growth prospects, given CCN authorities create more jobs on a per-project basis than FDI projects into MCAs, London and the UK average.

Economic growth is not a statutory function for CCN authorities, and there is varying focus applied to FDI attraction across the sector. But with the government's LEP review advising that "LEPs will eventually fully integrate into local democratic institutions … in line with our mission to offer a devolution deal to all regions by 2030", there is a logical case for CCN authorities utilising the Levelling Up agenda to advocate for the powers to act as a prime force for local growth and FDI in their regions.

In this principal role, councils must employ data and analytics to develop a compelling investor prospectus and then target these opportunities effectively at prospective investors – utilised to inform and shape engagement

Location data and scenario planning are at the core of investors' decision analysis. Councils must match this insight-led capability by leveraging data to organise the supply of attractive prospects and stimulate investor demand through:

- **Optimising their unique place-based datasets:** Councils can employ their wealth of existing physical, economic and social data to identify target prospects:
  - **Physical metrics: land availability**. Local plans and development opportunities are all known and accessible to councils; these should be mapped to target sectors and investor priorities.
  - **High-growth investible propositions:** Through business rates, the Office for National Statistics (ONS) and market intelligence data, enterprising councils are unearthing the high-growth, innovative start-ups in their area that are short of the financial capital needed to propagate.
  - **Economic resilience and strengths:** Leveraging PMI, credit and COVID-19 fiscal support data (CJRS, CBI and Recover Loan), councils can demonstrate to investors the structural economic strength of their localities against shocks.
- **Demanding data to support decision making:** CCN member councils should interrogate investment trends at the local, regional and national levels to inform inward investment targeting. This evaluation should be end-to-end, identifying targets and mapping them to their local prospects and opportunity zones.

CCN member councils have reported difficulty identifying, accessing and utilising data around FDI and investment trends. They should be better enabled and supported in doing so. Access to research from the DIT, LEPs and the OfI is of reciprocal benefit; better information flow and sharing agreements should be adopted.

3

Rallying to the call

How do Council's respond to Private Sector investment criteria?

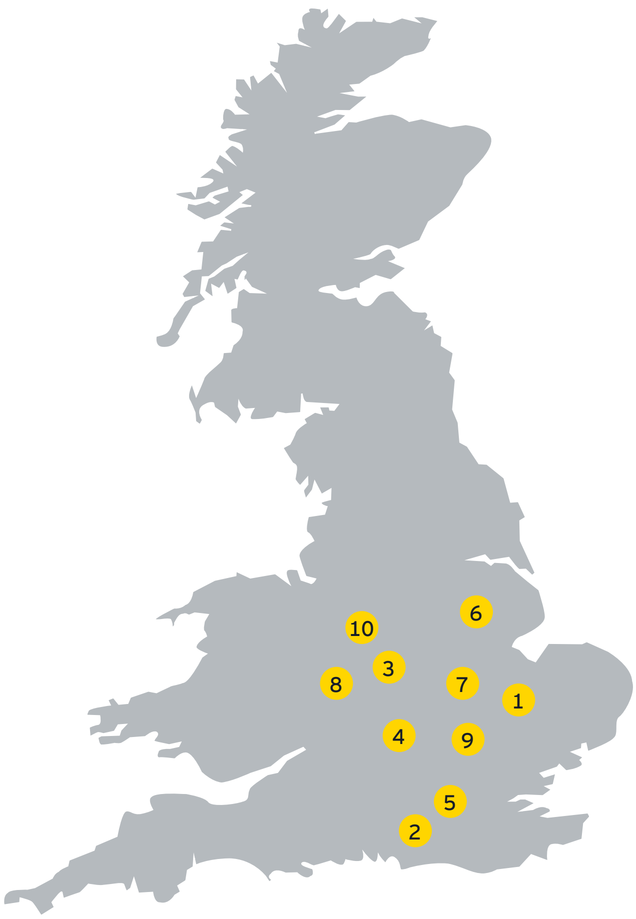
The top 10 CCN authorities in FDI project volumes have common structural components that make them attractive foreign investors

Of the 36 CCN members, 10 have attracted over half of the group's total FDI projects since 2018

Since 2018 ten CCN authorities have attracted 393 of the 761 FDI projects (52%). Whilst investment decisions are influenced by various economic, connectivity and social indicators there are common local determinants by which local areas can influence their attractiveness. Understanding these can inform the broader Economic Growth strategies of councils.

From an FDI project volume perspective, the North of England is not represented within the top ten as a top destination for FDI. Noting that the North fares far better when FDI performance is adjusted for population, this identifies an imperative at both local and regional levels to ensure the underlying investment criteria held by the North are promoted more effectively, and that Levelling Up policy translates into a more even distribution of projects volumes across the country.

