Public Document Pack

CITY OF LONDON

Finance Committee
APPENDIX PACK

Date: **TUESDAY, 12 DECEMBER 2023**

Time: 12.45 pm

Venue: **COMMITTEE ROOMS, GUILDHALL**

7. **CYCLICAL WORKS PROGRAMME - FUNDING STRATEGY**

Report of the Chamberlain.

For Decision
(Pages 5 - 6)

8. **FINANCE COMMITTEE OPERATIONAL BUDGET ESTIMATE 2024/25**

Joint Report of the Chamberlain, the Deputy Town Clerk, the Chief Operating Officer, the City Surveyor, the Remembrancer and the Director of Community and Children's Services.

For Decision
(Pages 7 - 26)

9. **BENEFITS IN KIND REVIEW**

Report of the Managing Director, City Bridge Foundation.

For Decision
(Pages 27 - 38)

10. **CENTRAL CONTINGENCIES**

Report of the Chamberlain.

For Information
(Pages 39 - 40)

11. **AUTUMN STATEMENT 2023 BRIEFING**

Report of the Chamberlain.

For Information
(Pages 41 - 172)

12. **CHAMBERLAIN'S DEPARTMENTAL RISK MANAGEMENT UPDATE**

Report of the Chamberlain.

For Information
(Pages 173 - 182)

18. **SUPPORT FOR FUNDAMENTAL REVIEW INTO THE NATURAL ENVIRONMENT CHARITIES**

Joint Report of the Executive Director, Environment, the Managing Director of City Bridge Foundation and the Chamberlain.

For Decision
(Pages 183 - 198)

19. **DITS CORPORATE LICENCE & CLOUD SERVICE PROVIDER PROCUREMENT**

Report of the Chamberlain/Chief Operating Officer.

For Decision
(Pages 199 - 200)

20. **EXTENSION TO REPAIRS AND MAINTENANCE CONTRACTS**

Report of the Executive Director of Community and Children's Services.

For Decision
(Pages 201 - 202)

21. **PROCUREMENT OF PURCHASE CARD SCHEME STAGE 1-2 STRATEGY AND AWARD REPORT**

Report of the Chamberlain.

For Decision
(Pages 203 - 210)

22. **RATEABLE VALUE FINDER SERVICE FOR BUSINESS RATES**

Report of the Chamberlain.

For Decision
(Pages 211 - 212)

23. **REVIEW OF METRICS USED IN PROPERTY DECISIONS**

Report of the City Surveyor.

For Decision
(Pages 213 - 218)

24. **CITY'S ESTATE: ASSET SWAP – THE COURTYARD, 1 ALFRED PLACE, WC1 AND 95-96 NEW BOND STREET, W1**

Report of the City Surveyor.

For Decision
(Pages 219 - 224)

25. **CITY'S ESTATE: FREEHOLD DISPOSAL OF 26 BROOK STREET**

Report of the City Surveyor.

For Decision
(Pages 225 - 228)

26. **CITY'S ESTATE: FREEHOLD DISPOSAL OF 55-61 CHARTERHOUSE STREET, EC1M**

Report of the City Surveyor.

For Decision
(Pages 229 - 236)

27. **DELEGATION REQUEST REPORT**

Report of the City Surveyor.

For Decision
(Pages 237 - 238)

28. **PRESTIGIOUS SITES - PROCUREMENT STAGE 1 STRATEGY REPORT**

Joint Report of the City Surveyor and the Deputy Town Clerk.

For Decision
(Pages 239 - 248)

This page is intentionally left blank

Appendix 1 – CWP Project Scoring Criteria Matrix

Criteria		Health, Safety & Security	COL Reputational	Sustainability & Equality	Asset performance	Client Feedback
Criteria weighting		5	3	4	5	3
Description		1 To what extent is the COL exposed to risk if project not undertaken in this programme 2 Is the project required to meet a statutory compliance standard (e.g. Reservoir Act) 3 Is the project required to meet the equivalent of a highways agency standard (structural integrity)	1 To what extent is the COL reputation tarnished or risked if the project is not undertaken in this programme 2 How does the proposed work maintain or protect the heritage of the property or its local standing	To what extent does the specific project contribute towards Sustainability and Equality in accordance with the Climate Action Strategy and Equalities Act	What impact will sudden unexpected failure of the asset have on the COL to deliver its front line services	1 Is the project of sufficient importance to the occupying department that they consider it meritorious from a front line service delivery perspective 2 Is their Member or committee or other interests that have not been taken into account
RATING SCALE	0					
	1	No H&S implications	**1** No reputational impact **2** Non public support space, temporary use, underutilised or **3** Not listed, General operational building, staff welfare or 4 Listed (any grade) but project not relevant to listing status	**1** No impact on Sustainability **2** No impact on Equality	Failure will have little or no impact on front line service delivery	The occupying department has not identified this project as a priority
	3	**1** Where works are considered industry best practice **2** Where works have been recommended in a Fire Risk Assessment	Isolated service user /stakeholder complaints contained within business unit	**1** Where the project will improve Energy Efficiency and Sustainability **2** Where works are required to cover provision of welfare facilities for Members of the public generally	**1** Failure will have minor impact on service delivery, typically up to 1 day **2** unexpected failure unaffordable against local risk budget 3 Where the project will improve energy efficiency	**1** The Head of Service has identified this project as key to their service delivery **2** There were other relevant factors that were not available to the evaluation team
	5	There is deemed to be a valid and current health and safety risk and that risk is likely to increase disproportionately if works are not undertaken within a reasonable time frame (say within 18 months).	Adverse local media coverage, multiple service user & stakeholder complaints but with careful handling it can be managed	**1** Where the project will significantly improve energy efficiency and sustainability **2** Where works are needed to facilities that are relied upon by a protected group in a general purpose building such as public car park	1 Service disruption 2-5 days 2 Repeated failure of the asset - repairs proved unsuccessful. 3 Beyond economic repair 4 There is no viable long term workaround solution 5. Where the project will significantly improve energy efficiency	**1** A Consultative Committee has expressed its wish that the project be considered of more importance than others **2** A Chief Officer has expressed a wish that the project be considered as more important than others
	7	**1** Where failure to provide might negate insurance cover **2** Required to maintain to the equivalent of a highways agency standard	**1** Adverse national media coverage 1-3 days **2** Grade 2 or 2*, Conservation area or of national importance	**1** Project will assist with delivering the Climate Action Strategy **2** Where works are needed to facilities that are specifically provided for a protected group such as primary school, medical centre and Children's Library	Service Disruption > 1week to 4 weeks	A Member or Service Committee has expressed a wish that the project be given priority over others
	9	**1** Required to provide to comply with statutory requirements **2** Where failure to provide could have effect on wider populous	**1** National publicity more than 3 days . Possible resignation of A Member or chief Officer **2** Scheduled Ancient Monument, Grade 1, National Importance **3** Required as a result of Court case	**1** Project is mandated by Law **2** Where failure to provide could have effect on wider populous	Service disruption > 4 weeks.	**1** CASC has expressed their wish that the project be included as a priority list project (above the line) **2** A Senior Grand Committee has expressed a wish that the project be included a priority list project (above the line)

This page is intentionally left blank

Appendix 1

OPERATIONAL SERVICE OVERVIEW

<u>Chamberlain</u>
City Fund
Cost Of Collection

The Cost of Collection reflects the expenditure incurred in the administration and collection of the Non-Domestic Rates and the Council Tax. As of 4 October 2014 this became a fully in-house service after the contract with Liberata (UK) Ltd expired.

City's Cash Chamberlain's Court

The main duties of the Chamberlain's Court include assisting the Chamberlain to admit persons to the Freedom of the City; to help in the formation of new Livery Companies; and to maintain the Mansion House Plate Inventory.

Gresham - City Moiety

This includes the City's share of the income from the Royal Exchange, 89/91 Gresham Street and Gresham House annuity. It also shows the City's share of the expenses of running the Gresham Estate.

Gresham - Discretionary Expenditure

This principally consists of the grant to Gresham College, the non-mandatory elements of the Lecturer's fees and administrative costs.

Guildhall Administration

Within Guildhall Administration the Chamberlain's Department provides a wide range of financial services.

The department is organised into the Financial Services Division, Corporate Treasury, Shared Services Internal Audit and Business Support.

The work of the department (except for Cost of Collection and the Chamberlain's Court which are summarised in the notes above) are explained below.

Chamberlain's Department – General

The services provided by the **Financial Services Division**:

- revenue and capital budget preparation and financing
- budget monitoring and financial advice
- accounting and final accounts
- medium-and longer-term financial planning and technical analysis
- strategic financial advice on major projects
- capital project appraisal
- business partnering
- support to corporate governance
- Oracle System Team

The services provided by **Corporate Treasury**:

- financial investment and cash management
- VAT/tax planning
- banking
- financial appraisal of organisations

The services provided by **Financial Shared Services Division**:

- Business Rates Billing and Collection
- Business Improvement Districts Billing and Collection
- Council Tax Billing and Collection
- Miscellaneous Income Billing and Collection
- Property Rent and Service Charge Billing and Collection
- Housing Benefit Administration
- Council Tax Reduction Support Administration
- Accounts Payable

Chamberlain's Department – Insurance

Part of the Corporate Treasury but included in a separate cost centre, the Insurance Section is responsible for undertaking risk assessments and securing the required insurance cover.

Strategic Aims

As part of the Chamberlain's transformation programme a new strategic vision has also been built with all colleague's feedback being taken into consideration/implemented before finalising. This has been built on six pillars as follows:

1. Stewardship
Enable financial sustainability and manage risk through leadership onfinancial control, governance and assurance

2. Empowering
Empowering team members to excel through a focus on wellbeing,professional development and leadership

3. Trusted Partner
Create value and drive impact through strategic advice, ceremonial duties and professional insight as trusted advisors

4. Partnership Working
Deliver in partnership with customers and each other as a professionalChamberlain's community

5. Commercial
Champion value for money, develop opportunities and embed commercialpractices in support of the communities we serve

6. Digital First
Look to the future, embrace technology and continuously improve throughinnovation and adaptation

Commercial Department

The Commercial Department is a key component in the transformation of how the City procures and pays for the goods and services it needs. The Commercial Service provides professional expertise and leadership to ensure Corporation commercial relationships deliver innovative, high-quality, value for money services and responsible outcomes. Functions include strategic sourcing, category and contract management, responsible procurement, policy and assurance and key Supplier Performance monitoring.

Deputy Town ClerkCity's Cash Shrieval Support

This budget contains the salaries and office expenses of the Shrieval Support at the Central Criminal Court.

Mansion House Premises

This budget includes the maintenance and running expenses of the Mansion House which is a Grade 1 Listed Building incorporating working offices, function rooms, Mayoral accommodation and staff accommodation. The budget is used for the fabric of the building both internal and external.

Corporate Services – This includes:

- the cost of catering in respect of Committee lunches;
- the Sheriff's election allowances;
- the cost of Shrieval mementos; and
- a proportion of ward and election expenses.

City Surveyor

City Fund

Central Criminal Court

The City provides the premises of the Central Criminal Court for the Court Service of the Lord Chancellor's Department and accommodates not only the eighteen courts, but also offices for the City of London Police, HM Prison Services, Serco Prisoner Handling Services, Crown Prosecution Service, Probation Service, Treasury Council, the Crown Court Witness Service, HMCTS List Office, Coroner's Court, Coroner's and Coroner's staff offices, Probationary Service Offices, Mental Health Services Office, Press Office and Met Police administration Office.

The eighteen Courts are made ready for use on Monday to Friday and also may be required to sit on public holidays and weekends.

The City is responsible for the care of the building and the provision of its facilities which includes the maintenance of the fabric of the Central Criminal Court, its furnishings, fittings and all of the mechanical and electrical equipment, the daily cleaning of the building and the provision of security services.

A proportion of the employee costs and 95% of other running costs are reimbursed by the Lord Chancellor's Department.

Walbrook Wharf

This budget relates to the operational management of Walbrook Wharf including repairing, maintaining and renewing the building and services.

Mayors and City of London Court

The provision of the present court, which is an amalgamation of the Mayor's Court and the City of London Court, is covered by the Courts Act 1971. The City Surveyor is responsible for repairing and maintaining the building and its services for use as a court. This is achieved through a combination of direct ordering, and supervision and management of contractors. Occupational issues are dealt with in consultation with the Court Service.

City's Cash

Central Criminal Court

This consists of the salaries, pensions and national insurance contributions for the posts of City Recorder and Common Serjeant.

Guildhall Complex

The Guildhall Manager has overall responsibility for security, facilities and contracted services at the Guildhall complex and is responsible for operating, repairing, maintaining and renewing buildings and services throughout the Guildhall complex. This is achieved through a combination of direct operations, and supervision and management of contractors. The emphasis is on value for money, quality and safety, with precise arrangements being regularly reviewed and refined to optimise performance. Capital projects are undertaken for significant Guildhall complex improvements.

<u>Remembrancer</u>

City's Cash Corporate Services

This includes the cost of catering in respect of Committee Hospitality Allowances. The purpose is to enable Committees, by means of hospitality, to establish and maintain contact with leading outside organisations that have been or could be of assistance to

the City of London Corporation in its work, and to pay tribute to the past Chairman. These estimates also include expenditure relating to fees for parliamentary work.

Guildhall Complex

This contains the expenditure and income relating to the letting of Guildhall function areas for private events such as banquets, receptions or conferences. The areas available for hire currently are the Great Hall (subject to the concurrence of the Common Council), the Old Library, the Livery Hall, the Crypts, the Print Room, the Chief Commoners Parlour, Guildhall Art Gallery, the Basinghall Suite andoccasionally, Guildhall Yard.

As the Guildhall, Great Hall is a Grade 1 Listed Building, use is limited and subject to strict terms and conditions. Permission to hire is granted following Officer recommendation and Member approval. Applications are considered directly by the Policy and Resources Committee for the hire of the Great Hall and by the Chair of the Civic Affairs Sub- Committee and Chief Commoner. The Guildhall complex hosts approximately 300 private events per annum and charges are reviewed annually by committee.

Director of Community and Children's Services **City's Cash**

Gresham - Mandatory Expenses

This service is part of the Gresham Estates and shows the cost of maintaining the Almshouses and paying the Almsfolk allowances, together with the mandatory element of the City of London Corporation's four Lecturers' fees (£400).

This page is intentionally left blank

Appendix 2

Finance Committee Operational Services Summary Budget

This appendix shows a high-level summary of Finance Committee operational services budgets. Further details are shown in Appendices 3 to 6.

Summary Revenue Budgets 2022/23 and 2023/24 - by Chief Officer	**Original Budget 2023-24 £m**	**Latest Budget 2023-24 £m**	**Estimate 2024-25 £m**
Local Risk			
The Chamberlain	(11.257)	(13.895)	(14.511)
The Deputy Town Clerk	(1.235)	(1.235)	(1.273)
The City Surveyor	(10.693)	(11.055)	(10.250)
The Remembrancer	0.414	0.414	0.325
Total Local Risk	**(22.771)**	**(25.771)**	**(25.709)**
Central Risk			
The Chamberlain	(16.069)	(16.105)	(17.983)
The Deputy Town Clerk	(0.570)	(1.135)	(1.125)
The City Surveyor	(5.152)	(4.667)	(4.667)
The Remembrancer	(0.188)	(0.188)	(0.188)
Director of Community and Children's Services	(0.065)	(0.065)	(0.067)
Total Central Risk	**(22.044)**	**(22.160)**	**(24.030)**
Capital and Support Services	**(7.449)**	**(7.574)**	**(6.152)**
Committee Total	**(52.264)**	**(55.505)**	**(55.891)**

Figures in brackets indicate expenditure, increase in expenditure or decreases in income.

The Operational Services budgets cover expenditure and incomes attributable to the following areas;

i) **Chamberlain's Department** – the operational services including Cost of Collection (business rates and council tax), Chamberlain's Court, Chamberlain's 'General' (Financial Services, incorporating Insurance and City Revenues), Chamberlain's Business Support, Internal Audit, Commercial Department and Chief Operating Officer Office.

ii) **The Deputy Town Clerk** – Shrieval Support, the maintenance and running expenses of Mansion House and Corporate Services (including catering for Committee lunches);

iii) **The City Surveyor** – the Guildhall Complex, the Central Criminal Court,Walbrook Wharf and the Mayor's Court.

iv) **The Remembrancer** – the letting of Guildhall areas for private functions andevents and the cost of catering in respect of Committee Hospitality.

v) **Director of Community Services** – operation of the Gresham Almshouses.

This page is intentionally left blank

Appendix 3

Finance Committee Operational Services

FINANCE COMMITTEE SUMMARY - BY RISK				
Analysis of Service Expenditure by Risk	Original Budget 2023-24 £m	Latest Approved Budget 2023-24 £m	Proposed Budget 2024-25 £m	Movement ORI 2023-24 to ORI 2024-25 £m
LOCAL RISK (budgets largely within direct control of Chief Officer)				
EXPENDITURE				
Employees	(21.448)	(23.645)	(23.902)	(2.454)
Premises Related Expenses (note i)	(6.337)	(5.903)	(6.421)	(0.084)
Transport Related Expenses	(0.045)	(0.045)	(0.050)	(0.005)
Supplies & Services (note ii)	(2.600)	(2.600)	(2.643)	(0.043)
Third Party Payments	(0.001)	(0.001)	0.000	0.001
Savings to be applied	0.523	0.023	(0.347)	(0.870)
Total Expenditure	(29.908)	(32.171)	(33.363)	(3.455)
INCOME				
Grants, Reimbursements & Contributions (note iii)	4.986	4.986	5.156	0.170
Customer, Client Receipts (note iv)	4.158	4.158	3.928	(0.230)
Total Income	9.144	9.144	9.084	(0.060)
TOTAL LOCAL RISK (excl. R&M City Surveyor)	(20.764)	(23.027)	(24.279)	(3.515)
Repairs & Maintenance (City Surveyor)	(2.006)	(2.744)	(1.430)	0.576
TOTAL LOCAL RISK	(22.770)	(25.771)	(25.709)	(2.939)
CENTRAL RISK *(managed by Chief Officer but outturn can be strongly influenced by factors outside his/her control or are budgets of a corporate nature)*				
EXPENDITURE				
Employees	(0.657)	(0.695)	(0.660)	(0.003)
Premises Related Expenses (note v)	(24.070)	(24.070)	(26.016)	(1.946)
Transport Related Expenses (note vi)	(0.065)	(0.065)	(0.065)	0.000
Supplies & Services (note vii)	(3.653)	(3.733)	(3.694)	(0.041)
Council Tax reduction scheme	(0.337)	(0.335)	(0.335)	0.002
Contingency	(0.010)	(0.010)	(0.010)	0.000
Transfer Payments	(0.014)	(0.014)	(0.014)	0.000
Total Expenditure	(28.806)	(28.922)	(30.794)	(1.988)
INCOME				
Government Grants - Collection of NNDR	1.729	1.729	1.729	0.000
Other Grants, Reimbursements & Contributions (note viii)	1.977	1.977	1.977	0.000
Customer, Client Receipts (note ix)	3.056	3.056	3.058	0.002
Total Income	6.762	6.762	6.764	0.002
TOTAL CENTRAL RISK	(22.044)	(22.160)	(24.030)	(1.986)

TOTAL EXPENDITURE BEFORE SUPPORT SERVICES AND CAPITAL CHARGES	**(44.814)**	**(47.931)**	**(49.739)**	**(4.925)**
CONTINUED ON NEXT PAGE				
CONTINUED FROM PREVIOUS PAGE				
SUPPORT SERVICES AND CAPITAL CHARGES				
Central Support Services	(5.305)	(5.316)	(5.382)	(0.077)
Capital Charges	(3.755)	(3.865)	(2.394)	1.361
Recharges Within Fund	1.972	1.969	1.987	0.015
Recharges Across Funds	(0.362)	(0.362)	(0.363)	(0.001)
Total Support Services and Capital Charges	**(7.450)**	**(7.574)**	**(6.152)**	**1.298**
TOTAL NET EXPENDITURE	**(52.264)**	**(55.505)**	**(55.891)**	**(3.627)**

ANALYSIS BY FUND				
City Fund	(6.781)	(7.005)	(5.701)	1.080
City's Cash	(3.629)	(3.733)	(3.731)	(0.102)
Guildhall Administration	(41.854)	(44.767)	(46.459)	(4.605)
TOTAL NET EXPENDITURE	(52.264)	(55.505)	(55.891)	(3.627)

ANALYSIS BY CHIEF OFFICER				
The Chamberlain	(29.455)	(32.133)	(34.490)	(5.035)
The Deputy Town Clerk	(2.084)	(2.164)	(2.190)	(0.106)
The City Surveyor	(20.850)	(21.332)	(19.333)	1.517
The Remembrancer	0.191	0.191	0.191	0.000
Director of Community & Children's Services	(0.066)	(0.067)	(0.069)	(0.003)
TOTAL NET EXPENDITURE	(52.264)	(55.505)	(55.891)	(3.627)

Figures in brackets indicate expenditure, increase in expenditure or decreases in income

Notes

(i) Premises Related Expenses (local risk) – operational costs of Central Criminal Court, WalbrookWharf, Guildhall Complex, Mansion House and Mayor’s Court.

(ii) Supplies and Services (local risk) – equipment, furniture, materials, printing, professional fees,grants, subscriptions, communications and computing.

(iii) Grants, Reimbursements and Contributions – primarily funding for the Central Criminal Court andthe Mayor’s Court from Her Majesty’s Courts and Tribunals Service.

(iv) Customer, Client Receipts (local risk) – letting of Guildhall function areas, recovery of court costs,services to London Councils, Chamberlain’s Court merchandising, and other fees and charges.

(v) Premises Related Expenses (central risk) – primarily premises insurance premiums together withthe cost of national nondomestic rates for the Guildhall Complex and Central Criminal Court.

(vi) Transport Related Expenses (central risk) – vehicle insurance.

(vii) Supplies and Services (central risk) – primarily insurances other than premises and transport.

(viii) Other Grants, Reimbursements and Contributions (central risk) – funding for the Central Criminal Court from Her Majesty's Courts and Tribunals Service.

(ix) Customer, Client Receipts (central risk) – income received from the letting of Guildhall function areas, insurance commission, dividend income from the City's Reinsurance Captive Company and Gresham Estate income

This page is intentionally left blank

Appendix 4

Finance Committee Operational Services
Summary of Budget Movements from 2023/24 Original Budget to 2024/25Estimate

Table 1 - Budget Summary Movements 2023/24 to 2024/25	
	£m
Original Budget 2023/24	**(52.264)**
Carry forwards from 2022/23	(1.179)
Virement of Pay Award and Market Forces Supplement	(0.983)
Chief Operating Officer office reorganisation	(0.353)
City Surveyor Repairs & Maintenance	(0.305)
Budget Adjustment for Vacancy Allowance	(0.205)
Capital Recharges	(0.110)
Net other movements	(0.077)
Central Recharges	(0.029)
Latest Budget 2023/24	**(55.505)**
Increase in insurance premiums	(1.943)
Net 3% inflation	(0.453)
Full year effect of the July 2023 Pay Award	(0.312)
Central Recharges & Recharges within/across funds	(0.031)
Net movement in capital recharges	1.441
City Surveyor Repairs & Maintenance	0.737
Removal of one-off carry forwards from 22/23	0.110
Net other movements	0.065
Proposed budget 2024/25	**(55.891)**

This page is intentionally left blank

Appendix 5

Finance Committee Operational Services
Movement from 2023/24 Original Budget to 2024/25 Estimate

Analysis by Chief Officer and Division of Service - all risks	Original Budget 2023-24 £m	Movement (Original 2023-24 to Proposed 2024-25) £m	Proposed Budget 2024-25 £m	Notes
By Chief Officer				
The Chamberlain	(29.455)	(5.035)	(34.490)	
The Deputy Town Clerk	(2.084)	(0.106)	(2.190)	
The City Surveyor	(20.850)	1.517	(19.333)	
The Remembrancer	0.191	0.000	0.191	
Director of Community & Children's Services	(0.066)	(0.003)	(0.069)	
Chief Officer Totals	**(52.264)**	**(3.627)**	**(55.891)**	
By Division of Service				
The Chamberlain				
Chamberlain's - General	(24.119)	(3.565)	(27.684)	i
Chamberlain's - Internal Audit	(0.665)	(0.104)	(0.769)	
Chamberlain's - Business Support	(1.443)	(0.099)	(1.542)	
Chamberlain's Court	(0.184)	(0.022)	(0.206)	
Cost of Collection	(0.719)	(0.256)	(0.975)	ii
Chamberlain's - Commercial	(1.844)	(0.645)	(2.489)	iii
COO Office	0.000	(0.373)	(0.373)	
Gresham	(0.481)	0.029	(0.452)	
The Deputy Town Clerk				
Shrieval Support	(0.303)	(0.027)	(0.330)	
Mansion House Premises	(1.326)	(0.007)	(1.333)	
Corporate Services - Town Clerk	(0.455)	(0.072)	(0.527)	
The City Surveyor				
Central Criminal Court	(5.826)	1.280	(4.546)	iv
Mayor's Court	(0.072)	0.002	(0.070)	
Walbrook Wharf	(0.649)	0.054	(0.595)	
Guildhall Complex - City Surveyor	(14.303)	0.181	(14.122)	v
The Remembrancer				
Guildhall Complex - Remembrancer	0.520	0.000	0.520	
Corporate Services - Remembrancer	(0.329)	0.000	(0.329)	
Director of Community & Children's Services				
Gresham	(0.066)	(0.003)	(0.069)	
Division of Service Totals	**(52.264)**	**(3.627)**	**(55.891)**	

Figures in brackets indicate expenditure, increase in expenditure or decreases in income

Overall, the proposed 2024/25 net revenue budget totals £55.891m, an increase of £3.627 (7%) compared with the original budget of £52.264m for 2023/24. The main variations excluding the 3% inflation and the full year effect of the July pay award within this increase are:

i. **Chamberlain's General £3.565m increase in net expenditure** – largely due to an increase in premises and liability insurance premiums of £1.943m, carry forward totaling £1.169m (consisting contingency allocation of £0.411m, transformation fund of £0.618m for Supporting Change resource across the department and £0.140m for the 31/Ten support) offset by removal of £0.110m one of carry forward from 2023/24

ii. **Cost of Collection £0.256m increase in net expenditure** – due to £0.037m to cover additional IT requirements (Inspection Portal, Analyse Local Forecast & SBRR)

iii. **Commercial Department £0.645m increase in net expenditure** – mainly due to the £0.559m legacy FR/SBR savings which was agreed to push to 26/27.

iv. **Central Criminal Court £1.280m decrease in net expenditure.** is due to reduction of capital charges in relation to the recent UEL assets review (decrease in market value)

v. **Guildhall Complex City Surveyor £0.708m decrease in net expenditure** – due to a reduction of £0.462m of in the cyclical works programme as it is rephasing out and as no new bidsare included in 2024/25, plus a reduction of total supplies by £0.181

Appendix 6

Movement from 2023/24 Original Budget to 2023/24 Latest Budget

Analysis by Chief Officer and Division of Service - all risks	**Original Budget 2023-24 £m**	**Movement (Original 2023-24 to Latest 2023-24) £m**	**Latest Budget 2023-24 £m**	**Notes**
By Chief Officer				
The Chamberlain	(29.455)	(2.678)	(32.133)	
The Deputy Town Clerk	(2.084)	(0.080)	(2.164)	
The City Surveyor	(20.850)	(0.482)	(21.332)	
The Remembrancer	0.191	0.000	0.191	
Director of Community & Children's Services	(0.066)	(0.001)	(0.067)	
Chief Officer Totals	**(52.264)**	**(3.241)**	**(55.505)**	
By Division of Service				
The Chamberlain				
Chamberlain's - General	(24.119)	(1.863)	(25.982)	i
Chamberlain's - Internal Audit	(0.665)	0.008	(0.657)	
Chamberlain's - Business Support	(1.443)	(0.214)	(1.657)	ii
Chamberlain's Court	(0.184)	(0.023)	(0.207)	
Cost of Collection	(0.719)	(0.130)	(0.849)	
Commercial Department	(1.844)	(0.103)	(1.947)	
COO Office	0.000	(0.353)	(0.353)	
Gresham	(0.481)	0.000	(0.481)	
The Deputy Town Clerk				
Shrieval Support	(0.303)	0.000	(0.303)	
Mansion House Premises	(1.326)	0.002	(1.324)	
Corporate Services - Town Clerk	(0.455)	(0.082)	(0.537)	
The City Surveyor				
Central Criminal Court	(5.826)	0.118	(5.708)	iii
Mayor's Court	(0.072)	(0.002)	(0.074)	
Walbrook Wharf	(0.649)	(0.210)	(0.859)	
Guildhall Complex - City Surveyor	(14.303)	(0.388)	(14.691)	iv
The Remembrancer				
Guildhall Complex - Remembrancer	0.520	0.000	0.520	
Corporate Services - Remembrancer	(0.329)	0.000	(0.329)	
Director of Community & Children's Services				
Gresham	(0.066)	(0.001)	(0.067)	
Division of Service Totals	**(52.264)**	**(3.241)**	**(55.505)**	

Figures in brackets indicate expenditure, increase in expenditure or decreases in income.

Overall, the latest 2023/24 net revenue budget totals £55.505m, an increase of £3.241m (6%) compared with the original budget of £52.264m for 2023/24. The main variations within this increase are:

i. **Chamberlain's General £1.863m increase in net expenditure** –due to Transformation fund of £0.758m for upgrades to the Income Management and Payroll systems, £0.411m allocations from contingency for resources to support change and £0.205m budget adjustment for vacancy allowance..

ii. **Chamberlain's Business Support £0.214m increase in net expenditure –** mainly due to income of £0.191m from London Councils being distributed to Chamberlain FSD and Cost of Collection

iii. **Central Criminal Court £0.118m decrease in net expenditure** – is due to reduction in asset value following the UEL of assets review.

iv. **Guildhall Complex- City Surveyor £0.388m** mainly due to an increase in CWP cost £0.758m plus CBRE contract reduction and contribution to 22/23 overspend by £0.428m.

Appendix 7

Draft Capital and Supplementary Revenue Budgets

The latest estimated costs of the committee's current approved capital and supplementary revenue projects for City Fund and City's Cash are summarised in the tables below.

	Project	Exp. Pre 01/04/2023 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Later Years £'000	Total £'000
CITY'S CASH							
	Recharges Between Funds						
	PSDS Project - Guildhall	4,100	108	-	-	-	4,208
	Pre-implementation						
Guildhall Complex schemes:	Guildhall Cooling Plant Replacement	211	269	10	-	-	490
	Guildhall Great Hall Internal	26	132		-	-	158
	Guildhall Complex Lighting		367				367
	Guildhall Steam Plant Replacement	3	104				107
	Climate Action Strategy Projects Operational Buildings		241				241
	Guildhall Complex (Walbrook & Masterplan)	282	318				600
	Guildhall Event Spaces Audio	-	49	-	-	-	49
	Authority to start work granted						
Other Schemes:	BEMS Upgrade Project - CPG	239	110	-	-	-	349
	TOTAL CITY'S CASH	**4,861**	**1,698**	**10**	**0**	**0**	**6,569**

	Project	Exp. Pre 01/04/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Later Years £'000	Total £'000
CITY FUND							
	Recharges Between Funds						
Guildhall Complex scheme	Corporate Capital Projects CF	-	998	16	-	-	1,014
	Authority to start work granted:						
	Oracle Property Manager	159	346		-	-	505
	TOTAL CITY FUND	**159**	**1,344**	**16**	**0**	**0**	**1,519**

	TOTAL FINANCE	**5,020**	**3,042**	**26**	**-**	**-**	**8,088**

Notes

1. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work. These figures exclude the implementation costs of those schemes which have yet to receive authority to start work.

2. Recharges between funds reflect contributions from City Fund and Bridge House Estates towards the cost of corporate Guildhall Complex and IT schemes which are initially borne by City's Cash.

3. The latest Capital and Supplementary Revenue Project forecast expenditure on approved schemes will be presented to the Court of Common Council for formal approval in March 2024

Appendix 1 - Current Policy

Corporate wide policy for Benefits in Kind

The City of London Corporation's definition of Benefits in kind (BIK) is:

a) Abatement of a full commercial rent;
b) Abatement of a fee or charge for services provided; or
c) The provision of goods or services to a third party at either a nil or reduced charge by the City of London Corporation. This is to include Officer volunteering time and general support and the provision of advice or guidance to external bodies/charities

1. In accordance with the existing corporate governance framework, all BIK should be approved by either a Chief Officer (or delegate), or relevant service Committee (or Sub-Committee):

a. Any BIK decisions with a monetary equivalent of under £10,000 may be taken by Chief Officers –

i. In relation to property matters, subject always to the advice of the City Surveyor, in both managing the physical assets, including land and buildings for which they are responsible; and in approving the casual or occasional use of land, premises or equipment under the control of the department (as provided under the officer Scheme of Delegations); and

ii. otherwise in respect of goods and services in accordance with any properly approved charging policy (as provided for in the Financial Regulations).

iii. If the aggregate value of the delegated BIK's (agreed by a single department) in any financial year reach £100k, the relevant service Committee (or Sub-Committee) must receive notification, including a breakdown of all decisions to be taken.

b. Any BIKs with a monetary equivalent over the threshold of £10,000 shall, subject to a specific discretion otherwise granted to a Chief Officer (as provided for in the Financial Regulations), should be reported to the relevant service Committee for approval in setting any charging policy.

2. At the time of agreement of a BIK, a review or end date must be included.

3. All data from internal volunteering programmes must be included. This would include any Officer time provided in terms of general support, advice or guidance to external bodies/charities. An aggregation of data (time spent and equivalent cost) is acceptable from each department. This data collection does not apply to City of London Corporation Members.

4. All BIK allocated to external organisations over a value of £10,000 should be acknowledged in any relevant publicity. City of London Corporation or appropriate Institutional branding should be used in each such instance (in line with the current guidance of the Communications Department). A caveat needs to be in place here following the comments made at the meeting - suggest you consult the team about this process I.e. the communications team must be contacted and their process followed.

5. All departments are expected to maintain a rolling register of BIK, in a standard format rather than relying on end of year data capture. These will be fed into the CGU who will maintain a central, transparent register.

6. All BIK to be reported to the Finance Committee, annually in June. A standardised template will be provided to all department for completion throughout the year.

Appendix 2: Revised Benefits in Kind Policy:

Purpose

The City of London has a strong and longstanding history of granting Benefits in Kind (BIK) as part of its philanthropy, sharing its time, assets and skills with organisations for the good of the City and the communities it serves.

When considering whether to provide a BIK, it is required that all Departments and Institutions can justify the award, ensure that it is in line with this policy and is aligned with Corporate or Institutional Policy.

Definition

The City of London Corporation's definition of BIK is:

a) Abatement of a full commercial rent;
b) Abatement of a fee or charge for services provided; or
c) The provision of goods or services to a third party at either a nil or reduced charge by the City of London Corporation. This is to include Officer volunteering time and general support and the provision of advice or guidance to external bodies/charities

Governance

1. In accordance with the existing corporate governance framework, all BIK should be approved by either a Chief Officer (or delegate), or relevant service Committee (or Sub-Committee):

a. Any BIK decisions with a monetary equivalent of under £10,000 may be taken by Chief Officers –

> i. In relation to property matters, subject always to the advice of the City Surveyor, in both managing the physical assets, including land and buildings for which they are responsible; and in approving the casual or occasional use of land, premises or equipment under the control of the department (as provided under the officer Scheme of Delegations); and
>
> ii. otherwise in respect of goods and services in accordance with any properly approved charging policy (as provided for in the Financial Regulations).
>
> iii. If the aggregate value of the delegated BIK's (agreed by a single department) in any financial year reach £100k, the relevant service Committee (or Sub-Committee) must receive notification, including a breakdown of all decisions to be taken.

b. Any BIKs with a monetary equivalent over the threshold of £10,000 shall, subject to a specific discretion otherwise granted to a Chief Officer (as provided for in the Financial Regulations), be reported to the relevant service Committee for approval in setting any charging policy.

2. At the time of agreement of a BIK, a review or end date must be included.

3. All data from internal pro-bono support from staff must be included. This would include any Officer time provided in terms of general support, advice or guidance to external bodies/charities. An aggregation of data (time spent and equivalent cost) is acceptable from each department. This data collection does not apply to City of London Corporation Members. Staff Volunteering through the LEAP programme will be collected separately by the Corporate Volunteering Manager and reported through the Volunteering Strategy.

4. All BIK allocated to external organisations over a value of £10,000 should be acknowledged in any relevant publicity. City of London Corporation branding should be used in each such instance (in line with the current guidance of the Communications Department)

Departmental/ Institutional Mandatory Process:

- BIK must be reviewed by Departments/ Institutions, as part of the annual Budgeting process.

- Each Department/ Institution’s Senior Leadership Team (SLT) must review the full list of Departmental BIKs on a quarterly basis, including reporting to the responsible service Committee where applicable.

- Each Department must nominate members of their team to be responsible for the ongoing management of its BIK and provide names of these individuals to the Central Grants Unit.

- Chief Officers must provide a schedule of their BIK on a annual basis to the Executive Leadership Board (ELB) for peer review at ELB meetings. This is to ensure that BIK are being implemented in the spirit of the policy.

- BIK must be discussed by Department/ Institutions’ SLTs as part of year end process, to ensure the list of BIK is up to date, accurate and that all BIK have been reviewed and are still relevant.

- All departments are required to maintain a rolling register of BIK, in a standard format rather than relying on end of year data capture. These will be fed into the CGU who will maintain a central, transparent register.

- All BIK to be reported to the Finance Committee, annually in the Autumn. A standardised template will be provided to all department for completion throughout the year.

Role of the Central Grants Unit:

- The CGU will provide training, support and advice to Departments/ Institutions on BIK decision-making and reporting.

- The CGU will provide a checklist for Departments/ Institutions to support with the decision-making around any new BIK or when reviewing old or longstanding BIK.

- The CGU will continue to collate BIK reporting across all Corporate Departments and Institutions and report annually to the Finance Committee in October.

- The CGU will ensure that all individuals nominated to manage a Department's BIK are aware of the BIK policy and process.

- For all internal queries please contact: grants@cityoflondon.gov.uk

This page is intentionally left blank

Appendix 3 – 2022/23 Annual Departmental BIK Analysis

2022-23

Total BIKs	177
Total new BIKs	23
£ BIKs	£2,475,128
£ new BIKs	£145,241

2021-22 v 2022-23

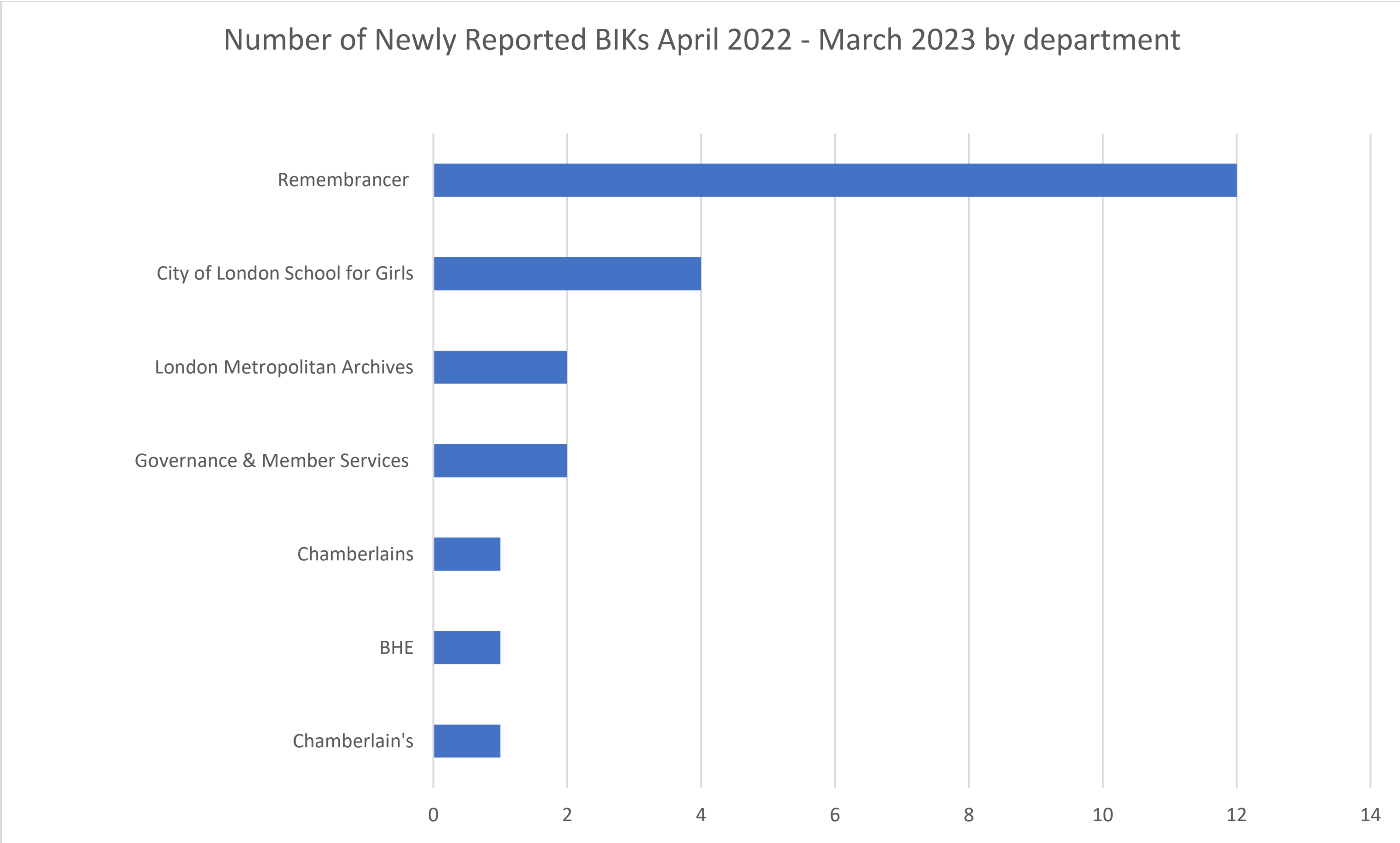
	2021-22	2022-23
Total BIKs	157	177
Total new BIKs	57	23
£ BIKs	£1,662,154	£2,475,128
£ new BIKs	£269,217	£145,241

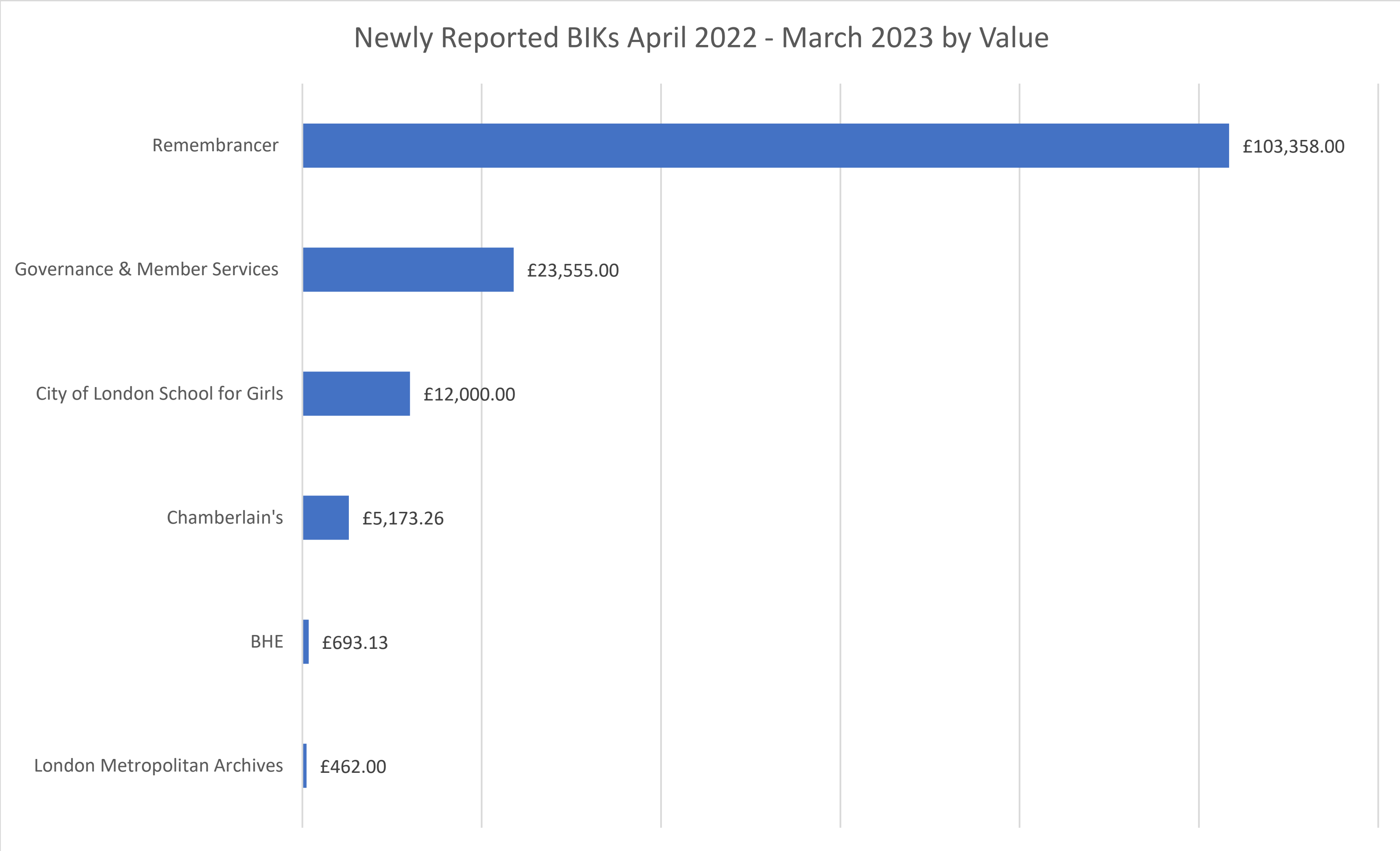
The difference between the two years demonstrates a significant increase in the value of BIK between the two years. While only 23 New BIK were introduced the total value of BIK rose by £800,000.