Figure 14: Top 10 performing CCN authorities, their total projects and leading sector between 2018-21



Rank	CCN Authority	Total projects between 2018-2021	Leading sector
1	Cambridgeshire	58	Digital
2	Hampshire	52	Digital
3	Warwickshire	46	Digital
4	Oxfordshire	41	Pharmaceuticals
5	Surrey	37	Digital
6	Lincolnshire	36	Agri-food
7	North Northamptonshire	32	Machinery and Equipment
8	Worcestershire	32	Machinery and Equipment
9	Hertfordshire	30	Digital
10	Staffordshire	29	Machinery and Equipment

Rank   CCN Authority   Total projects between 2018-2021   Leading sector

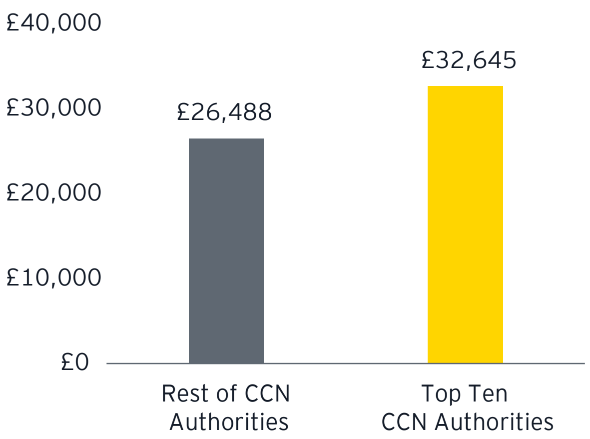
Source: EY European Investment Monitor (EIM) 2018-21

In evaluating the top ten FDI destinations a differential emerges on the domestic market offer, skills and infrastructure

Economic Vibrancy: The top ten destinations have a higher than average GVA per head

This indicates outperformance locally compared with UK benchmarks will be a key attribute to underline to prospective investors demonstrating a strong local domestic market.

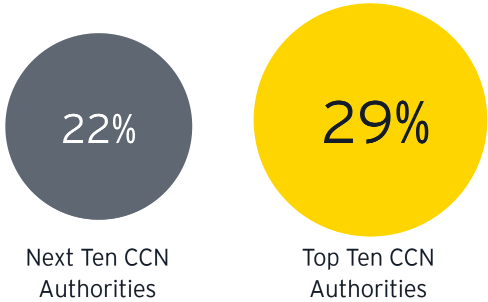
Figure 15: GVA Per Head



Anchor Sector: The top ten destinations have an arrowhead sector leading growth

A single sector plays a more dominant role in the FDI growth story for the most attractive destinations. This illustrates the importance of destinations understanding and leveraging their comparative advantage.

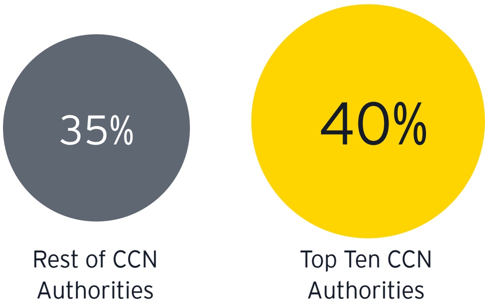
Figure 16: Proportional value of largest sector



Skills matter: The top ten destinations share an increased concentration of high skill levels

At a localised level the top Authorities have a more highly qualified skills base in their labour markets, providing confidence to investors, particularly those in high technical sectors on skills quality.

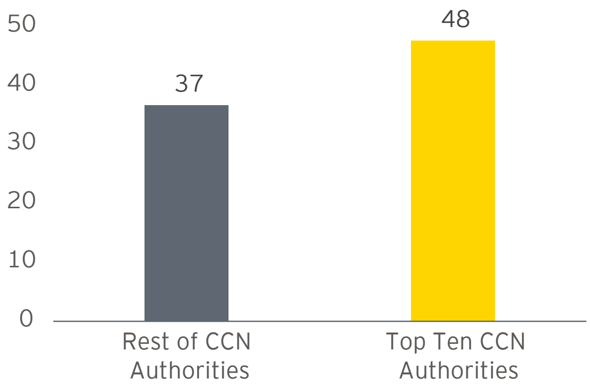
Figure 17: Proportion of Workforce with Level 4+ Qualifications



Business Networks: The top ten destinations have a higher concentration of businesses per capita

Many FDI investors require a strong local supply chain to succeed; the importance of a diverse range of local businesses that can form a resilient network that can reduce costs also influences investor sentiment:

Figure 18: Businesses Per Capita



These core fundamentals are reflected in our latest UK Attractiveness survey, identifying that the key drivers of FDI outside London are skills and business networks

For authorities outside London, skills are the most important factor for investors

When investors and business leaders were asked in 2022 what criteria they considered most important when investing in the UK outside of London, availability and skills of the local workforce topped the list (EY attractiveness Survey, 2022). The cost of local labour also ranked in the top three criteria, showing a considerable focus on local labour markets.

CCN authorities have the opportunity, through their existing networks and service delivery on skills and employment, to amplify and strengthen the quality and breadth of capabilities in their areas to increase local attractiveness.

Local infrastructure remains high on the agenda for investors

The strength of transport infrastructure has reduced in importance to investors, probably due to the post-pandemic shift towards remote working. However, connectivity still remains a significant factor, alongside the availability and cost of real estate. For CCN authorities, continuing to invest in local infrastructure and taking advantage of government capital funding and policies will enhance attractiveness to investors.