Overall BIK Data Analysis

BIKs April 2022 - March 2023 by Number
Town Clerk's
Remembrancer
Open Spaces
Natural Environment
Mansion House
IG - Destination City
London Metropolitan Archives
IG - Financial and Professional Services
Guildhall School of Music and Drama
Environment
Governance & Member Services
DCCS - Barbican & Housing
DCCS
City Surveyor's
Comptroller & City Solicitors
Barbican
Chamberlains
City of London School for Boys
Chief Operating Officer
BHE
City of London School for Girls
Chamberlain's
0
10
20
30
40
50
60
70
80
90
100

Overall New BIK Data Analysis




Newly Reported BIKs April 2022 - March 2023 by Value
Remembrancer
£103,358.00
Governance & Member Services
£23,555.00
City of London School for Girls
£12,000.00
Chamberlain's
£5,173.26
BHE
£693.13
London Metropolitan Archives
£462.00

Top 10 BIK for 2022/23

Department	Recipient	Description of Benefit	Fund	Monetary equivalent (p/a)
Barbican	Barbican Centre Trust	Admin support for Barbican Centre Trust	City Fund	£300,000.00
Remembrancer	City Week	Monetary	City's Cash	£103,795.00
IG - Financial and Professional Services	TCUK	The City Corporation has provided rental support for TheCityUK since its creation	City Cash	£100,000.00
City of London School for Boys	London Youth Choir	Reduced venue hire for the weekly use of Great Hall, 201, and 203 for choir rehearsal at £100 per session for 36 weeks	Partnership	£90,000.00
City of London School for Boys	Eastside Young Leaders academy	Reduced venue hire for the weekly use of third floor at £200 per 36 weeks	Partnership	£90,000.00
Remembrancer	Innovate Finance	Monetary	City's Cash	£82,150.00
Environment	Lord Mayor's Show	Application Fee, TTRO, Suspension Fees		£67,736.00
DCCS	Tavistock Relationships	Rent Paid	DCCS	£58,000pa
Remembrancer	ABF Big Curry lunch	Monetary	City's Cash	£57,200.00
Remembrancer	Big Curry lunch 2023	Monetary	City's Cash	£57,200.00

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 10

Document is Restricted

This page is intentionally left blank

Autumn Statement 2023

London Councils' On-the-Day Briefing

London Councils is the collective of local government in London. It is a cross-party organisation that works on behalf of all its member authorities regardless of political persuasion.

Overview

The Chancellor of the Exchequer, Jeremy Hunt, delivered the 2023 Autumn Statement on 22nd November 2023. As well as the usual updates on the state of public finances and the performance of the economy, the Chancellor organised his policies into five key areas: reducing debt; cutting tax and rewarding hard work; backing British business; building domestic and sustainable energy; and delivering world-class education.

This briefing focuses on items impacting local government services, finances and policies. Whilst the Autumn Statement included measures related to items like personal taxation, business support, and investments in areas outside of London, these have not been included below. The key policy announcements relating to public spending and local government are summarised below.

Key Headlines

Local Government Funding

- There was **no new funding for 2024-25 for adult or children's social care or any general local government funding**, beyond what was announced last year.
- Resource DEL budgets will increase by 1.0% in real terms over the medium term to 2028-29, **implying real-terms cuts for unprotected departments like the Local Government DEL**.

Housing and Homelessness

- **Local Housing Allowance rates will be raised to a level covering 30% of local market rents**
- **Additional funding of £120m for homelessness prevention** (UK-wide) in 2024-25 (details TBC)
- **Local Authority Housing Fund to be extended with a third round worth £450m** to deliver new housing units and temporary accommodation for Afghan refugees.
- **For the Housing Revenue Account, there is a rate extension of £5m** to June 2025 of the Public Works Loan Board policy margin announced in Spring 2023.
- There are plans to allow **local authorities to be able to fully recover the cost of planning fees for major planning applications** if decisions are made within certain timelines.
- **Local Planning Authorities to receive £32m to tackle planning backlogs**.

Business Rates

- **The standard business rate multiplier will be increased by September CPI** (6.7%) and the **small business rate multiplier will be frozen** for a fourth consecutive year.
- The **75% Retail, Hospitality and Leisure relief will be extended** for 2024-25.
- Local authorities will be **fully compensated for the loss of income** because of these two measures and will **receive new burdens funding** for administrative and IT costs.

Local Government Pension Schemes

- **Reforms to the LGPS**, including confirmation of guidance that will implement a 10% allocation ambition for investments in private equity, and establish a March 2025 deadline for the accelerated consolidation of LGPS assets into pools.

National Living Wage and Benefits

- From April 2024, **the National Living Wage will increase by 9.8% to £11.44 an hour** and lower the age threshold from 23 to 21 years old.
- The **triple-lock for pensions will be "honoured in full"** (an increase of 8.5%) and benefits will increase in line with the September CPI (6.7%).

Devolution

- A Memorandum of Understanding has been published for the approach to **single settlements for the devolution trailblazers,** West Midlands and Greater Manchester combined authorities.

Economic and Fiscal Outlook

- The Chancellor set out the Autumn Statement for 2023 with a lookback to three of the Prime Minister's five priorities which were explicitly economic: halving inflation, growing the economy and reducing debt—his assessment is all three of these promises have been met.
- On halving inflation, CPI fell from its 11% peak in October 2022 to 4.6% in October 2023. This is predicted to reach the government's target of 2% CPI by the second quarter 2025. The decrease is largely attributed to the following factors: lower wholesale energy prices; a fall in food and other goods inflation; and loosening of the labour market.
- On growing the economy, the Office for Budget Responsibility (OBR) indicated a better than expected recovery from the Covid-19 pandemic and the energy crisis in 2022. In March 2023, the OBR assumed by summer 2023, the UK economy would be 1.1% smaller than its pre-pandemic level; however, Office for National Statistics (ONS) figures demonstrated the economy was actually 1.8% larger.
- Real household disposable income is predicted to worsen over the next couple of years and be 3.5% lower in 2024-25 than it was pre-pandemic. The ONS said that although this improves on the prediction in March 2023, it is still the worst real-terms fall in living standards since records began in the 1950s. Now, recovery to pre-pandemic levels is not expected to happen until 2027-28.
- On reducing debt, the government is predicted to hit its self-imposed fiscal targets across the forecast period, namely for public sector net debt to have fallen in the final year of the forecast (2028-29) and for public sector net borrowing to not exceed 3% of GDP by 2028-29.

Key Economic & Fiscal Indicators

- Given the high starting point, annual inflation is forecast to decrease for all measures between now and the end of the forecast period. See Table 1 – Key Economic & Fiscal Indicators below.
- Annual unemployment rates from the Labour Force Survey rise from 3.7% in 2022 to 4.6% across 2024 and 2025, before decreasing to 4.1% in 2028, which is 0.4% higher than it was in 2022.
- Public Sector Net Borrowing was £128.3bn (5% of GDP) in 2022 and is forecast to fall each year to a low of £35.0bn in 2028 (1.1% of GDP). Public Sector Net Debt is predicted to rise in 2023 to £2,458bn (89% of GDP) and then rise to £3,039bn (92.8% of GDP) by 2028.

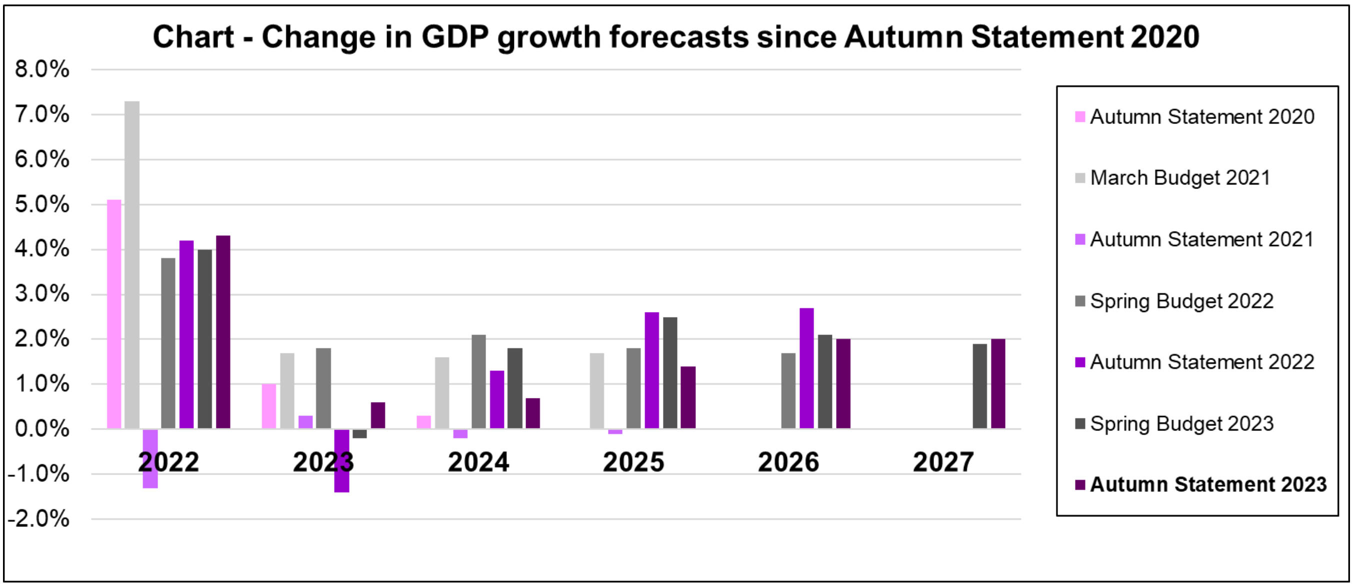
Table 1 – Key Economic & Fiscal Indicators

	Outturn	Forecast					
	2022	2023	2024	2025	2026	2027	2028
	Percentage change on a year earlier, unless otherwise stated						
Gross domestic product (GDP)	4.3	0.6	0.7	1.4	2.0	2.0	1.7
CPI	9.1	7.5	3.6	1.8	1.4	1.7	2.0
RPI	11.6	10.0	5.1	2.6	2.5	2.8	2.9
GDP Deflator	5.1	7.0	2.3	1.7	1.6	1.7	1.9
Employment (million)	32.7	32.9	32.9	33.1	33.4	33.8	34.0
LFS unemployment (%)	3.7	4.2	4.6	4.6	4.4	4.2	4.1
Public sector net borrowing (% GDP)	5.0	4.5	3.0	2.7	2.3	1.6	1.1
Public sector net borrowing (£bn)	128.3	123.9	84.6	76.8	68.4	49.1	35.0
Public sector net debt (% GDP – Excl. Bank of Eng.)	84.9	89.0	91.6	92.7	93.2	93.2	92.8
Public sector net debt (£bn – Excl. Bank of Eng.)	2,251	2,458	2,603	2,724	2,845	2,947	3,039

Source: *Office for Budget Responsibility - Economic & Fiscal Outlook, November 2023, Tables TA1 and TA9*

National GDP Growth

- National GDP growth is low at 0.6% in 2023 but is forecast to rise to 2.0% in 2026 and 2027 before decreasing to 1.7% in 2028. The initial sluggishness is blamed on squeezed real wages, higher interest rates and unwinding government support.
- Real GDP per capita remains 0.6% below its pre-pandemic peak and is not expected to return to this level until 2025.



Source: *Office for Budget Responsibility - Economic & Fiscal Outlook, November 2023, Table TA1:Economy Forecast*

Public Spending

- Total departmental spending (DEL) will grow in real terms at 2.6% per year on average over this Spending Review period and 3.2% per year on average over this Parliament.
- DEL will be £85bn higher in real terms by 2028-29 than it was at the start of the Parliament.
- Planned departmental resource spending will continue to grow at 1% per year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year Retail, Hospitality, and Leisure relief scheme.

Table 2 - Total Managed Expenditure 2022-23 to 2028-29 (in £bn, unless otherwise stated)

	Outturn 2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Current Expenditure							
Resource AME	580.6	591.2	588.2	607.4	630.3	647.5	670.8
Resource DEL excluding depreciation	445.5	456.7	467.2	478.5	490.8	504.4	519.3
Ring-fenced depreciation	20.5	41.6	47.1	48.4	49.6	51.0	52.4
Total public sector current expenditure	**1046.5**	**1089.5**	**1102.5**	**1134.2**	**1170.7**	**1203.0**	**1242.5**
Capital Expenditure							
Capital AME	4.6	17.2	16.0	12.9	13.3	13.9	13.9
Capital DEL	100.3	115.6	118.2	117.4	117.3	116.7	116.7
Total public sector gross investment	**104.9**	**132.8**	**134.2**	**130.3**	**130.6**	**130.6**	**130.6**
Total Managed Expenditure	**1151.4**	**1222.3**	**1236.8**	**1246.5**	**1301.3**	**1333.6**	**1373.0**
Total managed expenditure % of GDP	*45.1%*	*44.8%*	*44.2%*	*43.8%*	*43.4%*	*42.9%*	*42.7%*
of which: Total DEL	*545.8*	*572.3*	*585.4*	*595.8*	*608.1*	*621.2*	*636.0*

Source: *HMT Autumn Statement 2023, page 38, Table 2.3*

Key Announcements

Business Rates

- As anticipated with the new 2023 Non-Domestic Rating Act, which decoupled the small and standard multipliers, separate changes have been made to the small business and standard multipliers. The small business rate multiplier will be frozen for another year at 49.9p whilst the standard rate multiplier will be uprated with September CPI (6.7%) to 54.6p.
- The 75% Retail, Hospitality and Leisure (RHL) relief will be extended for 2024-25 with a £110,000 cash cap per business.
- For both the rate freeze and RHL relief measures, local authorities will be compensated for the loss of income and for new burdens related to administrative and IT costs.

Table 3 – OBR Forecasts for England: Council Tax and Business Rates (£bn, unless otherwise stated)

	Outturn	Forecast					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Council tax	42.0	44.7	47.0	49.3	51.9	54.5	57.4
Change in council tax		*6.6%*	*5.0%*	*5.0%*	*5.1%*	*5.2%*	*5.2%*
Business rates	28.3	29.5	32.7	36.2	37.0	37.3	38.0
Change in business rates		*4.1%*	*10.7%*	*10.8%*	*2.4%*	*0.8%*	*1.9%*

Source: *OBR Fiscal Supplementary Tables, November 2023 – Table A5 Current Receipts*

Housing

- From April 2024, the Government will raise Local Housing Allowance (LHA) rates from April 2024 to the 30th percentile of local market rates. This is intended to relieve pressure for those on low incomes, particularly regarding housing costs.
- Housing supply measures were announced for specific local areas, including London which is to receive £23m in bus network funding to unlock housing in the Docklands 2.0 scheme.
- Additional planning funds were also announced, including £5m for DLUHC's Planning Skills Delivery Fund for Local Planning Authorities to improve capacity, and £110m for a Local Nutrient Mitigation Fund to deliver schemes to offset nutrient pollution.
- There will be £3bn more invested into the Affordable Homes Guarantee Scheme to support housing associations access cheaper loans for energy efficiency works and building new homes.
- There are plans to guarantee accelerated delivery decisions for major developments in exchange for a fee paid to local authorities. If accelerated timelines are not met, developers will receive a refund of these fees. Additionally, there is incentivisation for use of Local Development Orders to help approve key commercial developments more quickly.
- To support local authorities borrowing for their Housing Revenue Accounts, the HRA rate will be extended from June 2024 to June 2025 with the 40 basis point discounted rate from the Public Works Loan Board preferential rate.
- There will be a new consultation early in 2024 on a new permitted development right to convert one house into two flats without changing the façade.

Homelessness, Asylum, Refugees & Domestic Abuse

- Local authorities will receive £120m to invest in homelessness prevention. DLUHC subsequently confirmed this is new money for 2024-25, but the split for England from the overall quantum is yet to be confirmed. The delivery mechanism is still yet to be confirmed.
- A third round of funding of £450m from the Local Authority Housing Fund to deliver 2,400 new housing units and temporary accommodation for Afghan refugees. DLUHC subsequently confirmed it will be split between temporary accommodation and Afghan refugee pressures, similar to the second round of funding.
- 'Thank you' payments for 'Homes for Ukraine' sponsors will be extended another year (and continue at £500).
- Two initiatives on domestic abuse: £10m of additional funding in 2024-25 for Tackling the Economic Impacts of Domestic Abuse Fund, and £2m of additional funding to expand the Flexible Fund, which trials one-off payments to victims of domestic abuse.

Cost of Living

- From 1 April 2024, the National Living Wage will increase by 9.8% to £11.44 an hour with the age threshold lowered from 23 to 21 years old.
- Beginning in January 2024, the employee National Insurance Contribution (NIC) rates will decrease from 12% to 10% for Class 1 employees along with other reductions for the self-employed.

Education & Skills

- To stimulate training and address barriers to entry, £50m is committed for a two-year pilot on apprenticeships in growth sectors.

Welfare

- The triple-lock for pensions will be "honoured in full" (an increase of 8.5%).
- Working age benefits are increasing by 6.7% (in line with the September CPI) although the Universal Credit (UC) surplus earnings threshold will be maintained at £2,500 until April 2025.
- The Restart Scheme is being extended another two years from 2024 and the previous nine months intensive work search requirement is to be reduced to six months. Universal Credit claimants who have completed the Restart Scheme and remain unemployed after 18 months will undergo a compulsory review which can mandate work placements.
- Access to Individual Placement and Support is to be expanded to an additional 100,000 people suffering from severe mental illness over the next five years (with funding peaking at £30m yearly by 2025).
- NHS Talking Therapy services will also be increased with the aim of reaching an additional 384,000 people over the next five years (additional funding increasing yearly from £25m in 2024 to £220m in 2028).
- The Universal Support employment programme for the disabled is to be expanded to 100,000 available places supported by roughly an additional £140m per year from 2025.

Infrastructure and Net Zero

- Beginning in 2025-26, manufacturing sectors will receive £4.5bn over five years, targeted to several green industries including: £2bn to the automotive sector for zero emission vehicles; £975m to the aerospace sector for energy efficient and zero carbon aircraft; and £960m to the Green Industries Growth Accelerator for clean energy sectors.
- Funding for a National Infrastructure Commission study on making the electricity distribution network fit for net zero and connection of autonomous vehicles. The Government also seeks to designate low carbon infrastructure as a critical national priority, prioritize the roll out of EV charging infrastructure and end the blanket restriction on heat pumps one metre from a property boundary.
- There will be £8.3bn over 11 years for roads resurfacing across England and £8.55bn of additional funding for the second round of City Region Sustainable Transport Settlements (NB - this excludes London).
- Other funding includes £78m for a Landfill Remediation Pathfinder pilot to alleviate the cost of landfill tax.