Business networks are also a key precursor for investment outside of London

Investors assess and value well-established business networks, regional economic advisory bodies and local supply chains before investment. Networks such as the Chamber of Commerce connect businesses allowing them to collaborate and create opportunities and relationships. Across the UK, there are 58 accredited chambers, covering all CCN authorities.

Financial support for foreign investors is viewed as the highest priority for the UK government to improve attractiveness

Investors view government support as a highly attractive feature when investing, with over half ranking this a priority. DIT works directly with investors to provide support and improve attractiveness. The OfI, similarly, works closely with investors to support their needs and drive high-value investments into the UK. Locally, many CCN authorities have the opportunity to engage with and support potential investors.

CCN authorities can improve local attractiveness to foreign investors

By using regional convening power and coalescing local businesses and activity across economic areas, councils can provide an attractive ecosystem to investors.

Councils can demonstrate local delivery and engagement of national government policy by actively applying for funding and translating national agendas to local areas. This is a key differentiator for councils to flag their attractiveness to potential investors in specialist sectors or with unique value propositions.

Figure 19: What are investors top criteria when considering investing in regional locations outside of London in the UK?

Availability of skills of local workforce	27.1%
Strength of business networks locally	23.8%
Local Labour costs	23.5%
Support from regional economic bodies	23.1%
Access to regional grants and incentives for R&D	21.0%
Strength of transport infrastructure	17.6%

Source: EY Attractiveness Survey UK, 2022

The council imperative: what are the implications for investment strategies and local interventions?

The COVID-19 pandemic has had a profound economic and social impact on counties across the UK. As we now enter the rebound phase, FDI should form a target for local policymakers, a core element of the toolkit for sustainable local growth

In the near term, investors are looking for councils to pave the way by enhancing business networks and benefits and promoting strengths

Investor motivations can focus policy levers when attracting FDI in the short term. Our analysis indicates that CCN authorities should:

- **Provide and support competitive business ecosystems to incoming investors.** Engagement with businesses in their local areas, understanding their needs and signposting business support can aid in achieving this. Stronger relationships forged between CCN authorities, consumers, businesses and the government will amplify these attractive qualities.
- **Identify their local comparative advantages when attracting FDI and build upon them.** By mapping the economic, connectivity and place indicators to their respective areas, members can identify characteristics of their economies that they excel in. Members should build on their distinctive mix of local strengths.

Over the longer term, the fundamentals of success come down to effective targeting and promotion and a firm understanding of how macro-trends translate into local priorities are

The analysis highlights that CCN authorities should design investment strategies that:

- **Cater to the needs of investors within their target sectors through direct engagement.** This can ensure skills providers such as colleges are more responsive to investor demands, creating a skills pipeline for the future.
- **Are agile to structural economic change from the COVID-19 pandemic.** As well as promoting current strengths in the short run, in the long run, members will need to develop new ones, such as embracing the digital revolution. Members who can adapt and change will be successful in attracting FDI.
- **Identify and address their weaknesses in attracting FDI.** As with strengths, members should use the indicator framework to highlight characteristics of their economies that can be improved to attract FDI. Bespoke policy packages should be produced to remedy these.

The ability of CCN authorities to design investment strategies and local interventions that fully cater to investor criteria is significantly dependent on funding and facilitation from the government. However, through county deals, councils can gain greater control over local interventions that will help attract FDI. For instance, gaining control over skills provision and other levers to stimulate growth will enable CCN authorities to increase their targeting of investors in specific sectors.

4 Lead, partner or react

How can Councils best structure local Inward Investment capacity and capability, and integrate nationally?

Having evaluated inward investment operating models and engaged with CCN authorities, we have found various models for FDI delivery across members

Inward investment support is delivered around the country in different ways

Various organisations are involved in delivering inward investment around the UK. Various delivery models with differing levels of support are provided to potential new investors and those existing foreign businesses that may be looking to expand.

Delivery of FDI and inward investment support in the UK is delivered:

- **In the UK to investors and local areas:** working to support incoming investors and marketing local areas to potential enquirers
- **Internationally to businesses:** identifying organisations interested in making FDI into the UK

Various organisations lead the delivery of inward investment support

The government leads the national delivery of support across DIT & BEIS primarily. This includes working internationally to market the UK, generate investment enquires, facilitate incoming investors and direct the enquirer to the most appropriate location — in conversation with local leaders.

Inward investment support is delivered locally through the attraction of investment via place-based marketing and working directly with investors to support their location decisions and opportunities around expanding their presence.

Local delivery varies, depending on the local model. Whilst there are several delivery models, each will be led by a prime provider, one of either:

- **Local Authorities:** working to promote their local area and engaging directly with new and existing investors — most local authorities do not act as prime providers for inward investment.
- **Local Enterprise Partnerships:** acting as prime delivery providers for inward investments in many parts of the country, working directly with local authorities and the government.
- **Investment agencies:** delivering inward investment support for specific areas, where contracted by local authorities
- **Combined Authorities:** leading investment attraction and account management in their areas on behalf of member authorities.