Business and Innovation

- The existing full expensing business tax deduction is to be made permanent, allowing businesses to deduct the full cost of qualifying plant and machinery investments.
- Additionally, there will be programmes to simplify existing R&D tax credits, promote technology adaption in manufacturing, establish new research fellowships and provide £145m through Innovate UK to support decarbonisation, battery innovation and other critical technologies.

Devolution

- Four new devolution deals were finalised (in Lincolnshire, Hull and Easi Yorkshire, Lancashire and Cornwall).
- The offer for Level 2 devolution deals will be extended and DLUHC has published a technical paper on the L4 devolution framework.
- A new Memorandum of Understanding with the devolution trailblazers, Greater Manchester and West Midlands combined authorities, outlining the approach to the single funding settlements to be implemented at the next Spending Review.
- Regarding the previously announced "Funding Simplification Doctrine" for local authorities, which aims to assess suitable distribution methodologies for new funding streams, the statement indicated it would come into force from January 2024.

This page is intentionally left blank

Harrington Review of Foreign Direct Investment

November 2023

Department for Business & Trade

HM Treasury

Harrington Review Engagement

Over 200
businesses engaged with the review

165
businesses met directly

14
roundtables convened with industry, including the five growth sectors

8
Government and Industry experts formed the Harrington Review Advisory Group

A GLOBAL PERSPECTIVE

We consulted with
5
different countries Investment Promotion Agencies to discuss their approach to attracting FDI

The businesses we spoke to represented
18
different countries covering four continents

ACROSS THE ENTIRETY OF THE UK

We met with all
3
Devolved Administrations

And a further
15
regional authorities and local governments

The companies we met with represented over
£5.7 TRILLION
of Assets Under Management

HEADLINE RECOMMENDATIONS

The Harrington Review recommendations follow in-depth consultation with business and aim to significantly improve the experience for those considering UK investment. They will enable businesses to be clearer about what is needed and what support is on offer, and create a cross government 'can do' approach to support those investments from concept to delivery; these measures will serve to boost investor confidence in the UK as a destination that is ready to work with business to grow the UK economy.

A SUITE OF SIX HEADLINE RECOMMENDATIONS, TARGETING: STRATEGY, ORGANISATION AND TOOLS	
1. Business Investment Strategy	Greater clarity on what government wants to achieve, how and by when. Providing businesses with the stability and confidence they need to invest
2. Focussing government: from reactive to proactive	Lift the profile of investment across government, backed by a senior Minister, with accountabilities assigned to gear up a whole of government effort. Underpinned by an upgrade of investment skills and a revived promotion campaign.
3. Driving regional growth	Making better use of local insight to secure transformational investments.
4. Investor feedback - improving the business environment	Deliver meaningful, measurable improvements to the business environment that will benefit all investors.
5. A globally competitive OFI	A clearly-directed OFI, equipped with the authority, tools and flexibility to negotiate with business and secure strategically important deals for the UK.
6. Strategically targeted incentives	Concrete offers with a fixed time-line for decisions - that genuinely influence investor decision-making, providing the UK with a competitive edge.

THESE RECOMMENDATIONS WILL SUPPORT A BEST-IN-CLASS INVESTOR EXPERIENCE ACROSS THE INVESTMENT LIFECYCLE

DEVELOPING AN INVESTMENT PROPOSITION

CLEAR STRATEGY
The Business Investment Strategy means investors clearly understand government's long term goals, and how they fit into this.

SINGLE FRONT DOOR
Dedicated government account manager, accountable at Director General level, joining the dots across policy areas and regulators and building an efficient relationship, supported by single cross-government CRM system. Delivering rapid progress from early engagement to finalising a proposition.

COMPREHENSIVE OFFER
Front-footed, tailored approach from OFI and DBT means prospective investors will be made a comprehensive offer. This could include financial incentives, planning and grid support, visas, skills and other elements necessary to make an investment decision.

MAKING AN INVESTMENT HAPPEN

SENIOR SPONSORSHIP
Investment overseen by new Investment Minister, providing senior engagement on the most important strategic investments.

COMMITMENT TO A RAPID DELIVERY TIME-FRAME
Clear expectations agreed on what will be delivered by when and by whom, in line with private sector decision making processes.

END-TO-END SUPPORT
The OFI and DBT will help navigate planning, visas, financing and other delivery-critical factors across multiple government departments, Devolved Administrations, Regional Mayors, local authorities and government-backed institutions.

ACCESS TO INVESTMENT-READY SITES
To fast-track realisation of opportunities benefiting from local expertise and insight. Expectation of delivery of sites within nine months.

FUTURE INVESTMENTS

ONGOING DIALOGUE
Account management provides channel to engage with policy development and regulatory processes to drive continuous improvement to business environment.

LONG-TERM RELATIONSHIPS
Government committed to developing ongoing relationships with investors, rather than on a deal-by-deal basis. Commitment to grow resilient supply chains and local clusters around investments

PIPELINE OF OPPORTUNITIES
Government support to drive secondary investment opportunities as understanding of businesses' expertise improves across government.

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN: 978-1-916693-68-5 PU: 3381

Contents

Foreword from the Chair

I was asked to carry out this Review into foreign direct investment because of concerns at the highest levels of government that the UK is missing out on potentially transformational investments by multinational companies and foreign investors. These investments have gone to competing countries, with the follow-on benefits to their economies, rather than ours. It is easy for some politicians and commentators to say 'it's because of Brexit', or 'it's because of Corporation Tax'. The situation is far more complicated than that. Our comprehensive analysis into what leads to an investment decision has given us a unique view of how the UK government appears to prospective investors, and what we can do to improve. We have worked with more than 200 companies, financial institutions and sovereign wealth funds as part of this Review to find out exactly what their experiences were - why they invested here if they did, and why not if they didn't.

I have formed the view during this process that capitalism has changed. Gone is any residual view that government shouldn't use taxpayers' money and other resources to assist private companies in investment decisions. Often this position comes with a fear that civil servants and ministers alike will try to pick winners, and fail, or that it will manifest as companies with 'begging bowls' at government's door, asking for money when they would have invested anyway. The reality is that many of our competitors chase investments via their industrial strategies backed by substantial government support. They identify which 'races' they want to be in, which sectors and sub-sectors they have a competitive advantage in, and how they are going to attract the finest businesses in the world to their country.

The UK needs to respond. To do this, I believe we need a new Business Investment Strategy, headed up by a senior minister at cabinet level, with dedicated cross-government machinery to deliver it here and abroad. The prize is a big one: most of our competitors have about 12% of GDP in business investment (domestic and foreign), our equivalent is 10%. The difference is about £50 billion per year. If we can attract a sizeable portion of that from abroad, the effects on the economy would be very significant, helping to make the country more prosperous, with better-paid jobs, and tax receipts to fund public services.

The evidence we have received reflects a picture of the UK rich in advantages: our language, our open and vibrant culture, our outstanding research base, the deeply embedded rule of law, the pull of London as one of the world's great financial centres, and many other assets. However, the barriers outlined in this Review, and the uncertainty they create, act like a tax on investment. We have heard time and again about government systems that are too often disorganised, risk-averse, siloed, and inflexible when it comes to the needs of modern investors. We have developed a system where civil servants and politicians alike will do anything to de-risk a decision, by shoving financial decisions to a series of semi arm's length institutions as well as a series of "competitions" as a system of allocating taxpayers' money. All too slow and cumbersome to compete in the modern world. In an environment of intensifying international competition for the industries of the future, we need to learn from the best examples globally. We must provide a fast, tailored, responsive and comprehensive offer that meets contemporary investors' expectations. We know that when government invests, the private sector follows, and that £1 of government investment can unlock between £7 and £9 of private sector investment. This shows that when we are proactive, we can achieve great things in partnership with business.

I believe all this is achievable. In my experience, all businesses need to evolve to compete with changing circumstances. Government is no different.

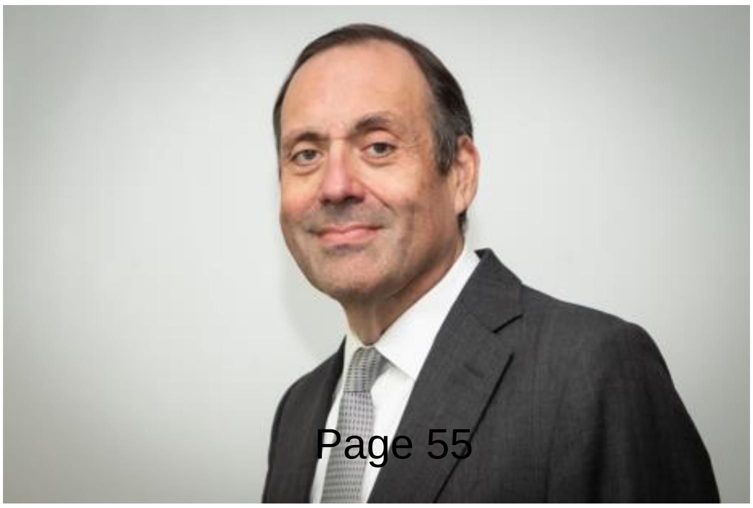
The UK government is organised into separate departments – each with individual policy objectives. It is confusing for potential investors who are used to dealing with companies, or with countries who have outward-facing investment organisations with a single front door, to have to navigate their way around different entities for policy, finance, visas, skills, grid, and regulation. From my personal experience as a minister across three departments leading two refugee crises, I know how effective a cross-government model can be in breaking down departmental silos. This has been reflected in the organisational recommendations within this report.

My recommendations will put investment at the heart of all parts of government from the cabinet down. This will help deliver the ambition for the future that the Prime Minister, Chancellor and Business and Trade Secretary have for the UK: a global leader, with innovation driving investment in the five key growth sectors of digital technology, green industries, life sciences, advanced manufacturing, and creative industries. I hope these recommendations will help us achieve that vision.

Richard Harrington

Lord Harrington of Watford

Chair of the Review of Foreign Direct Investment



Acknowledgements

To do justice to a subject as broad and as important as foreign direct investment, a great many people take part. I wish to thank the business leaders, investors, trade body representatives, officials and experts who have given up their valuable time to contribute to this Review. I would like to express my particular gratitude to the Advisory Group, which has provided a valuable source of advice and challenge throughout: Philip Bouverat, Dr Richard Broyd, Baroness Camilla Cavendish, The Rt Hon Greg Clark MP, Andy Haldane CBE, Matthew Hurn OBE, Margot James, Juergen Maier CBE, and Mike Thompson MBE – my sincerest thanks. I would also like to acknowledge that the collective experience of the group, and their part in the process of this Review, would make them excellently placed to contribute to shaping the response of the government as it takes the recommendations forward. Thanks also to Dr. Annalisa Jenkins and Giles Wilkes – I have benefited from their wise counsel.

I would like to thank the companies that aided this review by hosting roundtables - Make UK, APCO Worldwide, Flint Global, Warwick Manufacturing Group, Onward, The City UK, HSBC, and PWC. I would also like to thank Carol Johnson and her team at KPMG for their support with the international comparative analysis. Last but by no means least, I have been supported by a highly effective team seconded from the Department for Business and Trade and HM Treasury. I wish to thank them as well.

While I have recognised the contributions of others, the recommendations and conclusions are my own.

Summary & Recommendations

The UK needs to do more in an increasingly competitive environment for investment

1. The UK faces a critical decade in terms of attracting investment. While it continues to perform well on headline foreign direct investment (FDI), as Europe's premier destination for greenfield FDI from 2011-2021, there is inconsistency in investment across key sectors, with excellent performance in renewables but a stalling picture in other areas such as manufacturing. Additionally, the UK faces three growing challenges to its ability to secure investment:

   1.1. First, there is the amount needed - tens of billions of additional investment will be required over the coming decade to meet the UK's Net Zero and Levelling Up ambitions. The UK is starting from a lower long-term business investment baseline than rival countries, meaning it relies more on FDI to make up the gap than its competitors.

   1.2. Second, while the fundamentals of the UK as a place to invest are strong – language, location, institutions and status as a global financial centre; the UK is home to the four largest offshore wind farms in the world; four of the world's top 10 universities; and to more business unicorns than France and Germany combined – the Review has heard that some of the UK's international peers are more strategic and better organised in attracting globally mobile investment. This sentiment is also reflected in recent business surveys showing declining attitudes towards the UK. The Review has heard repeatedly about UK government systems that are disorganised, risk-averse, siloed, and inflexible when it comes to modern investors' needs.

   1.3. Finally, in addition to peers becoming better organised, the scale of competition for global investment has also become greater as the UK's rivals post generous subsidies, tax-breaks, and other business incentives focused on attracting strategically important industries.

2. To realise its ambitions to grow the industries of the future, the UK needs to increase inward FDI and business investment in the face of these challenges. To achieve this, the government must do more to leverage and sustain its strengths and to offset its areas of relative weakness. Not to do so risks losing out on the productivity and social gains increased investment will bring. It also risks hollowing out existing industries, with implications for national security and levelling up.

3. When the US is pledging up to $2 trillion in subsidies over the coming decade, the UK needs to be careful not to be sucked into a subsidy race – it must use public money effectively and government resources strategically. While financial incentives from governments can secure key contestable investments, wide-ranging subsidies such as those being offered by the US, EU and China, bring with them the risk of significant deadweight and the taxpayer financing of firms that will fail.

4. The UK government should instead seek to target its financial incentives carefully on areas of strategic importance, but then to bring the full force of its wider resources and capabilities to land contestable investments from its top targets, with an Office for Investment (OfI) empowered to do this. This means targeted funding, but it also means support to navigate the business environment in the UK such as planning, connections to the grid, visas, and skills.

5. This Review recommends that driving investment becomes a whole-of-government focus, requiring central government to be less siloed and risk averse, and more responsive to business priorities. To achieve this requires a fundamental shift in the way government conducts its business, including the right strategy, organisation, and tools:

   5.1. **Strategy**: a strategic approach to investment that supports delivery of sustainable growth and long-term policy objectives, including in the five key growth sectors, and their enablers.

   5.2. **Organisation**: clear mechanisms and transparent accountability for addressing barriers to investment at both a national and sub-national level, to focus government on securing the investment the UK needs. This needs to start at the highest level of government.

   5.3. **Tools and approach**: a shift from a reactive to proactive approach to engaging with business and investors, ensuring that the UK offer to investors competes with best-in-class competitor nations.

6. This report is split into two parts:

   6.1. Part 1 sets out the context and analysis underpinning the Review's recommendations: what FDI is, why it matters for the UK, and how the UK is performing relative to other countries. It examines the drivers of greenfield FDI – the most valuable form of inward investment – and sets out the key opportunities for the UK to increase its share of mobile capital given the challenges it faces.

   6.2. Part 2 sets out each of the six recommendations in detail, which are organised around the key pillars outlined above. It explores the main feedback themes the Review heard from business and investors, to bring to life the UK investor experience and how this can be improved.

7. Getting the right strategy, organisation, tools and approach in place will ensure the sprawling and sometimes disparate machinery of government is driving towards the same goal: making the UK the most attractive destination in Europe for internationally mobile investment.

8. The UK should approach this challenge with confidence. It has strong foundations and remains an FDI powerhouse, with huge reserves of goodwill amongst global investors. The establishment of the OfI in 2020 and the Department for Business and Trade's (DBT) shift to value over volume has been welcomed by investors. When the UK sets out to drive investment in an area – for example Japanese automotive investment in the 1980s, or offshore wind investment in the 2010s – it can achieve transformational results. But the challenges the UK faces cannot be ignored. If it does not change to address them, the next decade will be one of missed opportunities.

Recommendations

1. The government should set out a clear Business Investment Strategy by spring 2024. This should build on existing sector visions and plans for the five key growth sectors to communicate government's approach to investment over the medium term.

1.1. The Business Investment Strategy (the Strategy) should identify which areas government will prioritise, focussing on the Chancellor's five key growth sectors. The Strategy should be agreed by the new Investment Committee and implemented by the Investment Minister, as detailed in Recommendation 2.

1.2. The Strategy should set an overall ambition for increasing investment. Future iterations of sector visions should be precise in their objectives and have measurable targets – for example, increasing UK production by a set amount (e.g. of green energy), generating employment, developing manufacturing capabilities, deepening supply chains and levelling up. Objectives should be set in a manner that allows space for industry creativity and innovation to encourage competition and flexibility in how these targets are met.

1.3. The Prime Minister's Investment Council should play an important role in reflecting the needs and contribution of institutional investors, as should other government-business partnerships such as the Life Sciences Council and the Automotive Council. The government should consider how the perspectives of corporate investors, both international and domestic, can help inform its strategic approach to investment.

1.4. Government needs to deliver on industry and local government's consistent request for greater stability in and visibility of changes to the strategic direction of investment priorities, recognising that investments are often made on a 20-year time horizon. The Investment Committee should seek to establish mechanisms for doing so.

2. Investment should be prioritised across central government with clear accountability distributed through the system. This requires a fundamental shift in the current culture to transform the way government operates.

2.1. The role of Investment Minister should be given greater seniority, visibility, and authority to reflect the importance of investment to government (Recommendation 5). The Investment Minister should become a joint Cabinet Office, HM Treasury, and Department for Business and Trade role, with regular input to No.10. The Minister should attend cabinet where necessary to update on how the government's strategic approach to investment is being implemented.

2.2. A new cross-government Investment Committee should be introduced to oversee delivery of the Business Investment Strategy. This should be chaired by the Chancellor with the Business Secretary as deputy chair, and include Cabinet Office, Number 10 and other relevant Secretaries of State. The Investment Committee should be a permanent part of the cross-government machinery to drive a strategic approach to investments and enable rapid decision making when needed. It should be convened as soon as possible and no later than the end of 2023/24.

2.3. The Investment Committee should be supported by an official level committee that brings together the relevant Permanent Secretaries and Director Generals across government. This should include the senior official at Director General level or above responsible for the relationship with and policy agenda for each target company in the growth sectors. This mirroring of ministerial and official level committees, reflects the National Security model which has ensured decisions about national security are prioritised and considered strategically at the centre of government.

2.4. The Committee's remit should include:

2.4.1 Holding ministers and departments accountable for delivery of the Business Investment Strategy, tracking progress against targets.

2.4.2 Agreeing negotiating mandates for the Office for Investment.

2.4.3 Drive improvements to the wider business environment to promote greater FDI and business investment.

2.5 The Investment Committee should oversee how departments collectively deliver on the annual targets for FDI and business investment, as set out in the Strategy. In particular, responsibility for a share of the overall targets should be assigned to ministers and Director Generals in departments responsible for the five growth sectors. Ministers and Director Generals in investment-enabling departments such as the Home Office, Department for Education and Department for Levelling Up, Housing and Communities should also have targets related to supporting the realisation of those investments.

2.6 Director Generals should be responsible for overseeing the account management of target companies identified in the priority investment areas, ensuring they receive the highest quality of service from their teams. A named account manager should be responsible for helping key investors to navigate UK government and local areas and they should become the primary point of contact for those investors, including facilitating policy conversations with wider government departments as necessary. Account management should go beyond securing the investment, to include post-investment follow up and aftercare, recognising the importance of securing secondary investments and developing the wider supply chain of a sector.

2.7 Reflecting international best practice, the UK government should publish a short annual report outlining its performance against the Strategy.

2.8 The Civil Service needs a radically different approach to business-facing roles; in particular, it needs to do more to ensure individuals in such roles have sufficient credibility and tenure. To address this, the Review recommends that:

2.8.1 More specialists with extensive industry knowledge should be recruited, retained, and fully integrated within teams.

2.8.2 Civil servants should be incentivised to stay and pursue their careers within specific sectors to build expertise, in a model comparable to industry.

2.9 The government should reorganise its staffing for overseas investment posts. It should:

2.9.1 Reshape the current network to focus more on the UK's top inward investment markets.

2.9.2 Consolidate the overseas staffing profile, with a smaller number of more senior personnel who have the experience and capability to conduct commercial negotiations and develop relationships with global board-level executives.

2.9.3 Ensure that investment staff are focused solely on investment and protected from wider consular duties, and accountable to senior investment officials in the Department for Business and Trade.

2.10 A consistent Customer Relationship Management (CRM) system should be used across government to manage engagement with top investors.

2.11 The government should consider setting up an outward-facing policy unit with particular expertise in professional services, reflecting its role as a key enabler and its value to the wider economy. This unit could build on the success with investors of existing models where policy responsibility for the key sectors straddles more than one department, such as the Office for Life Sciences or the Office for Zero Emission Vehicles.

2.12 Director Generals responsible for investment across central government departments should work with the Department for Business and Trade to agree annual 'target lists' of the top companies to pursue in each of the priority investment areas. The Department for Business and Trade should work with regional promotion agencies and His Majesty's Trade Commissioners (HMTCs) to further relationships with those companies, making them aware of opportunities and developing the case for them to invest in the UK. For the most strategically valuable investments, the Investment Minister and Office for Investment should drive these efforts.

2.13 Noting their potential to support UK-based supply chains and enable further FDI, the Department for Business and Trade should work with departments across government and the Investment Committee, to identify the annual top 10 strategic public procurements and seek to increase their impact in line with the Strategy.

2.14 To support the shift to a more proactive approach, the government must reassess and revitalise its approach to investment promotion, underpinned by the new Strategy. The Global Investment Summit would be a natural point to launch this. Government should also renew its commitment to support flagship British industry events such as London Fashion Week and London and Birmingham Tech Weeks, which attract significant global attention and provide a platform from which promote the UK as an attractive investment destination.

3. Government should build on the success of Metro Mayors and best practice in the devolved administrations to expand its place-based offer to investors.

3.1 To support the continued development of local place-based offers in England, the government should consider how the Deeper Devolution Deal single pots allocated to the West Midlands Combined Authority and Greater Manchester Combined Authority, can help promote investment in the next Spending Review period.

3.2 The Department for Business and Trade should extend the use of investment expert roles that jointly report to national government and devolved administrations or Combined Mayoral Authorities to bolster the development of local offers and strengthen national-local join up.

3.3 UK central government should create Memoranda of Understanding with UK sub-national Investment Promotion Agencies to support mutual investment interests. These deals should last for a minimum of five years, include any guaranteed funding contributions for that period, and include expectations around consistency of branding, promotion, and ways of working, and should take account of the Business Investment Strategy and local investment strategies in their focus.

3.4 The UK should learn from organisations like Business France and Business Sweden, and its own Investment Zones and Freeports programmes, to strengthen its place-based, sector-specific offers across the UK. This should include developing a small number of sites in advance of seeking FDI investment, including securing planning permission and grid connections, and mapping local R&D, skills and supply chains strengths.

4. The new Investment Committee should work across government to propose further improvements to the UK business environment, informed by the investor feedback provided to the Review, summarised below.

<u>Planning</u>

4.1 The National Planning Policy Framework should be amended to give greater priority to high-value investments in local considerations, and to fast-track decision making related those investments.

4.2 Sites identified for high value investment projects should be able to be ready within nine months. It is further recommended that the government considers the following initiatives as routes to achieve this:

4.2.1 A small joint Department for Levelling Up, Housing and Communities and Department for Business and Trade specialist planning unit to support high value investments through the planning process. This unit would have the ability to convene decision-making stakeholders (local authorities, the Environment Agency, etc) to provide investors with greater certainty on timing and next steps.

4.2.2 Fast-tracking pre-application processes, such as the approach soon to be piloted for Nationally Significant Infrastructure Projects.

4.2.3 The use of Planning Performance Agreements to provide greater certainty on timeframes for investors, including central government considering covering the costs of this for the most valuable investments.

4.2.4 The use of Local Development Orders and Special Development Orders to help reduce planning timelines and to provide certainty to investors.

Grid connections

4.3 The government's forthcoming Connections Action Plan should ensure that grid connections can be prioritised for the most valuable investments, as part of the Review's recommendations that the UK use every tool at its disposal.

Regulation

4.4 In light of the investment challenge the UK faces, the Review recommends that regulators are instructed, via the use of Strategic Policy Statements, to provide more focus and weight on encouraging investment in the coming decade. In addition, regulators should publicly report on how they are taking into account Strategic Policy Statements on encouraging investment and providing long-term value to the public.

4.5 The government should commit to clear long-term staffing and skills plans for its economic regulators and examines the possibility of giving approval advantage for products researched, developed or manufactured in the UK, subject to restrictions imposed by international obligations.

Tax

4.6 The government should commit to a consistent, long-term approach to tax that is clearly signalled to business, within a system that seeks to reduce complexity for business.

Access to finance

4.7 The government should review the funding that has been allocated to UK Research and Innovation over successive Spending Reviews to ensure these allocations are directly incentivising new business investment in the five priority growth sectors, and consistently achieving a balance between early research, and development that leads to commercialisation and scale up.

Bank accounts

4.8 HM Treasury and the Department for Business and Trade should convene a roundtable of banks and financial regulators to discuss the issue of overseas investors being unable to open bank accounts in the UK in a timely fashion and potential remedies. As a minimum, banks should be required to report to regulators on the number of overseas applications for opening bank accounts; the number of those that are successful; the average time taken to open an account; and the reasons for rejection.

5. Government should build on the success of the Office for Investment, and ensure it has access to the right tools from across government to compete internationally. To that end, it should have a more targeted and proactive approach to investors, a clearly communicated toolkit, and the flexibility to negotiate strategic partnerships to secure the most strategically important investments.

5.1. Based upon the specific areas of sectoral focus identified in the Business Investment Strategy, and the target lists of companies identified within those fields (Recommendation 2) the Office for Investment should be charged with proactively contacting and negotiating deals to bring the most strategically important investors to the UK. This requires a shift to a more proactive operating model, supported by wider government.

5.2. The process by which offers to these companies are constructed should draw upon the full HMG tookit. Central government departments, through their accountable Director General for investment, should pre-agree a set of options with the Office for Investment, which can then be flexed as part of negotiations with companies, with departmental expertise brought to bear. This should be operational by April 2024, and include – as a minimum, an ability to:

5.2.1 In consultation with the Department for Levelling Up, Communities and Housing – make a specific offer for high value investments on planning, including the use of Special Development Orders under the Town and Planning Act.

5.2.2 In consultation with the Department for Energy Security and Net Zero – make a specific offer on grid connections that enables the prioritisation of the highest value projects.

5.2.3 In consultation with the Department for Education – make a specific offer on skills, as an area of strength for the UK. This could, for example, involve top-slicing any grant funding provided to support the investment to drive local skills provision to meet the needs of the investor.

5.2.4 In consultation with the Home Office – make a specific offer on visas to help secure top investments.

5.3. The Office for Investment should work with the British Business Bank, UK Export Finance, and the UK Infrastructure Bank to help investors to navigate the different financing options available through UK policy banks, identifying the products most relevant to each investor and facilitating appropriate engagement.

5.4. The Investment Minister, supported by the Office for Investment, should be given a mandate and support from wider government to negotiate bespoke offers to land top investments, supported by relevant departmental expertise.

5.5. An internal investment 'playbook' should be produced by Office for Investment. This document should set out the process and procedures for securing the most strategically important investments, including expectations of the Office for Investment, central government departments, UK Government Investments, the relevant state funding institutions, devolved administrations , English regions, and overseas posts. This should be shared across government, with responsibilities assigned to named teams within relevant departments.

5.6. The Office for Investment should continue to have the flexibility to recruit key personnel on a commercial salary scale to reflect the key skills and seniority required to lead complex negotiations with global CEOs. It should continue to develop both its in-house capability and its ability to engage and manage external legal and corporate finance advisers.

5.7. The Office for Investment should continue to explore ways of measuring the impact of its operations to inform future strategy and decision-making, as well as strengthening its accountability. The Review recommends the London and Partners contestability criteria be considered as a method for this.

6. Recognising the success of its existing funds such as the Automotive Transformation Fund and the Aerospace Technology Institute programme, the government should ensure that the Office for Investment has access to a Business Investment Facility that supports it to initiate proactive discussions with potential investors. The Facility should clearly communicate the kind of investment propositions that will attract capital support.

6.1. To effectively support the OfI's operations, the scope of the new facility should be clear to investors (new and existing), with a process akin to that of applying for a bank loan or Investment Promotion Agency and in particular, should be set up to deliver a response to business within 60 days.

6.2. The Investment Committee should consider how the facility can be designed to support a wider risk appetite. Government needs to accept that like any other financial institution investing in a deal, some investments succeed and some fail. This may involve the adoption of a risk portfolio approach.

6.3. The Investment Minister should have delegated authority from the Investment Committee, chaired by the Chancellor, to approve disbursements from the Facility, up to an agreed threshold with approvals above this threshold remaining the preserve of the Chancellor.

6.4. The Industrial Development Advisory Board (IDAB) has consistently been identified by businesses and officials as a significant delaying factor to government investment decisions. To address this, we recommend IDAB's Terms of Reference should be updated to support the operation of the Business Investment Facility. IDAB should operate like a bank's investment committee and support a 60-day response for decisions in principle for investments for high value cases.

6.5. The government should develop a framework for the smooth and efficient administration of the Facility, alongside a review of existing capital support programmes, and international best practice to identify barriers to attracting inward investment and opportunities to make the investor experience more business centric. As a minimum, this is likely to include:

6.5.1 Providing a single route to search, find and apply for government grants for UK and foreign investors. The Great UK landing page should be updated to better promote available incentives to investors, including clear links to the newly developed “Find a Grant” landing page (the government’s single place for finding and applying for grants for UK and international investors).

6.5.2 Introducing service level agreements on grant processing so that, where appropriate, applicants should know the outcome within 60 days of submitting an application.

6.5.3 Involving the Investment Committee in the design and development of new grants to achieve greater alignment between application processes and target applicants’ investment decision-making cycle. Competitions and application windows are not appropriate for attracting investments driven by global board decision-making processes.

Part 1 – The UK's FDI performance and potential

Introduction

1. The Review's focus is on foreign direct investment (FDI) into the UK in the context of wider investment.[1] Last year, the UK attracted new greenfield FDI inflows of £78.8 billion, contributing to the highest FDI stock in Europe.[2] This compares to greenfield inflows of £37 billion into Spain and £26.6 billion into Germany over the same period. At the headline level, the UK is a strong FDI performer.[3]

2. Inward FDI brings many benefits (see Annex B). It particularly matters because it links to business investment which helps to improve productivity. The UK has low levels of business investment compared to competitor nations, which poses risks to future growth. FDI helps to fill this gap, particularly greenfield FDI, which is the most economically valuable form of FDI.

3. While the headlines are strong, a closer look at the FDI figures by sector and project size raises concerns, with some sectors attracting lower levels of FDI than an economy the size of the UK's might be expected to capture.

4. In addition, the Review has heard from businesses who have seen beyond the headline figures and are concerned that supply chains are weak and that clusters are failing to form around big-ticket investments. These concerns are registered in recent investor sentiment surveys citing a lack of confidence. Combined with structural issues and a more contested international investment marketplace, there is a clear case that the UK needs to take steps to bolster its FDI attractiveness for the coming decade and beyond. KPMG analysis below sets out the strategies some of the UK's competitors and proponents of international best practice have taken to increase FDI in key sectors.

5. The following section sets out in detail what FDI is, why it matters for the UK, and how the UK is performing – both in light of its strategic objectives, and relative to comparable countries. It then examines the drivers of FDI and sets out where the government should focus to have the greatest impact on increasing the UK's attractiveness for investors.

---

[1] The terms of reference for the Review are set out in Annex A.

[2] FDI markets

[3] Ibid.

What is foreign direct investment and why does it matter?

6. FDI is a cross-border investment made to establish a lasting interest in the host country economy. This is defined by an investor controlling at least 10% of the company receiving the investment, thereby taking an active stake.

7. Underlying advantages, which are explored in more detail further below, contribute to the UK's success in attracting FDI. This overseas investment is beneficial to the UK beyond its contribution to the capital stock. It can increase productivity, improve resource allocation, and raise competition.[4]

8. This Review focusses specifically on greenfield FDI – where a foreign company invests to create new capacity (for example an office or factory). The Department for Business and Trade has adopted greenfield FDI capital expenditure (henceforth referred to as greenfield FDI) as the most appropriate focus for analysis and target for support because greenfield FDI will normally result in both direct additional investment and wider spillover benefits, bringing the greatest value to the UK economy.[5]

The context: the UK's investment gap and future investment needs

The UK's investment gap

9. Over recent decades, the UK's total investment level as a percentage of GDP has been persistently lower than its peers. This investment gap is estimated to account for around half the UK's productivity gap with France and Germany.[6] The graph below shows the consistent gap in total investment (business, household and government investment) between the UK and other G7 economies since the start of the century.

10. Business investment amounted to 10.3% of GDP in 2021 in the UK compared to 13.0% across the unweighted G7 average excluding the UK[7]. G7 neighbours France (14.7%) and Germany (13.2%) had significantly higher businesses investment as a proportion of GDP in 2021[8].

---

4 Whilst it is not clear which way the causal relationship between FDI and productivity runs, ONS analysis indicates UK firms undertaking FDI are typically much more productive – up to 74% more – than those that do not. Annex B explores the link between FDI and business investment in more detail.

5 FDI can also come about through mergers and acquisitions of UK companies by foreign business, and intra-company transfers, where a foreign company with a presence in the UK transfers funds to that UK subsidiary. This falls outside the definition of greenfield FDI.

6 The Growth Plan 2022, CP 743, 23 September 2022: https://www.gov.uk/government/publications/the-growth-plan-2022-documents/the-growth-plan-2022-html

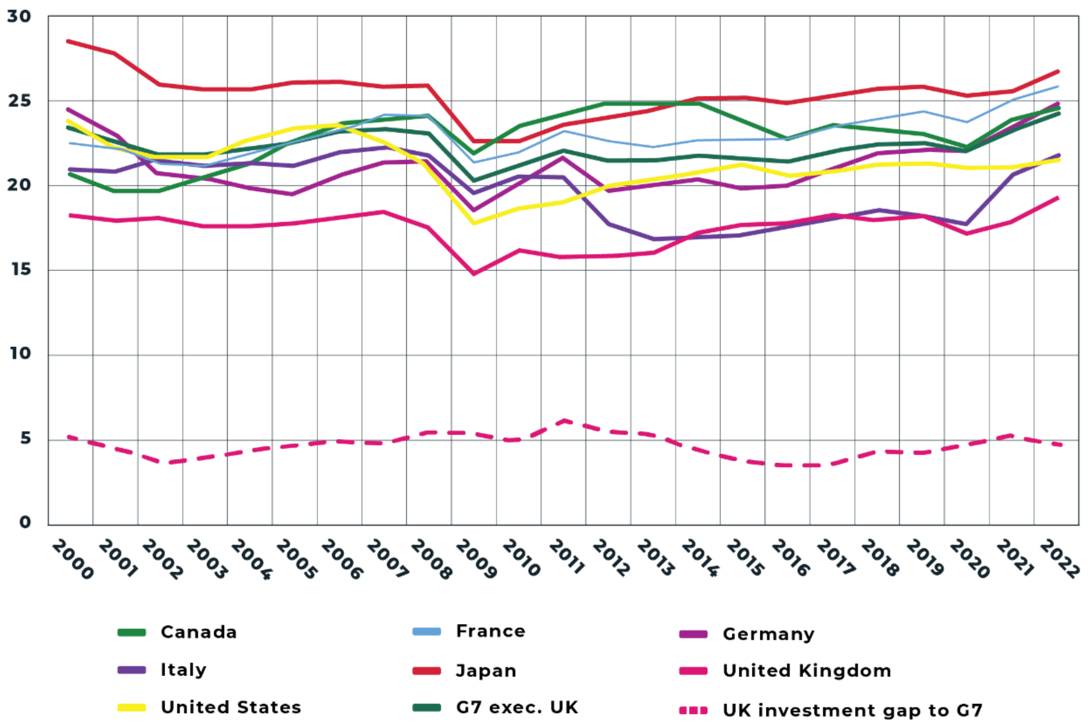
7 OECD Economic Outlook (2023): Investment by sector

8 Ibid.

11. Business investment – the acquisition of non-financial assets by UK-based companies – is essential to long-term economic growth. It equates to investment in new facilities, energy production, infrastructure, and other assets that increase the UK's productive capacity, in turn supporting better-paid jobs and better funded public services.

12. The UK's relatively higher levels of inward FDI have helped to mitigate the investment gap to some degree. Between 2000 and 2022, net foreign capital inflows raised the UK's investment rate by 3.2% of GDP.[9] Whilst inward foreign investment is not a direct substitute for business investment, it can help to grow it (see Annex B). Policies that improve the business environment are likely to help to make the UK more attractive both for foreign and domestic investors.

Figure 1: Investment as a share of GDP (%)



Source: International Monetary Fund, World Economic Outlook Database, October 2023

9 International Monetary Fund, World Economic Outlook Database, April 2023

The UK's investment needs

13. In addition to addressing the UK's low investment levels and weak productivity growth, there are specific policy challenges over the coming decades that require a major increase in investment, much of which will need to come from business:

    - The Committee on Climate Change has estimated that achieving net zero by 2050 requires the UK to increase annual investment in relevant technologies fivefold, to £50billion each year by 2030;[10]

    - The government's ambition to level up the economy, overcome the UK's geographical inequality, and give everyone access to the same opportunities enjoyed in the UK's most economically successful areas will require, amongst other things, creating the conditions for businesses to make major investments in regions and communities that have previously suffered from low investment;

    - The government's ambition to put public services on a sustainable long-term footing, which will require economic growth to increase the tax base;

    - The government's ambition to grow the industries of the future, including those based on digital and AI technologies, which will need investment to thrive and deliver their growth potential – for example, the UK digital sector which contributed 7.4% of UK total GVA in 2022, and grew three times faster than the rest of the economy.[11]

14. Compared to other countries, the UK is starting from a lower baseline of business investment to meet its goals and therefore requires a strong contribution from FDI to close its investment gap.

The starting point: current UK performance in attracting inward FDI

15. The UK has performed strongly in attracting FDI in recent years. In 2022 the UK secured flows of £78.8 billion in Greenfield FDI, this was more than the next two highest European competitors, Spain (£37 billion) and Germany (£26.6 billion), combined.[12]

16. The latest data shows the UK as having the third highest stock of assets owned through FDI in the world, behind only the United States and China – this stock more than doubled between 2012 and 2021, rising from £0.9 trillion to £2 trillion.[13] As a proportion of GDP, the UK's FDI stock is the highest in the G20, at 88% in 2022,[14]

---

10 Robins, R. (2020) The Road to Net-Zero Finance: A report prepared by the Advisory Group on Finance for the UK's Climate Change Committee: https://www.theccc.org.uk/wp-content/uploads/2020/12/Finance-Advisory-Group-Report-The-Road-to-Net-Zero-Finance.pdf

11 Vallance, P. (2023) Pro-innovation Regulation of Technologies Review: Digital Technologies: https://www.gov.uk/government/publications/pro-innovation-regulation-of-technologies-review-digital-technologies

12 fDi markets (2023)

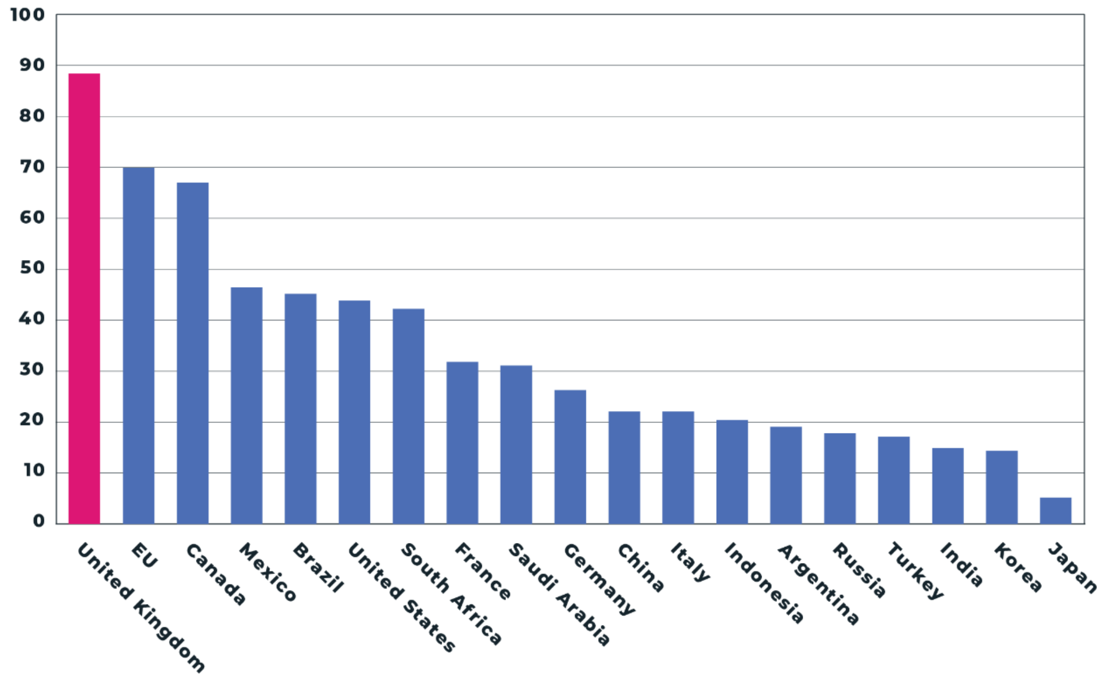
13 OECD Direct Investment Statistics: FDI Stock

14 Ibid. See figure 2.

although it should be noted that this is not just greenfield FDI – the FDI that most directly leads to business investment and growth – but also includes mergers and acquisitions, which don't necessarily bring the same level of additional value to the UK.

17. This high stock of inward FDI has arisen from consistently high inflows. The UK has been the leading destination for greenfield FDI in Europe for 15 consecutive years between 2008 and 2022.[15,16] Since 2016-17 the UK has taken a 27.0% share of FDI within Europe. By comparison, the UK accounts for 14.1% of the European region's GDP[17], indicating it is winning an outsize share of FDI, going beyond investment that is made primarily to access the UK domestic market to include a portion of investment that is contestable across Europe.