However, areas where LEPs have acted as the prime delivery provider face an uncertain future around inward investment services.

Proposed changes to LEPs, outlined in the Levelling Up White Paper, is clear that their activities are integral to county deals. This will likely mean that LEP delivery of inward investment services will be brought back in-house to the respective upper-tier local authorities.

Support is primarily delivered across two key activity streams, with both required to deliver effective inward investment support

Investors require support at all stages of the investment process to make a foreign investment. They rank support from government and local leaders as key criteria on which location decisions for FDI are based (EY Attractiveness Survey, 2022).

Enquiry facilitation and account management are required to provide a holistic service to foreign investors and maximise FDI.

- **Enquiry facilitation:** picking up investment enquires and ensuring effective direction, as well as management through to delivery
- **Account management:** engaging with existing foreign investors in a local area to understand future requirements and support further investment decisions

Our analysis identifies three primary delivery models of inward investment support, each offering different benefits and limitations

Local Enterprise Partnership (LEP) or Combined Authority Led:

Delivery:

- Inward investment is managed at the LEP or MCA organisation level on behalf of several local authorities (upper-tier and district councils) in the area covered – acting as the prime provider

Resourcing:

- Dedicated resources employed by the LEP or MCA provide the capacity. In some cases, there are council staff provided.
- Often utilises the deployment of sector experts to engage with investors in specific target sectors

Benefits:

- Provision of dedicated resources with a clear remit for investment attraction that can balance attracting new investment and managing existing investors
- Can bring a strategic, regional perspective from the involvement of multiple organisations and work across related activities (economic development, skills etc.)

Limitations:

- Uncertainty around the future of LEPs and the associated resources

Investment Promotion Agencies (IPA):

Delivery:

- IPAs work with/for councils to promote and attract investment, often contracted out by councils in a specific area or region.
- IPAs undertake all aspects of inward investment support, including engagement with government and directly with investors.

Resourcing:

- IPAs provide dedicated resources and operate as providers and suppliers.

Benefits:

- IPAs bring strong commercial acumen to regions and a deep understanding of national FDI trends
- They resource inward investment delivery, relieving pressure from councils and providing focussed attention to investment attraction.

Limitations:

- There is the potential for loss of local and institutional knowledge at the conclusion of contracts with suppliers.
- Focussed primarily on attracting new investors; limited account management resources.

In-house delivery by councils:

Delivery:

- Inward investment support is delivered directly by an upper-tier local authority, acting as the local prime provider and single point of contact for engagement.
- Delivery is primarily on behalf of the upper-tier authority, with other councils working discretely.

Resourcing:

- Resource are often stretched unless identified as a strategic priority, often acting part-time.
- Growing utilisation of sector specialists to access specific target sectors for FDI.

Benefits:

- Councils can control relationships and work collaboratively with other regional partners to boost investment attractiveness.
- Councils have the greatest level of understanding of their local needs and specialisms.
- They have autonomy over account management processes attractive to foreign investors.

Limitations:

- Limited funding and stretched resources can hinder account management and FDI attraction.

FDI attraction is delivered in different ways around the country, with areas subscribing to different delivery models

Surrey County Council

Delivery Model:

County council-led inward investment programme including an independently branded 'Invest Surrey'

Capacity and Capability

The council currently deploys two resources for FDI.

No sector-focussed resources, but the region specialises in pharmaceuticals, automotive and space/satellite.

Regional engagement:

Regular liaison with DIT, DLUHC, Innovate UK

Work separately from LEPs as the region is covered by two LEPs that cover discrete geographies (including other counties) with a different approaches to FDI and investment.

Area Performance:

- Total projects since 2018: 37
- New and expanded projects: 26 new, 11 expanded
- Top investor origin: United States – 46% of all projects
- Best performing sector: software and IT skills
- Jobs announced since 2018: 850

Norfolk County Council/Suffolk County Council

Delivery Model:

A joint council partnership investment function delivered by the New Anglia LEP through a SLA, using the 'Norfolk and Suffolk Unlimited' brand'.

Capacity and Capability:

Integrated into the LEP, 4 officers are provided by Norfolk and 1 from Suffolk, they operate as the 'Invest Norfolk and Suffolk Team'.

Regional engagement:

The team covers all sectors, but with particular specialism with the priority sectors of agri-food, renewable energy and technology.

Regular engagement with DIT around enquiry responses and investment propositions, and work closely with districts and boroughs.