Figure 2: FDI stock by country (% GDP)



Source: OECD Direct Investment Statistics (2023): FDI Stock

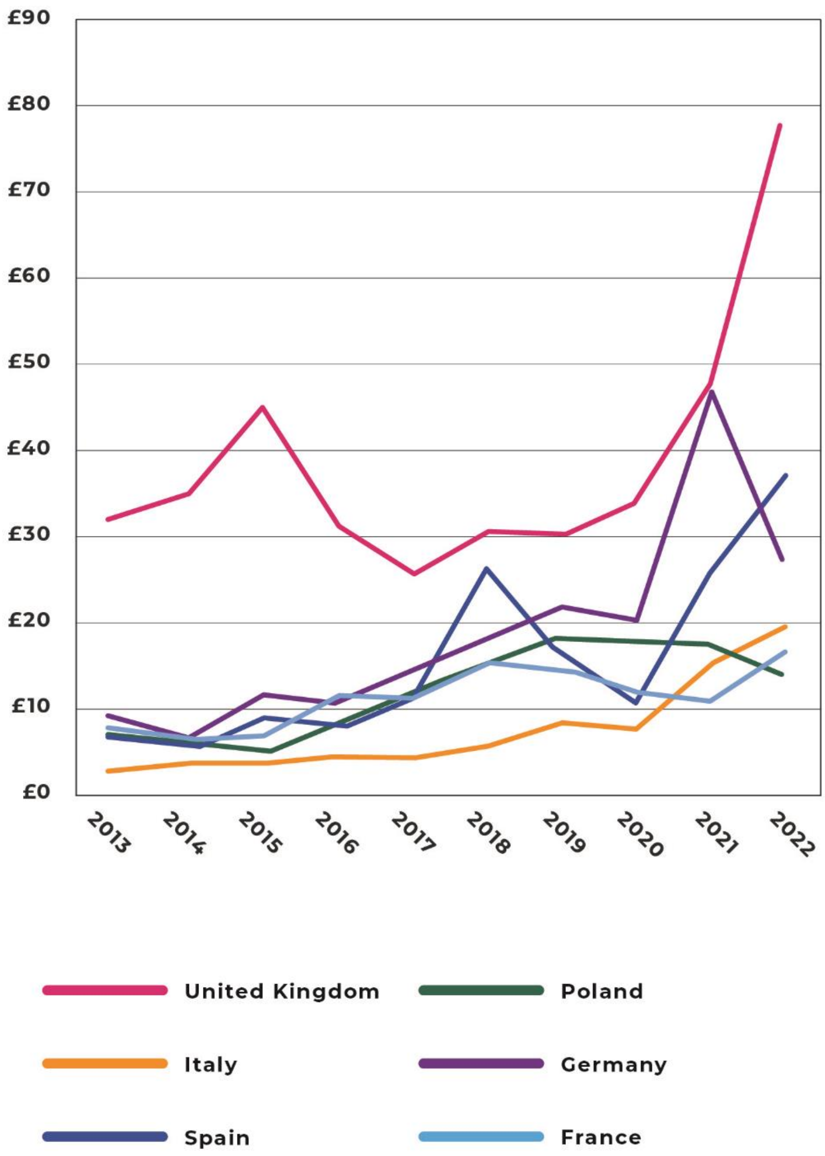
15 This is the region covered by HM Trade Commissioner for Europe - Albania, Andorra, Austria, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, and Switzerland – plus the UK itself. When comparing FDI across countries the report refers to this area as "Europe".

16 International Monetary Fund, World Economic Outlook Database, April 2023

17 Ibid.

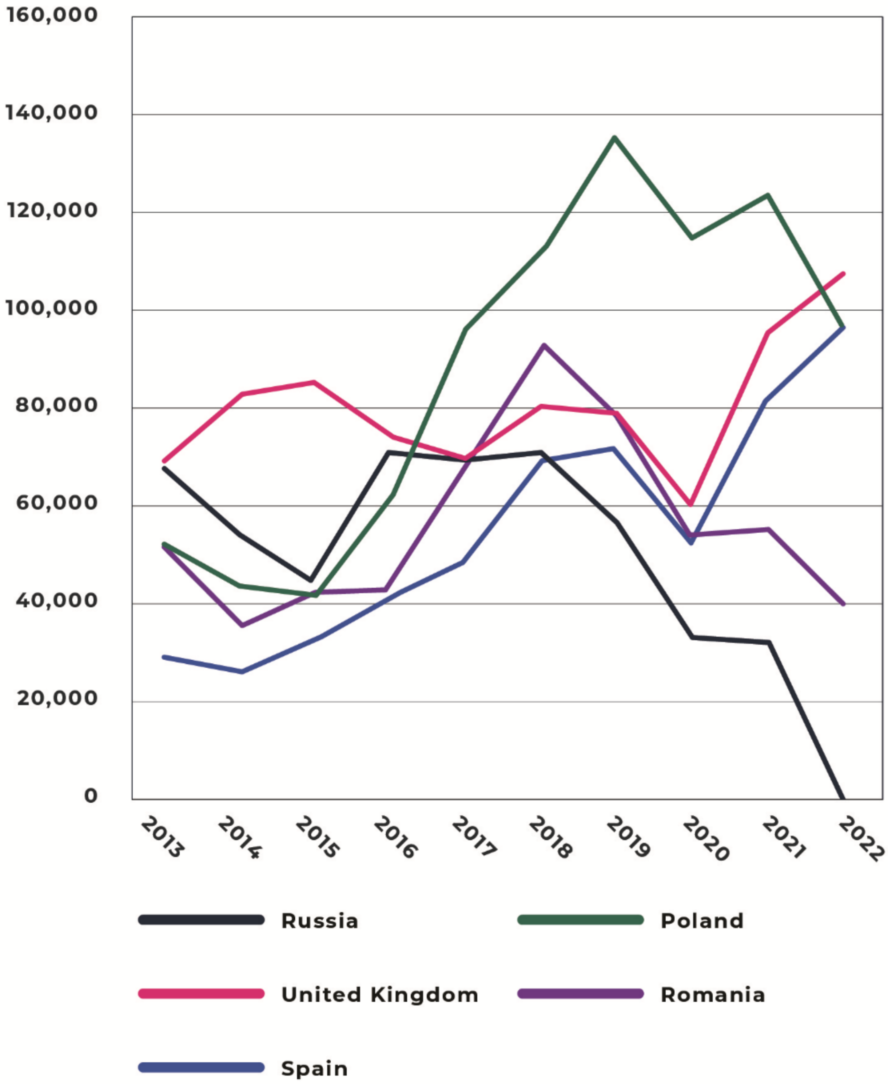
18. Figure 3 and 4 below show the UK's performance in attracting greenfield FDI compared with the other top five European countries for greenfield FDI and the number of jobs that FDI secured. Against each measure, the UK compares favourably to its peers. Annex C sets out in more detail how the UK has consistently secured a higher percentage of inward FDI entering Europe than might be expected relative to the size of the economy, reinforcing the finding that the UK both competes successfully and benefits significantly from contestable investment.

Figure 3: European greenfield FDI inflows (£x billions)



Source: FDI Markets (2023)

Figure 4: European greenfield FDI inflows (jobs secured)



Source: FDI Markets (2023)

19. To get a fuller sense of the UK's FDI performance and what scope there is to improve on it requires looking beneath the headline figures and analysing FDI by sector and project size.

Sector breakdown: attracting contestable FDI across Europe

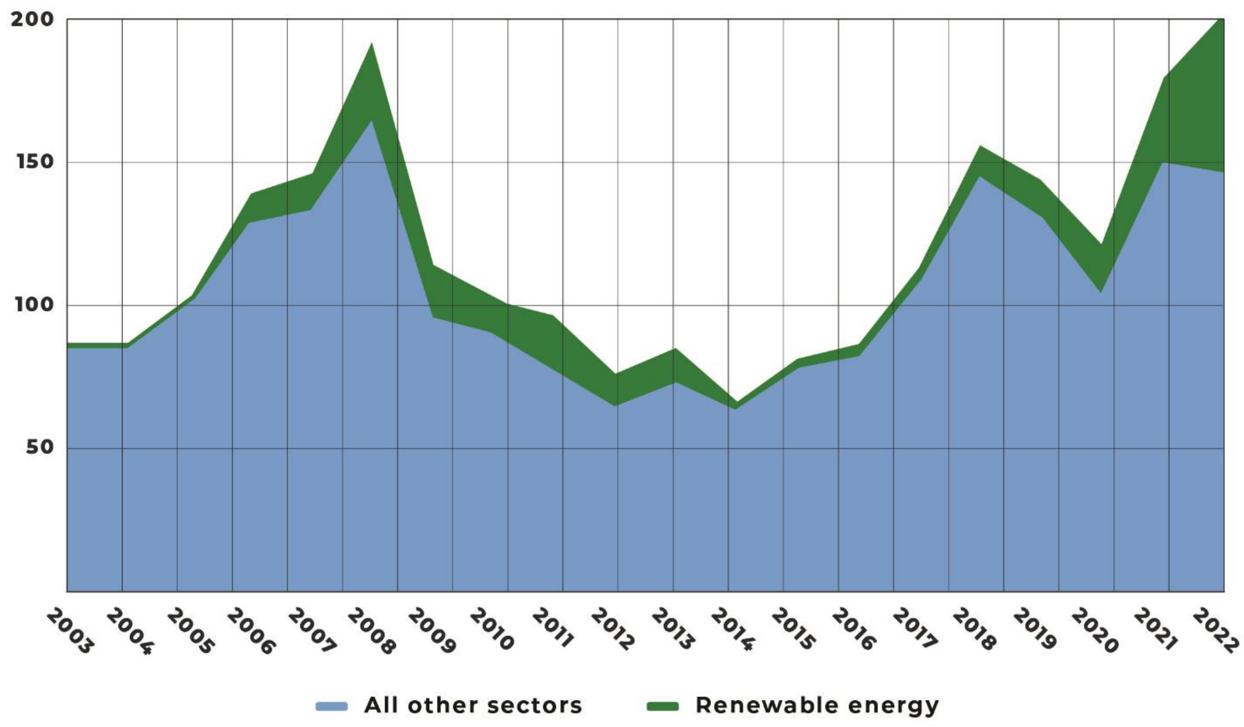
20. FDI varies considerably across sectors, both in the UK and elsewhere. Sectors such as extractive industries are more conducive to mobile international capital investment due to an investor using a single FDI project to export to multiple markets; other

sectors, such as education, health, and social services have a greater public sector presence and are less conducive to FDI.

21. A breakdown of greenfield FDI for UK and Europe by sector (see Annex D), shows that investment in renewables projects – particularly offshore wind – makes up nearly a third of the UK total. As a proportion, this is nearly three times greater than the rest of Europe. This outsized impact of renewables on recent UK FDI figures compared to the rest of Europe can be seen in the comparison of the two graphs below.

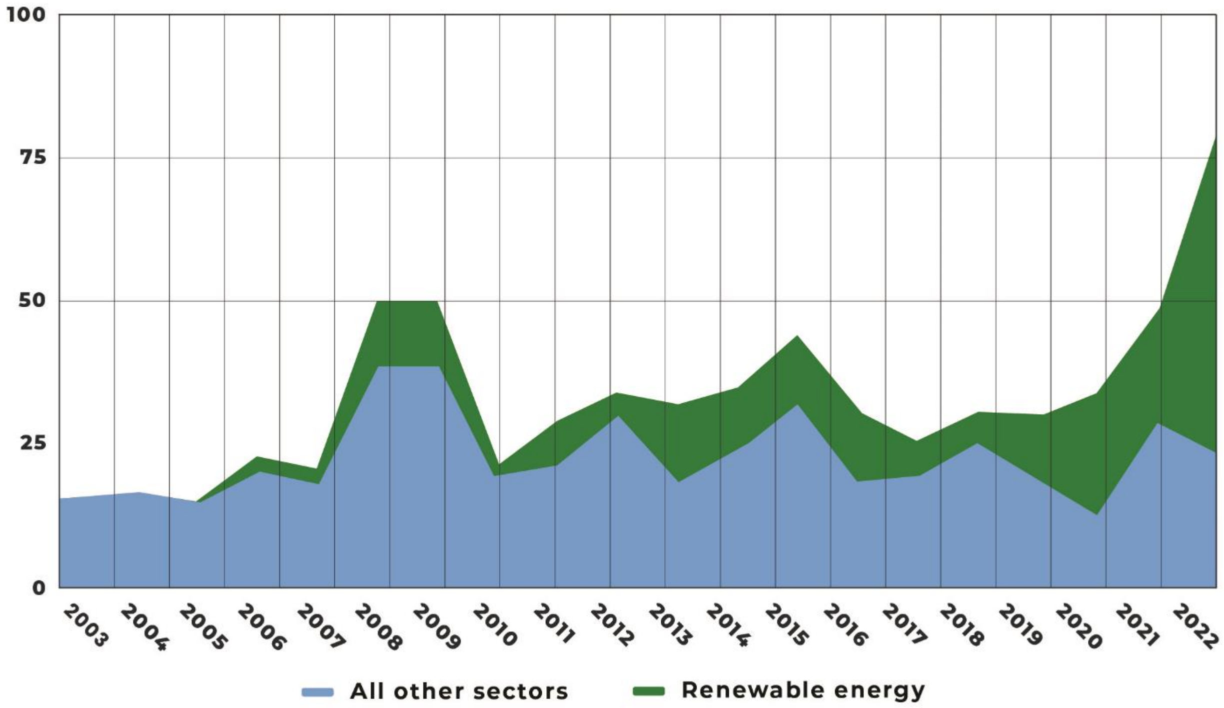
22. The value of the UK's inward investment for renewables since 2016 has almost equalled the rest of Europe combined. This is an important success and demonstrates how policy that leverages the UK's strengths can produce results. The UK's Contracts for Difference policy framework, which guarantees the price, and an attractive wider investment climate, allied to the natural resource of shallow sea areas with high winds, has supported high levels of investment. The UK now has the largest offshore wind capacity of any European country, second only to China globally, with the UK currently home to the four largest offshore wind farms.

Figure 5: Annual inflows of European (non-UK) greenfield FDI, separating out renewables (£x billions)



Source: © fDi Markets, from the Financial Times Ltd 2023. Data subject to terms & conditions of use.
Note: Jobs data includes estimated values. Financial Times Ltd takes no responsibility for the accuracy or otherwise of this data.

Figure 6: Annual UK inflows of greenfield FDI, separating out renewables (£x billions)



Source: © fDi Markets, from the Financial Times Ltd 2023. Data subject to terms & conditions of use.
Notes: 1.) All Capex figures shown in the table are in GBP - United Kingdom Pound millions. 2.) Capex data includes estimated values. Financial Times Ltd takes no responsibility for the accuracy or otherwise of this data.

23. Despite the government's successful role in helping to drive offshore wind and the long-term benefits it will bring, such as lower energy prices, some investors the Review spoke to cited offshore wind as a missed opportunity to capture the full value investment can bring. As it stands, it is a UK sub-sector with limited potential for spillover benefits or crowding in of domestic investment, given UK companies' relatively small market share, low ratio of employment to capital, and limited export potential (see case study below).

24. More broadly, the UK's outsize performance in attracting investment into renewables – which underpins its overall strong headline FDI performance – may say little about the quality of the general business environment and investor offer in other parts of the economy: the government's role in supporting offshore-wind projects makes renewables atypical of other sectors.

Case Study: Contracts for Difference as an example of a policy intervention that helped deliver transformational investment into UK offshore wind

The government announced its Contracts for Difference (CfDs) scheme in 2013. Through CfDs, the UK government guarantees developers of renewable power a flat (indexed) rate for the electricity they produce over a 15-year period. If the price of electricity falls below this rate, the government subsidises developers for the difference. If, on the other hand, the price of electricity rises above this rate, developers reimburse the government for that difference. The idea behind this is that the stability of price incentivises investment in renewable energy - where developers have high upfront costs and long lifetimes – by de-risking the impact of volatile wholesale electricity prices. At the same time, the competitive auction of CfDs drives down the cost to consumers, meaning electricity prices are both more stable and lower overall.

It should be recognised that CfDs involved the government taking significant financial risk when they were announced in 2013, as the price of electricity from offshore wind was nearly 70% higher than it is now. But the government pushed ahead, having identified a subsector in which there was a UK strength for investment due to the North Sea's high wind potential and shallow seas; the imperative of decarbonising the energy sector; and the future industrial advantage of lower energy prices and geopolitically secure energy supply from renewable sources.

The effects have been striking in terms of investment – as explored earlier in this chapter, with the UK home to the world's four largest offshore wind farms - and in increased offshore wind capacity. From 2009 to 2016, offshore wind capacity increased by an average of 620 megawatts per year; from 2016 to 2022 (the first CfD allocation round closed in 2015), it increased by an average of 1,439 megawatts per year, which is enough to power an additional 720,000 homes each year with wind energy.

While the UK assumed an early leadership role in offshore wind, recent supply chains challenges have the potential to threaten this, and - without action - there is a danger that CfD auctions will become a less effective mechanism to attract investment into the industry. This can be seen in the recent case in Norfolk, where Vattenfall pulled out of its Boreas windfarm project, citing rising supply chain costs. Supply chain costs have increased across the sector due to greater foreign competition in offshore wind, high inflation, and wider cost increases following the impact of the war in Ukraine on energy and commodity prices. These supply chain challenges contributed to the lack of bids for the CfD Auction Round 5, which closed in September.

The impact of the UK's CfD programme has also been less positive on the wider UK supply chain of designing and manufacturing wind turbines. The 2019 UK Offshore Wind Industry Supply Chain Review sets this out. At that point, Ørsted, a Danish company, had the largest UK offshore wind portfolio by owner share (~24%), while of the other five major owners, only one – SSE – was British owned. Moving to the key Tier 1 suppliers, the Review found that the largest operators were Siemens Gamesa and MHI Vestas, also non-British owned. A recent industry report, shared with this Review, suggests a more active UK government approach to offshore wind supply chains could capture over £90 billion of additional value by 2040.

Has the UK underperformed in attracting FDI in other growth sectors?

25. Across all other (non-renewables) sectors, levels of UK greenfield FDI have remained at best flat since the 2008 global financial crisis. The UK's share of European greenfield FDI excluding renewables since 2017 has averaged 13.9%, marginally below the UK's share of the region's GDP at 14.1%.[18]

26. Excluding renewables, these other sectors include the five key growth sectors and financial services.[19] Given data constraints for most of these sectors, the analysis below focusses in on manufacturing FDI as an example of underperformance relative to the UK's share of GDP for Europe.

27. Manufacturing has a particularly important role in the UK economy. It has links to multiple sectors across the UK economy, including historic areas of strength such as automotive and aerospace, key growth sectors for the UK such as pharmaceuticals, and critical components of wider supply chains with national economic security implications, such as chemicals and steel.

28. Manufacturing is one of the most R&D and investment heavy sectors, meaning it has an outsized impact on productivity growth. Analysis suggests that the slowdown in overall UK productivity growth since 2007 stems from much lower productivity growth in manufacturing, which accounted for nearly half of overall productivity growth between 1998 and 2007[20].

29. Manufacturing also makes an outsized contribution to levelling up – its share of employment is higher outside London and the Southeast, and in every region outside London, average wages in manufacturing are higher than the average for non-manufacturing roles, with a wage premium of more than 25% in most regions of the UK.[21]

30. In global comparisons, the UK does less well in attracting greenfield FDI for manufacturing than it does for other sectors. In capital expenditure terms, the UK accounted for 5.3% of all global FDI between 2003 and 2022, but the UK's share of global manufacturing FDI was only 1.6%[22].

31. This alone does not reveal much. Labour costs are a large factor in locational decisions for many manufacturing projects, and a large proportion of global investment in the sector flows to emerging economies where wages are lower. At a headline level, an

---

18 The reduction in the proportion of non-renewable investment in the UK from 2017 – 2022 compared with 2010-15 is attributable to the sovereign debt risks across the Eurozone which likely reduced investment in these sectors in other parts of Europe.

19 Hunt, J. Chancellor Jeremy Hunt's speech at Bloomberg, 27 January 2023: https://www.gov.uk/government/speeches/chancellor-jeremy-hunts-speech-at-bloomberg

20 ONS *Output per hour worked* data. https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/outputperhourworkeduk

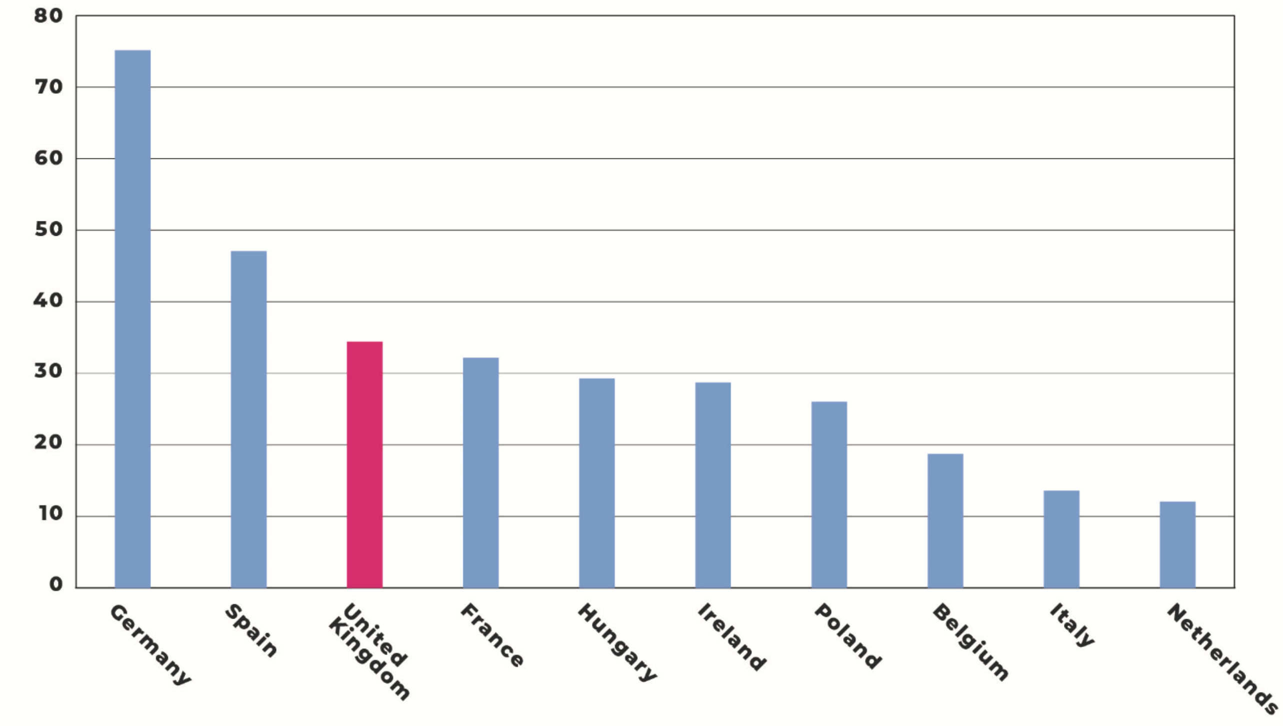
21 Office for National Statistics Annual Survey of Hours and Earnings: https://www.ons.gov.uk/datasets/ashe-table-5/editions/time-series/versions/5 and ONS Business Register and Employment Survey: https://www.ons.gov.uk/surveys/informationforbusinesses/businesssurveys/businessregisterandemploymentsurvey

22 fDi markets (2023)

appropriate comparison to the UK is Europe with its broadly similar wages, skill levels, and regulatory environment.

32. When comparing UK performance to Europe, analysis suggests that the UK performs reasonably but falls short of the leaders. The UK attracts 14.1% of greenfield manufacturing FDI – marginally above its share of European greenfield FDI excluding renewables – invested in the wider Europe region, and exactly matching its share of GDP. While on first glance this is a reasonable performance, it is important to remember that the UK relies more on FDI than its competitors to plug the gap left by low business investment.

Figure 7: Top European recipients of greenfield manufacturing FDI inflows in total over the period 2003-2023, (£x billions)



Source: © fDi Markets, from the Financial Times Ltd 2023. Data subject to terms & conditions of use.
Notes: 1.) All Capex figures shown in the table are in GBP - United Kingdom Pound millions. 2.) Capex data includes estimated values. Financial Times Ltd takes no responsibility for the accuracy or otherwise of this data.

33. As shown in the graph above, the UK has ranked third for total greenfield manufacturing FDI in Europe over the past two decades – attracting more than France and Italy, but less than Germany or – more surprisingly, given its smaller economy – Spain. The leading central European destinations have also outperformed the UK relative to their size, but that is largely explained by lower average wages over the period.

34. The Review's conclusion is that the UK needs to improve its performance attracting greenfield manufacturing FDI, as it could with FDI across growth sectors beyond renewables as whole. Increasing the UK's share of manufacturing FDI could bring increased productivity, innovation, and high-paying jobs across the country, helping to drive levelling up.

The size of FDI project investments: focus on the largest

35. FDI projects vary greatly in size - over the last seven years, there have on average been around 1,300 FDI investments a year recorded into the UK, ranging from hundreds of millions to thousands of pounds. On average, the roughly 50 largest investments annually, each worth £100m or more, make up 70% of UK greenfield FDI by value.[23] The investments of £200m or more, of which there have been around 30 each year, make up 65% of the total by value.

36. This is a highly skewed distribution. The conclusion is clear: it is the small number of highest-value transactions that largely determine overall FDI performance. To inform the Review, the FDI data used to calculate the UK's overall share of a combined UK and Europe area inward FDI total have been analysed to break down transactions by size.

Figure 8: Composition of UK greenfield FDI inflows by value and volume, 2016-17 to 2022-23, (£x billions)

Greenfield FDI projects by value	Average annual Greenfield UK FDI projects by number between 2016/17-2022/23	Average annual total investment in category 2016/17-2022/23/£bn		UK share of regional greenfield FDI capex
		UK	Rest of Europe	
>£200m	32	25.5	52.6	32.7%
£100-£200m	16	2.3	16.1	12.4%
<£100m	1,306	12.5	77	14%
TOTAL	1,354	40.3	145.7	21.7%

Source: FDI Markets (2023)

23 The source data may accentuate this to some degree as some of the smallest projects may not have been recorded. Any effect would be expected to be the same across the region so the UK's relative over-performance in attracting the highest-value projects is a robust conclusion.

37. The value of pursuing large investments, which typically involve larger companies, is not just that they represent a greater return from a nation's limited promotion resources – larger companies also tend to create additional economic benefits for the countries they invest in. For example, analysis published in 2016 calculated that, of the world's 2,500 top R&D investors, just 50 businesses were responsible for 40 per cent of private sector investment globally.[24] And investments made by larger companies can create wider supply chain clustering effects, bringing additional jobs and investment to an area, such as happened around the Nissan factory in Sunderland.

38. This suggests several conclusions:

- For investments over £200 million, the UK far outperforms its regional GDP share of 14.1%. This may indicate that the government's stated approach of focusing on helping to land the largest investments is already bearing fruit, although it also likely reflects the UK's oversized share of large renewables projects.

- At scales between £100-£200 million , the UK secures a lower share of greenfield FDI than would be proportional to its GDP. The UK's share of investment below £100m is in line with its European GDP share.

- This analysis of FDI projects by size suggests there may be an opportunity for government to help land a greater share of projects in the £100-200 million range. This would maintain a focus on a manageably small number of potential investments: on average 16 a year are within the bracket, and they have usually been within the top 50 largest greenfield FDI investments each year.

- If the UK secured the same 21.7% regional share of over £100 million greenfield investments that it already achieves for all projects (still less than the 32.7% for over £200 million investments), that alone would increase annual greenfield FDI capital by £1.7 billion per year.

Size of the prize: a potential benchmark for improving UK inward FDI performance

39. The UK has performed strongly overall in recent years in securing greenfield FDI investment. But the Review's assessment of the evidence is that there is clear scope to grow that inward investment further.

40. There are specific opportunities, recognising the important role FDI plays in contributing to business investment:

24 HM Government (2017), Industrial Strategy: Building a Britain fit for the future: https://assets.publishing.service.gov.uk/media/5a8224cbed915d74e3401f69/industrial-strategy-white-paper-web-ready-version.pdf

- On sectors, learning from the success of renewables and building on this approach across other areas of UK strength – such as the key growth sectors and financial services – to achieve other successes;

- On project size, to capture a similar regional share of projects in the £100-200 million bracket to that which the UK already secures for all projects.

41. The most appropriate comparator to use for all-sector performance will usually be the wider European region, which includes similar economies and where some share of investment will be mobile and contestable across the region.

42. In this Review's assessment, there is no robust basis to determine a numerical share of regional investment that is the maximum the UK could achieve. The degree of contestability varies. A hard target would imply an illusory degree of certainty over what is achievable. Instead, the Review proposes a simple benchmark: if the UK can consistently increase its share of European regional inward greenfield FDI capital expenditure by one percentage point over the 21.7.0% average of the last seven years, that would be worth around £1.9 billion each year of new investment.[25]

43. The Review proposes using this percentage share of the UK and wider European region greenfield FDI, assessed over multiple years given the annual volatility, as a measure of whether the UK is securing an additional share of 'winnable' additional FDI, and to help evaluate whether the recommendations set out in this Review have been successful.

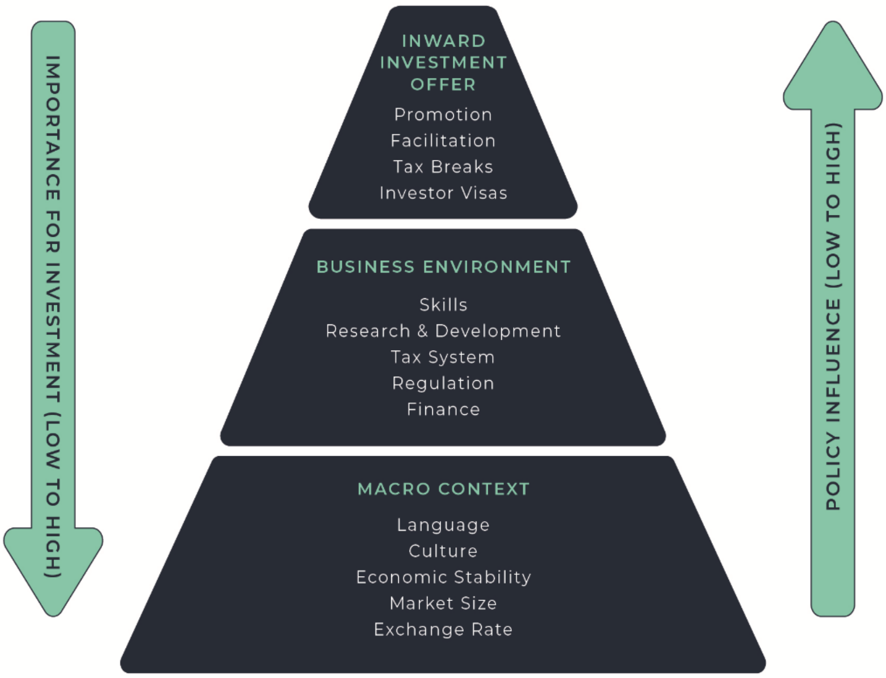
25 The exact value of investment that an increased share would translate into will depend on the level of total investment into the region – in the last two years it has exceeded £250 billion. Measuring the UK's performance as a proportion of total investment into the region, as the Review proposes, helps account for the significant year-to-year volatility in flows across the region, driven by macroeconomic or geopolitical factors.

What drives FDI? And how does the UK offer compare?

Factors that influence the decision to invest

44. Many factors influence a business' decision to invest internationally. These can broadly be defined as: the macroeconomic context, the business environment, and the investment offer.

<u>Figure 9: Factors shaping an investment decision</u>



45. The *macroeconomic context* is widely recognised as having the greatest impact on FDI. It consists of fundamental and difficult-to-change characteristics of a country that influence investment. Factors in this category range from the fixed – location, language, time zones and natural resources – to those where government has influence, but factors are deeply rooted in culture and institutions and change is usually incremental. Macroeconomic stability, the real exchange rate, culture and quality of life, and quality of political and legal institutions fall in this category.

46. The next most important factor for FDI is the *business environment*. This groups together those factors that affect all business investment – domestic or international

– and can be changed over time through policy action, including the skills of the workforce, access to finance, quality of regulation, flexibility of the labour market, sectoral strengths and geographical clusters of leading-edge businesses, the tax system, planning regime, and infrastructure.

47. Finally, the *investment offer* refers to policies and activities specifically targeted at attracting inward investment. This can include dedicated incentives such as grant funding or tax breaks, specific provisions in other areas (for example investor visas or fast-track planning decisions), promotional activity to advertise and inform potential investors of what the country offers, or individual support from an investment promotion authority to help a business navigate government and facilitate a decision to invest.

48. To make the UK the most attractive destination for international capital therefore suggests a strategy for government to focus on the highest value areas where there is scope to influence: the business environment and investment offer.

The UK's approach to attracting inward investment

The UK government's strategy for growth and investment

49. Attracting FDI contributes to the government's wider economic growth strategy. This approach is rooted in innovation, aiming to make the UK the best place in the world to start or to invest in innovation or a technology-centred business.

50. The government has identified five areas – green industries, digital technologies, life sciences, creative industries, and advanced manufacturing – as the key growth sectors of the future.[26] A series of reviews, led by Sir Patrick Vallance and subsequently by Dame Angela McLean, have looked at how regulation in each of the five sectors can best support growth in these areas, and the government has announced a rolling series of measures to support innovation and investment in each.

51. The government's approach has already delivered significant investment successes, including in just the past year, for example:

   - Tata Group's decision to invest £4 billion in the company's first electric vehicle battery gigafactory outside India, creating 4,000 jobs, announced in July;
   - Moderna's decision to invest in mRNA research, development, and vaccine production as part of a ten-year partnership with the NHS, announced in December 2022.

26 Spring Budget 2023, HC 1183, Updated 21 March 2023: https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html#growing-the-economy-1

FDI policy responsibilities

52. The Department for Business and Trade (DBT) has responsibility for attracting inward FDI. There have been several changes in recent years to how responsibilities are organised.

53. Until 2016, inward investment was one responsibility of UK Trade and Investment (UKTI), an agency; in July 2016, after the UK's decision to leave the EU, UKTI was merged into the Department for International Trade.

54. In November 2020, the government announced the creation of the Office for Investment (OfI). This was established as a joint unit, reporting to the Department for International Trade and the Prime Minister's Office, with the aim of providing a single point of contact for the highest priority investment projects. In parallel, the department launched its Investment Transformation Programme, with the intention of focusing resources on high-value, high-impact investments.

55. In February 2023, departmental reorganisation brought responsibilities for inward investment together with the closely linked areas of economic growth and domestic investment, in DBT, with the OfI retaining its joint reporting structure.

56. The government has estimated that it spent £80.5 million on supporting inward investment in 2021-22, with 634 staff supporting this objective.[27] This includes the work of staff overseas in UK high commissions, embassies, and consulates: over 90 posts manage relationships with investors and promote the UK as an investment destination.

57. As well as the work of the UK government, inward investment activities are also undertaken by governments of the devolved administrations, some English mayoral authorities, and others. This structure is explored further in Part 2, Chapter 3. While beyond the scope of this Review, business-led organisations – such as trade bodies – can also play an important role in supporting sectoral and country-to-country trade and investment.

58. Lastly, the National Security and Investment Act 2021 introduced new requirements for government to screen and scrutinise inward investments that might have implications for national security – for example a foreign acquisition of a UK company holding sensitive intellectual property. The Review has heard few investor concerns from its first two years of operations – it has been seen as bringing the UK in line with changes in other similar jurisdictions, although there have been some asks for a trusted list of investors to be created to enable quicker decisions.

27 National Audit Office (2023) Supporting investment into the UK, Session 2022–23, HC 1080, 27 January 2023: https://www.nao.org.uk/wp-content/uploads/2023/01/Supporting-Investment-into-the-UK.pdf

The UK's strengths and weaknesses as a destination for FDI

59. The Review has drawn on a range of published investor surveys and its own programme of engagement and evidence-gathering with business to develop its independent assessment of the UK's attractiveness for potential investors.

60. There is no universal framework for such an assessment. The critical factors for deciding where to build a gigafactory for electric vehicle batteries for example will be different to those for whether an insurer decides to establish a UK subsidiary. Elements taken for granted in a particular place or time may be decisive in another. The Review's approach has been to draw out from multiple sources the factors that have most frequently and most broadly been raised as influencing decision-making about whether to invest in the UK at present. These are: the macroeconomic context, the business environment and the relative competitiveness of the UK offer.

Macro context

61. The UK's longstanding success in attracting inward FDI has been built in part on a set of favourable macroeconomic and cultural conditions, which have been echoed in the evidence heard by the Review. In particular these include:

    - **Language:** English is the global language of business.
    - **Location:** the UK is in a time zone that facilitates doing global business and is close to key global markets, facilitating trade.
    - **Market size:** access to the sixth largest national economy globally.
    - **Rule of law:** a long-established, widely-understood, and respected legal framework that provides investor certainty.
    - **Institutional strength and stability:** capacity in government, the central bank, and regulators perceived as strong, fair, and operating to transparent rules.
    - **Financial services:** the City of London is one of the world's great financial centres.

62. At the same time, there is evidence that elements of the UK context have changed in recent years in ways that complicate this picture.

    - **Reduced access to the European single market:** Nearly 40% of US businesses surveyed by Bain raised access to the single market as their top priority; over 60% ranked it as one of their top two.[28]
    - **Denting of the UK's historical reputation for political stability:** Since 2021, the proportion of investors surveyed by EY choosing the UK as one of their top three

28 Frick, J. et al (2023) The UK-US Corridor is Strong, Despite US Drop in Confidence in the UK. Bain & Company paper: https://www.bain.com/insights/the-uk-us-corridor-is-strong-despite-us-drop-in-confidence-in-the-uk/

favoured European locations for investment has dropped from 43% to 32%, with a third citing political instability as a reason.[29]

- **The UK's recent high inflation:** surveys suggest this has also weighed on sentiment and decision-making.

63. This Review has heard repeatedly that the UK's longstanding strengths as a destination for inward investment have been offset by recent policy instability, regulatory and policy uncertainty and market access challenges.

64. The *EY UK Attractiveness Survey* offers an annual snapshot of current and potential investor perspectives. The 2023 EY survey showed the UK slipping to third place behind Germany and France, down from first in 2021.[30] This finding is echoed in two further surveys published in recent months, with Bain finding US companies' confidence in the UK business environment dropping for the third year in a row,[31] and the Global Infrastructure Investor Association finding perceived overall UK attractiveness for infrastructure investment to be lower than for France, Germany, Iberia, and the Nordic countries.[32]

Business environment

65. The business environment for investment is challenging to assess objectively, given the range of factors that fall within its scope and the extent to which the critical factors will vary for different decisions. Building on the hierarchy set out previously, one CEO gave the below insight into how he would typically take a decision on where to locate.

66. The Review's approach has been to listen to evidence from businesses and potential investors, in particular across the growth sectors, and draw out consistent messages about the UK's strengths and the areas where they have faced challenges in accessing the elements they need to invest. Part 2, Chapter 4 explores each of these in turn, setting out what the Review has heard and assessing how to improve the competitiveness of the UK's environment.

---

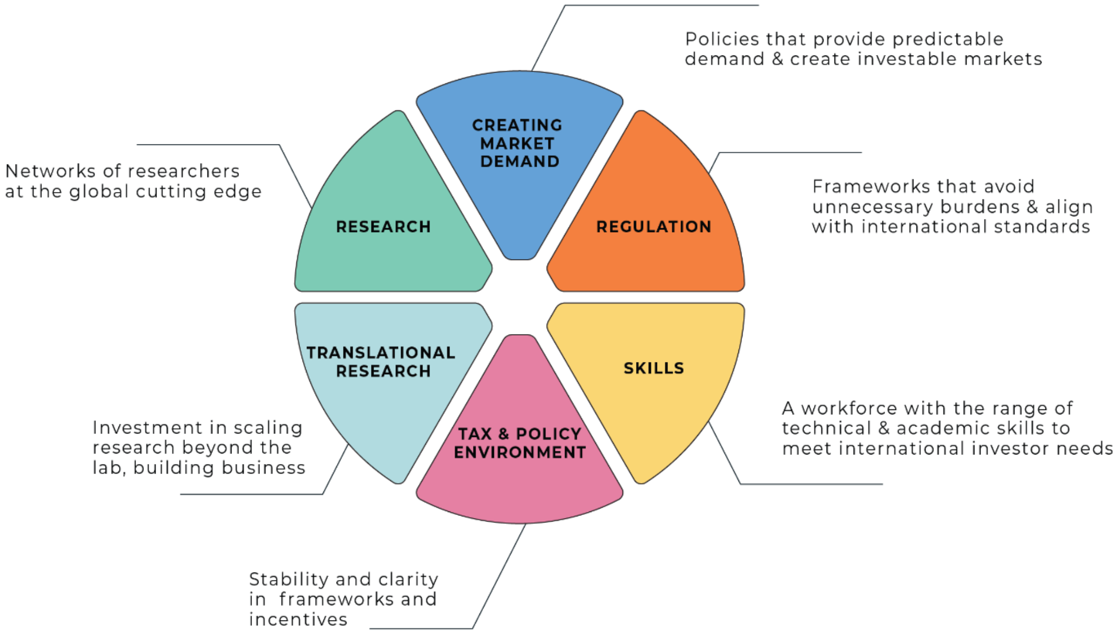
29 EY (2023) Navigating through turbulence: EY UK Attractiveness Survey: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/news/2023/6/uk-and-scotland-attractiveness-survey-2023.pdf

30 Ibid.

31 Frick, J. et al (2023)

32 Global Investment Infrastructure Association (2023) Infrastructure Pulse: Europe and the Americas: https://giia.net/sites/default/files/2023-05/Infrastructure%20Pulse%20Q2%202023%20final.pdf

Figure 10: How investment decisions are taken: One CEO's criteria



Courtesy of, and with thanks to, Juergen Maier CBE

Investment offer: an environment of growing international competition

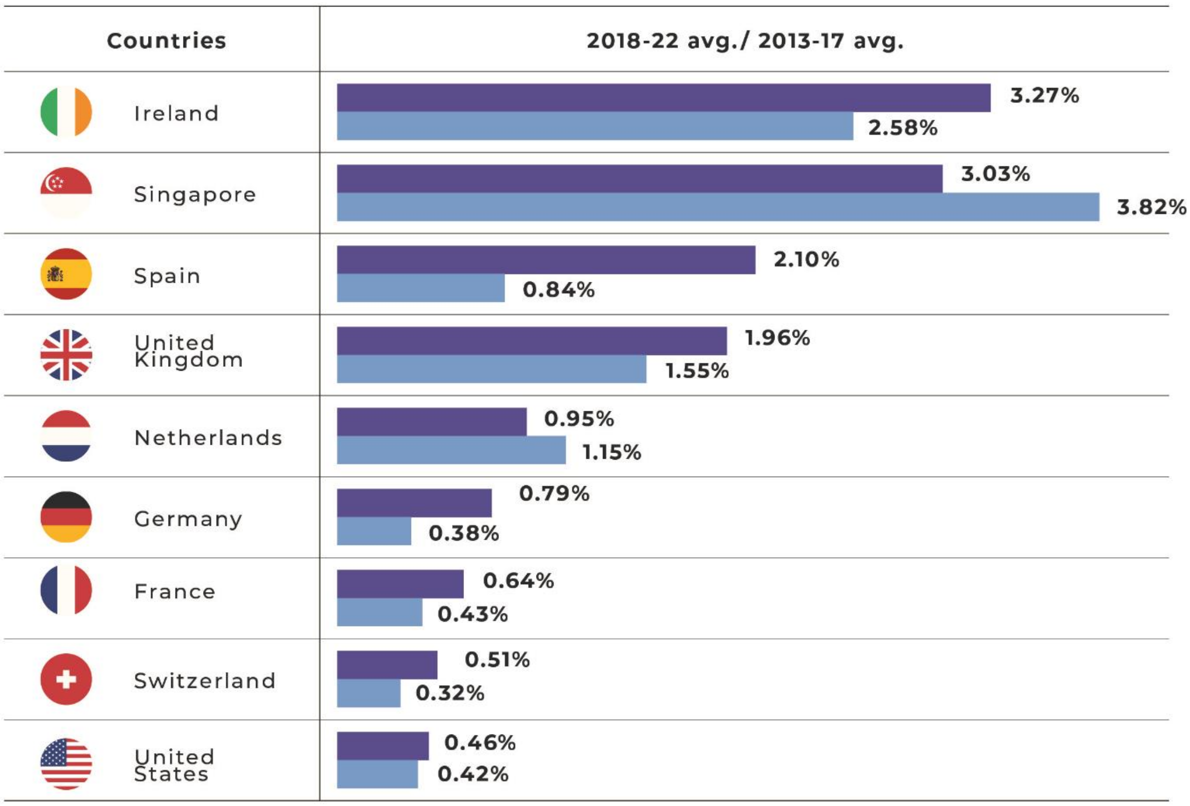
67. The UK has a strong offer in many respects, however, the last two years have seen major investment-focused policy developments from the US and EU and intensifying competition from other advanced economies, aimed at winning a higher share of mobile FDI flows.