Area Performance:

- Total projects since 2018: 11
- New and expanded projects: new 4, expanded 7
- Top investor origin: China – 27% of all projects
- Best performing sector: transportation manufacturers and suppliers
- Jobs announced since 2018: 927

FDI attraction is delivered in different ways around the country, with areas subscribing to different delivery models, but this may change moving forwards

Derbyshire (Marketing Derby)

Delivery Model:

Marketing Derby is an IPA that provides services to Derbyshire County and Derby City

Capacity and Capability:

Derbyshire County Council have 1 investment officer funded by the eight district authorities and EU funding, who works closely with Marketing Derby

Marketing Derby have 2 FTEs which are funded through the two local authorities and EU funding

The region specialises in advanced manufacturing, quarrying, logistics and distribution

Regional engagement:

Marketing Derby leads engagement with government

Area Performance:

- Total projects since 2018: 20
- New and expanded projects: new 11, expanded 9
- Top investor origin: United States – 20% of all projects
- Best performing sector: machinery and equipment
- Jobs announced since 2018: 247

Delivery of inward investment support is likely to change due to government policy around Freeports and Investment Zones

With the government's approach to levelling up likely to shift more towards attracting private sector investment and focusing much of their policy agenda on stimulating economic growth, the focus on attracting FDI around the country will increase.

The UK Freeports agenda aims to attract significant levels of FDI into eight locations around England (locations in Scotland, Wales and Northern Ireland are not yet announced), with DLUHC's proposed Investment Zone policy having similar objectives.

These policies focus more on attracting FDI and will be delivered at the local level, predominantly by CCN authorities and mayoral combined authorities from a public sector perspective. These levers are evidence of the government's increasing ask of local areas in this space – through the prism of the devolution agenda.

As a result, delivery of inward investment support in these areas, will naturally shift towards local authorities. Where this is currently delivered externally, by LEPs or IPAs, there is the distinct possibility that delivery may come back into upper-tier local authorities.

Even with the Investment Zone policy unlikely to proceed, the engagement that upper-tier local authorities have shown is a testament to their desire to have greater control and to be more engaged in attracting inward investment and other initiatives to stimulate economic growth. And the policy's proposal evidences DLUHC's direction of travel and desire to involve local authorities in delivery of FDI.

Capacity challenges already facing CCN authorities are likely to increase as a result

With competing priorities, councils' delivery of statutory services will always come first. Whilst the focus placed on FDI attraction varies between councils, it is clear that councils will need further support to accommodate the likely increase in activity needed to deliver further responsibilities in this space.

To facilitate FDI, the government interacts regionally to understand local places and their capabilities

DIT's English Regions team and the outsourced Investment Services Team works with local organisations to drive FDI around the country

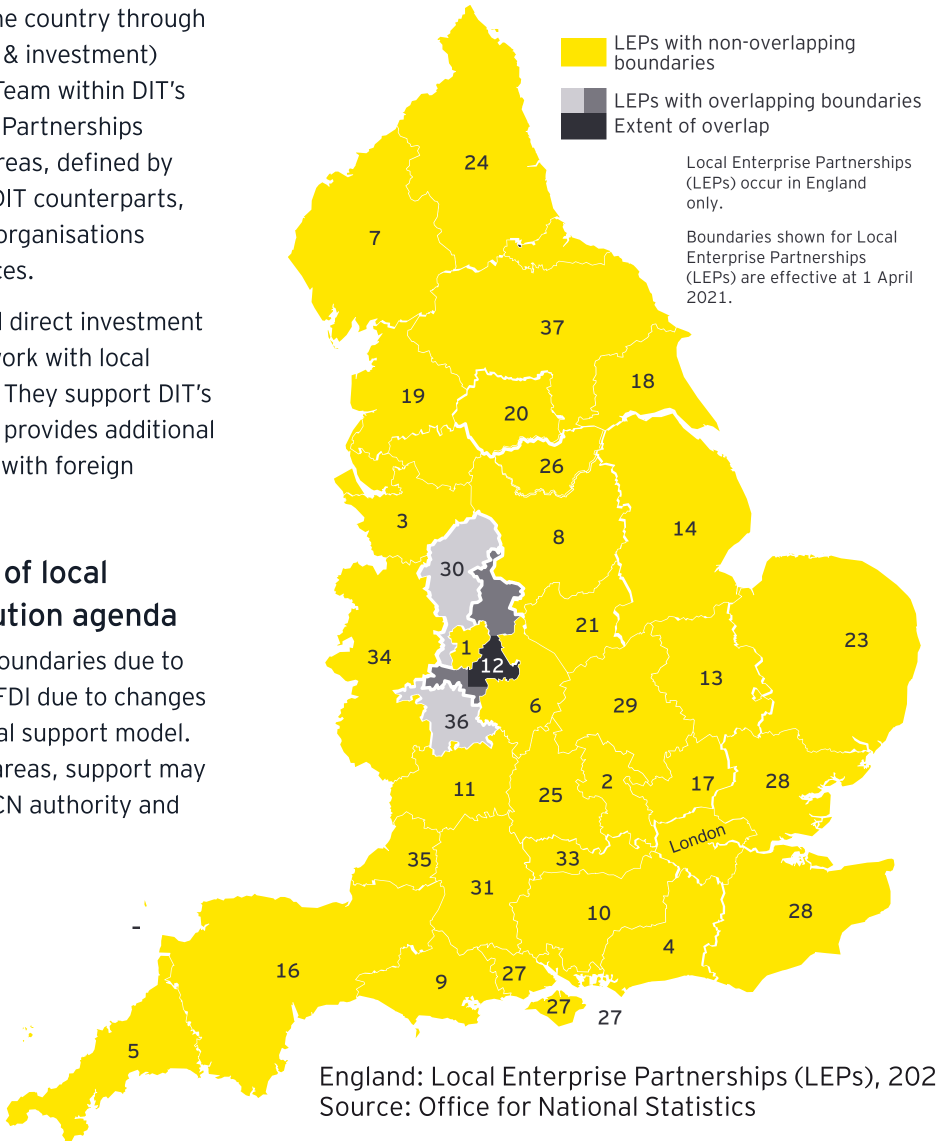
Support is provided to local areas around the country through DIT's English regions teams (covering trade & investment) and the investment focussed Partnerships Team within DIT's outsourced Investment Services Team. The Partnerships Team is split to deliver across thirty-eight areas, defined by LEP boundaries (Figure 21). Working with DIT counterparts, it delivers direct support to the 130+ local organisations delivering inward investment support services.

Partnership Managers seek to generate and direct investment enquiries to the areas they work with and work with local partners to land those investment projects. They support DIT's Key Account Management programme that provides additional resource for local partners to engage more with foreign investors in their area.

DIT's LEP boundary-based model of local delivery may shift with the devolution agenda

The potential redrawing of administrative boundaries due to devolution and shifts in responsibilities for FDI due to changes to LEPs may require DIT to adapt its regional support model. Currently structured to reflect the 38 LEP areas, support may need to be refocussed to the responsible CCN authority and other upper-tier local authorities.

Figure 20: A Department for International Trade Map illustrating Local Enterprise Zone (LEP) boundaries in England.



England: Local Enterprise Partnerships (LEPs), 2021
Source: Office for National Statistics

DIT works internationally, and have added a number of investment-focussed initiatives to its offer, including:

The creation of the Office for Investment

Established by the ex-Prime Minister Boris Johnson, the OfI aims to work at the heart of government to attract and secure the most valuable investment projects into the UK, ensuring investors are supported across government departments.

Since its launch, the OfI reports that it has secured over £11.75bn of investment, directly creating 1,650 jobs and 4,500 more in UK supply chains.

The OFI targets investment aligned to Government priorities, including around:

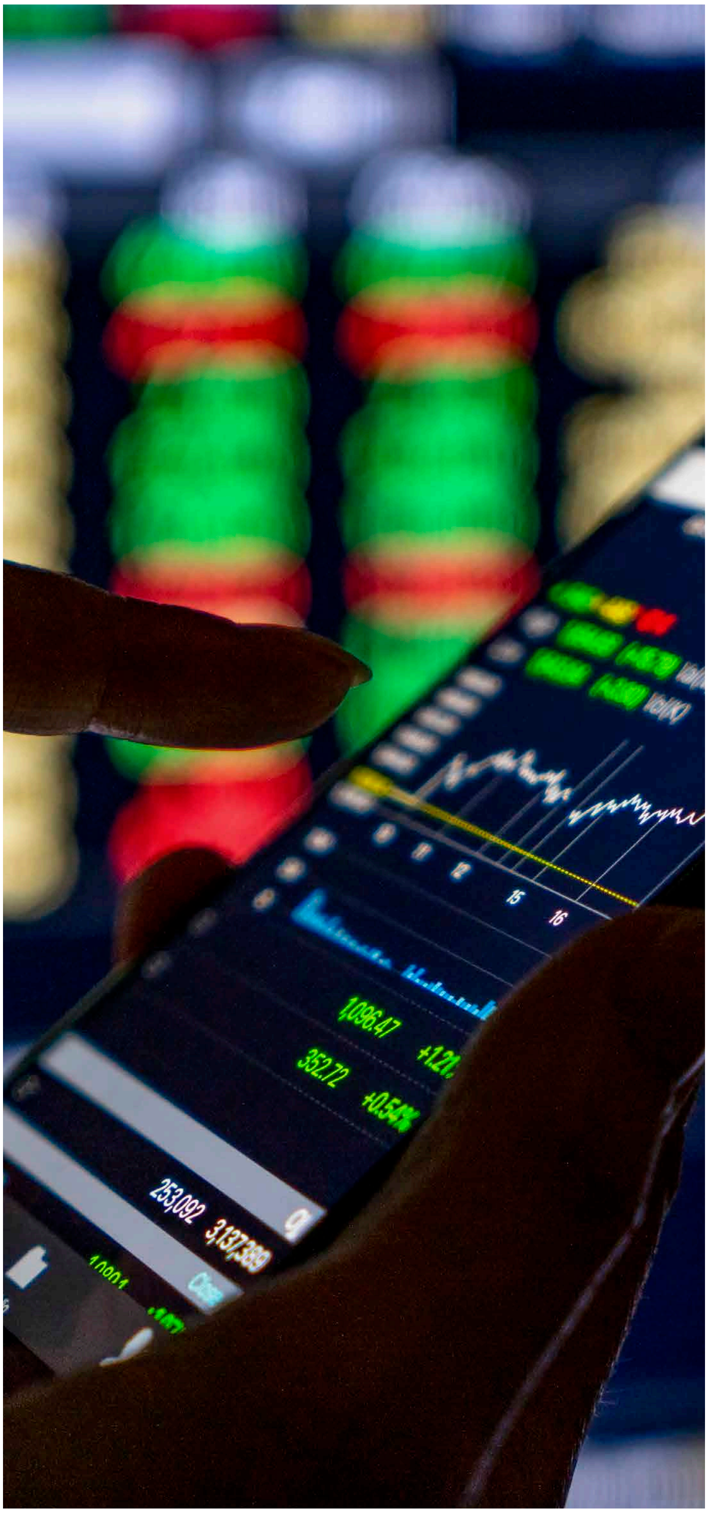
- Sovereign investment partnerships:
- Net zero
- Levelling Up
- Science & technology

GREAT Britain and Northern Ireland campaigns

The GREAT Campaign showcases the very best of the UK, focussed on marketing Britain's distinctive edge as a diverse, innovative and collaborative trading nation, and markets specific opportunities overseas.

Operating in 145 countries, GREAT unites the efforts of 22 government departments and arms-length bodies. It is supported by a £60mn annual budget and has:

- Secured over £4.5bn of inward investment into the UK since launch
- Leveraged key events such as the hosting of COP26 by the UK with a refreshed campaign
- Worked with 850 British partners across the globe each year



The council imperative: what are the implications for council capacity and capability?

Accountability and collaboration are imperative to successful local FDI, irrespective of the delivery model adopted

To ensure focus and buy-in to delivering inward investment support, councils should agree on local accountability for FDI targeting. Clarity of leadership will improve on-the-ground delivery and rally regional and government stakeholders in what is undoubtedly a complex landscape.

In making this judgement across CCN authorities, it is clear there is no one-size-fits-all approach. The three delivery models each hold strengths and weaknesses. The choice should reflect the availability of local resources, the strongest connections with the business and investment community and, likely critically, who holds the most effective promotion and sales capacity on which successful FDI depends.

Regardless of the delivery model, success will be underpinned by the following design principles:

- **Strategic role for upper-tier local authorities:** acting as leaders in their areas, developing the vision and identity of the county to market to foreign investors.
- **Local collaboration and engagement:** ensuring that all local organisations are involved in delivering inward investment support, bringing a range of capabilities; to include district councils, LEPs, business networks, other FDI delivery bodies and existing investors.
- **Dedicated resource and buy-in:** full-time resource is required to develop the local offer, and engage with investors, with leadership buy-in required to ensure focus and effective prioritisation.
- **Sectorally-focussed resource:** where an area has a clear comparative advantage or has defined a sector within which it wishes to attract investment, specialist capability within that sector (and with experience of engaging with such businesses) will improve a council's ability to attract FDI.

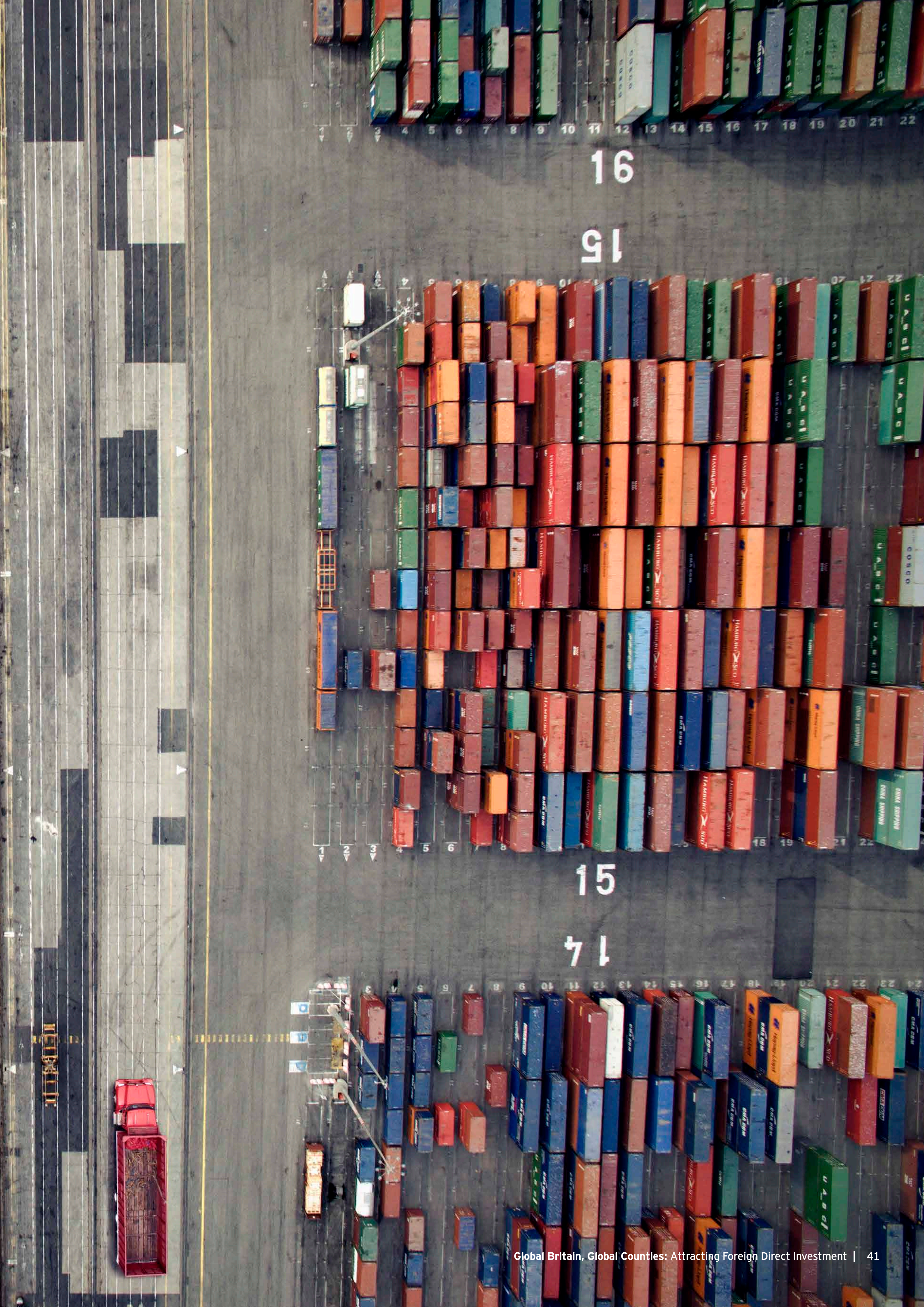
A relentless focus on simplifying, facilitating and accelerating the investment process will provide the most attractive offer to prospective investors

Whilst CCN member councils report significant resource constraints and an uncertain future of LEP resources, with competing priorities, it's important to be progressive and balance resources between attracting new FDI and facilitating expansionary projects by applying resources to both:

- **Investor enquiry facilitation:** project managing incoming enquiries, providing local insight and (where required) technical support to support enquiries through to investment decisions.
- **Account management:** engaging directly with key, large-scale local organisations to understand priorities and work to provide facilitative conditions for additional investment.

Working in lockstep with key government agencies, such as DIT & OFI, is crucial in successfully delivering inward investment. Conveying local priorities to DIT and leveraging the technical support on offer can increase the overarching resource level available to local areas.

Engagement with other organisations delivering inward investment support and seeking FDI is also crucial. Establishing regional and national networks to share lessons learned, best practices and tangible investment enquiries (when not suitable for the receiving organisation) will enhance delivery. This should include other councils, Freeports, future Investment Zones and FDI agencies.



5 Unshackling places:

What next? And how can CCN authorities and Government work together to increase investment?

Global Britain, Global Counties has identified an imperative for CCN authorities to intensify and accelerate local activity through tangible action on investment operating models, reimagining a truly differentiated local offer and employing the tools of devolution to enhance their investment capacity and capability

In an environment with constraints against councils leadership to attract FDI, where funding and enabling policy is often directed regionally and by LEP area, rather than direct toward upper-tier local authorities, CCN authorities have attracted a growing share of FDI projects into the UK and create more jobs on a per-project basis than comparable council groups.

With CCN authorities asked to deliver more in this space, and lagging the rest of the country when FDI volumes are adjusted for population, Councils must be enabled from policy, fiscal and systematic perspectives to empower them to continue closing the gap to their Metropolitan and Combined Authority peers.

There is a council imperative to address four key themes in order to maximise local delivery of FDI:

Strategic approach:

With a more uncertain long-term outlook, a council's strategic approach should leverage the national policy agenda to the local advantage.

However, a council's strategic approach must also consider both a short and long-term view. And there are several actions CCN authorities can take to capitalise on short-term opportunities for investment.

Use of data and intelligence

CCN authorities have evidenced growing FDI success in recent years that should be further enabled and turbocharged through policy and capacity.

In this prime role, councils must employ data and analytics to create a compelling investor prospectus and then target these opportunities effectively at prospective investors – utilised to inform and shape engagement

Investment strategies and local interventions:

In the near term, investors are looking for councils to pave the way by enhancing business networks and benefits and promoting strengths.

Over the longer term, the principles of effective targeting, targeted promotion and a firm understanding of how macro-trends translate into local priorities are fundamental success factors.

Capacity and capability:

Accountability and collaboration are imperative to successful local FDI, irrespective of the delivery model adopted.

A relentless focus on simplifying, facilitating and accelerating the investment process will provide the most attractive offer to prospective investors.

To enable CCN member councils to turbocharge their delivery of inward investment support and maximise area attractiveness to investors, there are key actions to take forward:

Areas need clearly defined operating models for inward investment services that are regionally integrated, balanced between facilitation of new investment enquiries and account management of existing investors, and future-proofed around impending change.

Clear, differentiated value propositions based on data and insight are required for individual areas, supported by local policy interventions that align with national agendas.

Councils need the capacity and capability to maximise local delivery – through the provision of support around data provision, funding, powers and recognition, including through devolution and county deals.

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