68. The US has, through the Infrastructure Investment and Jobs Act, Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act, and the Inflation Reduction Act (IRA), offered more than $2 trillion over the next decade of federal grants, tax incentives, loans and loan guarantees. These target priorities, including low-carbon manufacturing, infrastructure and research and development. Some of the IRA provisions, including for electric vehicles, include enhanced credits for meeting criteria on the minimum proportion of materials, manufacturing, and assembly in North America.

69. The EU's Green Deal Industrial Plan (GDIP) proposes a portfolio of €250 billion of funding allocation, regulatory streamlining, and accelerated state aid approval for national subsidies for Net Zero technologies. Implementation will depend on how member states use the provisions, but the plan provides an enabling framework, targets, and a strong signal of the intention to develop greater strategic autonomy in these sectors.

70. It is not yet clear what the outcome of these recent policy developments will be for the UK. There are likely to be some short-term benefits, such as in the UK service sector. However, direct impacts on inward FDI into the UK are likely to include an intensification of competition for investment in low-carbon technologies and advanced manufacturing.

Figure 11: Value of announced greenfield FDI projects as a percentage of GDP (US $x millions)



Sources: From UNCTAD World Investment Report 2023 © (2023) United Nations. Used with the permission of the United Nations

How does UK investment policy compare?

71. The Review commissioned KPMG to undertake a comparative FDI attractiveness analysis, looking at how the UK can learn from some of its major competitors. The headline figures above, setting out new greenfield FDI inflows as a share of GDP, show the UK is still performing well overall, but that rivals are gaining ground.

72. While FDI inflows into the UK as a percentage of GDP have increased 26% in the past five years from the 2013-2017 figures, France's have increased 48%; Switzerland's 59%;

Germany's 107%; and Spain's by a remarkable 150%. Ireland also continues to perform strongly, increasing by 27% over the past five years.

73. This suggests that the UK's ability to attract new greenfield FDI – with the highest FDI stock as a percentage of GDP in the G20 – risks being eroded as its competitors step up their efforts.

74. The example below explores how electronics manufacturing investment into Singapore increased between 2020 and 2022, showing that a combination of policy measures, planning and site development, R&D incentives, and skills initiatives, when guided by a clear strategy, can make a significant difference in attracting investment into target markets within just two years. Similar examples of coordinated measures by other countries to attract FDI were given to this Review by businesses. Several are included as case studies in Part 2.

75. In addition to its own recent successes in offshore wind and learning from best-in-class competitors, the UK has demonstrated in the past that it can attract transformational investment in targeted sectors within its own economy. While important to note the policy frameworks and wider context were different to now, in the 1980s, the government successfully courted Japanese automotive manufacturing firms with incentives and policy support. In 1984, Margaret Thatcher's government offered Nissan the 799-acre site of the former Sunderland Airfield at a discounted price plus a special tax deal modelled on Regional Development Grants to encourage the Japanese manufacturer to locate its new factory in the North East. This led to Nissan opening their first plant in the UK in Sunderland in 1986, creating 1,100 jobs in 1987, rising to 6,700 in 2019, and a supply chain that has created tens of thousands of additional jobs across the region.[33] It also led to UK automotive manufacturing enjoying a surge through the 1980s and 1990s.

76. Finally, while the recommendation of specific tax rate changes is outside the scope of this Review, KPMG has provided some analysis of fiscal, tax, and other incentive measures various other countries have used to encourage FDI, which have been shared with HM Treasury and DBT. The government should consider this material as part of its response to this Review.

[33] Holloway, W. (2021) Firm Foundations: Levelling Up Inward Investment. Onward paper: https://www.ukonward.com/wp-content/uploads/2021/05/Onward-Firm-Foundations-Levelling-up-inward-investment-1.pdf

Figure 12: Singapore's "Manufacturing 2030" case study – A 10-year plan to grow advanced manufacturing 50% by 2030 through FDI

In 2020, the government committed to making the manufacturing ecosystem more attractive to FDI by...

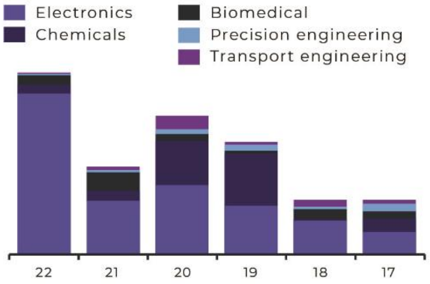
Anchoring R&D and Manufacturing Capabilities with initiatives that embrace the shift toward Industry 4.0, the latest movement within manufacturing that leverages the Internet of Things (IoT), robotics and artificial intelligence (AI) to create smart and autonomous systems.

- Established the Digital Manufacturing and Design and (DManD) Centre , a "cyber-physical research centre dedicated to the advancement in digitalising design and manufacturing technologies to enable new industries.
- Broke ground on the 6.2 million square metre Jurong Innovation District (JID), an advanced manufacturing industrial park that allows onboarded companies to "tap in" to localised sensors, robotics and other Industry 4.0 solutions to improve their business.
- Solidified government investment in research, innovation and enterprise at 1% GDP from 2021-2025 ($25B) through the RIE2025 Plan, with manufacturing as an identified priority.
- Launched the Future of Microelectronics initiative to create a globally competitive public-private research ecosystem for Singapore, focusing on five verticals: Heterogenous Integration, Compound Semiconductors, mmWave and Beyond technologies, Sensors & Actuators and Edge AI.

Strengthening The Local Talent Pipeline by promoting employment in advanced manufacturing to university students and existing workers through job training and upskilling as required by high-tech firms.

- Launched the M2030 career initiative to attract students to enter the sector, including overseas internships and work opportunities.
- Introduced Career Conversion Programmes (CCP) to reskill mid-career workers with up to 90% salary and course fee support for in-demand jobs.
- Set up the Advanced Manufacturing Training Academy, a national office tasked with identifying emerging skills in advanced manufacturing based on global trends and insight from incoming investors.

a. Fixed investment in Manufacturing By Industry (SGD, millions)



Source: Singapore Government, Department of Statistics Data

b. Fixed investment in Manufacturing By Origin (SGD, millions)

Source: Singapore Government, Department of Statistics Data

c. Recent semicon FDI deals (2021-22)

Firm	Origin	Value
Soitec	France	$430m
Applied Materials	US	$450m
Global Foundries	US	$4b
Siltronic	Germany	2b EUR
UMC	Taiwan	$5b

RESULTS

- Fixed investment commitments (e.g. buildings and infrastructure, transport equipment, machinery and equipment, and intellectual property products) in the electronics industry grew significantly between 2020-22 (a), as targeted by M2030, with an overwhelming majority of that sourced from foreign origins (b).
- Employment in manufacturing grew in 2022 for first time in four years:

  Changes In Manufacturing Employment (Compared To The Previous Period

- Chip makers responded by making Singapore a hub for semiconductors components with significant investment from global firms (c).

Conclusions of Part 1

77. Part 1 of this Review has set out the critical role FDI plays in the UK economy, including by helping to offset persistently low levels of domestic business investment. In addition, it has highlighted the increasing investment needs of the UK in the coming decade to meet its objectives of Net Zero, levelling up, and public services that are sustainable in the long term.
78. Part 1 has shown that the UK has historically performed well at FDI, with the largest stock of FDI in the G7, and that it continues to perform well overall in attracting greenfield FDI – the most economically valuable form of FDI – sustaining a leading position in Europe over the past 15 years.

79. Looking across sectors, it has also shown, however, that investment is skewed towards renewables and that while the UK has been very successful at attracting investment into green industries, its performance attracting investment into other growth sectors – exploring manufacturing as an example – is average compared to the rest of Europe. It has highlighted that due to the critical role FDI plays in shoring up the UK's persistent shortfall in overall business investment, the UK needs to be performing above average in attracting FDI to maintain a comparable level of overall investment into the economy relative to its peers.

80. Projects over £100 million account for 70% of greenfield FDI, which supports the UK Department for Business and Trade's recent decision to shift to focus on value over volume of projects. The figures suggest that while the UK is particularly successful at winning projects above £200 million – likely in part due to the link with its success at renewable projects – there is a gap where the UK performs below its share of GDP in the wider European region on projects from £100 million – £200 million. As Part 2 of the Review sets out, feedback from business suggests that it is in these projects over £100 million that tailored government engagement and support can be most decisive in winning investments.

81. Taken together, there is a clear opportunity for the UK to increase its performance in non-renewables sectors and in projects valued between £100 million and £200 million. The Review has suggested using a simple benchmark for this – increasing the UK's overall share of European FDI, where each percentage point increase equates to around £1.9 billion of additional inward greenfield FDI.

82. The analysis in Part 1 has shown that while the UK retains many intrinsic strengths in attracting FDI, competitors of the UK appear to be catching up, with many European countries growing their share of new FDI inflows as a proportion of GDP at a faster rate than the UK over the past five years – albeit starting from a lower baseline. Without action, this effect is likely to increase in the coming years as the approach other countries are using to attract investment in key sectors continues to improve. It has also highlighted the wider economic context, such as the US' IRA and CHIPS Act, and the European Union's GDIP response, which appears to be driving higher competition for investment.

83. To deliver the increase in investment it needs over the coming decades, the UK needs to take heed of the actions of rival countries and respond. As set out in Part 2, this Review does not recommend a like-for-like response to the IRA and GDIP due to the

significant deadweight cost to the taxpayer of these untargeted measures. But it does involve government playing a more proactive and strategic role.

84. It is not by chance that the UK has achieved remarkable success in renewables investment in the past ten years. This took place due to the government identifying an area of strength – offshore wind – and backing investment into this sector with a transformational, targeted intervention – the Contracts for Difference scheme. The impact has been positive and dramatic, with the UK currently home to the four largest offshore windfarms in the world. Although a criticism of the intervention heard by this Review is that the government did not follow through further to support growth of a domestic windfarm industry, meaning some of the proceeds of this investment will flow back to foreign firms.

85. The case study of Singapore is also instructive, as are a number of case studies offered by investors to the Review, which are set out in Part 2. When governments target specific sectors with policies to improve the business environment coupled with targeted support – whether financial incentives such as grants, tax reliefs, or subsidies, or non-financial such as skills, planning and R&D support – they can transform investment within a relatively short space of time.

86. Achieving a genuinely transformational uplift in investment is possible. But it requires a shift from a reactive approach to one that is proactive, strategic, and better organised. Part 2 sets out how the government should seek to bring about this change.

Part 2 – Feedback and recommendations

Introduction

87. The Review has sought the views of over 165 investors, consulted representatives from leading investment promotion agencies globally, met with devolved administrations and regional leaders, and has engaged with academic and industry-led research, to build a picture of the UK's FDI proposition. Part 2 below summarises the Review's recommendations and the findings that informed them, under six chapters.

88. The Review concludes that for the UK economy as a whole, and the five key growth sectors in particular, to deliver on the ambition set out by the Prime Minister, Chancellor, and Business Secretary, driving investment must become a whole-of-government focus. This requires government to be less siloed, less risk averse and more responsive to business priorities. It demands a culture change, and a shift from a reactive stance to a proactive one – identifying and chasing down the investments that will make the greatest difference to the future growth trajectory of the UK.

89. Three core strands run throughout the recommendations:

   - **Strategy**: a strategic approach to investment that supports delivery of sustainable growth and long-term policy objectives, including in the five key growth sectors.
   - **Organisation**: clear mechanisms and transparent accountability for addressing barriers to investment at both a national and sub-national level. This needs to start at the highest level of government.
   - **Tools and approach**: a shift from a reactive to proactive approach to engaging with business and investors to ensure that the UK offer to investors competes with best-in-class competitor nations.

90. In proposing the recommendations that follow, the Review seeks to support improvements across the investor experience, bringing a more business-focused lens to the operations of government and a more mutually beneficial set of partnerships with investors.

91. The graphic below summarises how the proposed recommendations will interact, showing how the investor experience in a strategically important growth sector will change. This graphic, tested with key investors, will be a good measure of whether the response to the Review has been successful.

Figure 13: The investor experience post Harrington Review

DEVELOPING AN INVESTMENT PROPOSITION

CLEAR STRATEGY
The Business Investment Strategy means investors clearly understand government's long term goals, and how they fit into this.

SINGLE FRONT DOOR
Dedicated government account manager, accountable at Director General level, joining the dots across policy areas and regulators and building an efficient relationship, supported by single cross-government CRM system. Delivering rapid progress from early engagement to finalising a proposition.

COMPREHENSIVE OFFER
Front-footed, tailored approach from OFI and DBT means prospective investors will be made a comprehensive offer. This could include financial incentives, planning and grid support, visas, skills and other elements necessary to make an investment decision.

MAKING AN INVESTMENT HAPPEN

SENIOR SPONSORSHIP
Investment overseen by new Investment Minister, providing senior engagement on the most important strategic investments.

COMMITMENT TO A RAPID DELIVERY TIME-FRAME
Clear expectations agreed on what will be delivered by when and by whom, in line with private sector decision making processes.

END-TO-END SUPPORT
The OFI and DBT will help navigate planning, visas, financing and other delivery-critical factors across multiple government departments, Devolved Administrations, Regional Mayors, local authorities and government-backed institutions.

ACCESS TO INVESTMENT-READY SITES
To fast-track realisation of opportunities benefiting from local expertise and insight. Expectation of delivery of sites within nine months.

FUTURE INVESTMENTS

ONGOING DIALOGUE
Account management provides channel to engage with policy development and regulatory processes to drive continuous improvement to business environment.

LONG-TERM RELATIONSHIPS
Government committed to developing ongoing relationships with investors, rather than on a deal-by-deal basis. Commitment to grow resilient supply chains and local clusters around investments

PIPELINE OF OPPORTUNITIES
Government support to drive secondary investment opportunities as understanding of businesses' expertise improves across government.

1. Business investment strategy

'There is currently a lack of a clear strategy that business can understand and get a feel for government's ambition and direction, beyond announcements that turn heads in the short term.' – Antony Walker, Deputy CEO, techUK

Introduction

92. The Review has heard repeatedly from business of the importance of clear, consistent, and long-term policy direction, giving them the confidence they need to back new opportunities. Their conclusion, delivered robustly during the course of evidence sessions for this Review, is that the level of policy clarity and consistency they expect to see – and do see from some competitor nations – is currently missing in the UK.

93. A Business Investment Strategy (the Strategy) that sets out what the government wants to achieve, how it will do so, and by when, will provide a clearer signal to business and investors. The Review heard how a well-executed investment strategy could help to address investor concerns, boosting business confidence to support inward investment. This feedback aligns with the findings of a number of studies.[34]

94. The Strategy is also fundamental to raising the profile and importance of investment considerations in wider policy development across government, supporting government to be more competitive on the global stage as set out in Chapter 2.

Review findings

95. Across all sectors, investors perceived that a clear, stable, long-term strategy for attracting investment was missing in the UK.[35] There were three broad issues raised by investors:

96. <u>*Policy conflicts*</u> – There was a perception of incoherence within and between sectors across different areas of government, with the absence of an overarching investment strategy considered to be a factor. Investors welcomed the government's sector plans and visions, though they noted these seemed like different strategies running in parallel to each other, which – in the absence of an overarching strategy – contributed

---

34 Criscuolo, C., Gonne, N., Kitazawa, K., and Lalanne, G. (2022) Are industrial policy instruments effective? A review of the evidence in OECD countries OECD Science, Technology and Innovation Policy Papers:

https://www.oecd-ilibrary.org/docserver/57b3dae2-en.pdf?expires=1690810361&id=id&accname=guest&checksum=9AE6418B4F734401FC500C36AC9EEAD4

35 Annex E sets out other countries' investment strategies.

to policy conflicts. Prominent examples of recent government decisions that businesses told the Review were adversely affecting the case for investment in the UK included: the Valuation Office Agency update of rateable values (a specific issue in the film sector); the removal of the VAT rebate for international shoppers (felt particularly acutely in the fashion retail industry, but also the creative sector more widely); and the negotiations with pharmaceutical companies on the VPAS levy with the NHS. Investors highlighted that when they engaged with government, they were left with the impression that officials did not see the read-across to investment attractiveness. As one contributor to the Review noted:

> ***'It's not that there is perverse decision-making in any one area; it just doesn't work across the piece.'*** – Professor Sir John Bell, Regius Professor of Medicine at Oxford University

97. Policy instability – The mismatch between the shelf-life of a policy announcement and the business planning cycle featured in almost all discussions across the Review. Whilst business recognised many good government initiatives, there was frustration when these were seen to fall out of political favour. It was also noted that changes in ministers often resulted in policies being recast in their own vision at the expense of delivery. The Review heard that the lifecycle of policy priorities and associated support packages was often too short to use as the basis for business planning, which was generally considered to be a minimum 5–10-year time horizon.

    Policy instability extends beyond passing frustrations and has major impacts on business decisions and investment cycles. It matters when government backtracks on commitments made. The Review heard how changes in policy direction and the uncertainty created by announcing measures with an annual timeline (such as tax deductions or reliefs) was considered by business to be an effective tax on their operations. Businesses also reported withholding or under-investing in the UK in part due to this policy uncertainty; indeed the Institute for Government cites 'policy churn' as an 'impediment to investment'.[36]

98. Delays to systemically important policies – Industry noted how delays to cornerstone policies – those considered key to crowding-in wider investment – were damaging the UK's economic development and closing down opportunities for the UK to gain and maintain leadership positions at the frontier of modern industries (hydrogen, semi-conductor and battery strategies were frequently cited). For the UK to grow the industries of the future in line with its ambitions, it must be quicker. As one contributor to the Review noted, in reference to batteries: 'decisions take five years when they should have taken one'.

Guiding principles

99. The following guiding principles respond to the key feedback themes heard from investors and should help to inform the approach taken to develop the Strategy:

---

[36] Wilkes, G. (2022) Business investment: Not just one big problem. Institute for Government: https://www.instituteforgovernment.org.uk/sites/default/files/publications/business-investment.pdf

- **Providing clear, consistent direction to the private and public sector,** setting out overall investment aims – and targets – and how this will be made up across sectors. *Addressing key findings on policy conflicts and instability.*

- **Capitalising on industry knowledge and expertise,** bringing investors into the development of the Business Investment Strategy through the Prime Minister's Investment Council and other government-business partnerships. *Addressing key findings on policy conflicts and instability.*

- **Long-term predictability**, about how the strategy will be executed and adapted over time, including how changes will be managed. *Addressing delays to systemically important policies and instability.*

Clear direction to the private and public sector

100. Investors welcomed the recent prominence given to the Chancellor's five key growth sectors and sector deals where they existed. The Office for Life Sciences was cited by investors as a good example of government providing long-term policy clarity, as set out in the case study below. The importance of well-informed and specific sector plans was considered critical for providing the level of detail needed to support private investment decisions – a view also expressed by the Institute for Directors.[37]

Case Study: The Office for Life Sciences – policy clarity for the life sciences sector

The life sciences sector is critical to the UK's health, wealth and resilience, employing more than 250,000 people and generating an £80 billion turnover each year in the UK. The sector is responsible for one fifth of UK private sector R&D.

The Office for Life Sciences (OLS), set up in 2009, is a joint unit between the Department of Health and Social Care and the Department for Science, Innovation and Technology. OLS develops and delivers strategies aimed at improving health and economic outcomes in the UK, acting as a single point of contact for business navigating life sciences policy in government and working alongside the Department of Business and Trade to support investment in the sector.

Life Sciences Vision

The Life Sciences Vision of 2021, co-developed with c.100 businesses and experts in the field, builds on the 2017 Life Sciences Industrial Strategy. It set out a mission-led approach for the next decade for the sector to build on the COVID-19 response and accelerate delivery of innovations to patients. Central to the Life Sciences Vision is a focus on cultivating a business environment in which UK life sciences firms can access finance to innovate and grow, are regulated in an agile way, and are incentivised to onshore manufacturing and commercialise their products in the UK.

37 Ibid.

The Vision sets out to address the most pressing health challenges, including cancer and dementia. The Vision's eight life science 'Missions' focus on preventing, diagnosing and treating disease early, using innovative clinical trials to develop breakthrough products and treatments quickly, and accelerating the development and adoption of new drugs, diagnostics and medical technology. To date, OLS has appointed Mission Chairs to lead the Cancer, Mental Health, Addiction and Dementia Missions and committed over £200m across Cancer, Mental Health, Addiction, Dementia and Obesity.

101. There was strong support from investors for an overarching investment strategy that spells out the links between existing sector plans and visions, the government's long-term ambitions such as levelling up and becoming a science and technology superpower, and what this means for investors (*Recommendation 1.1*). A clear investment ambition against which the performance of government activities can be assessed over the medium term (*Recommendation 1.2*), will create a stronger link between policy announcements and delivery. The Irish Development Agency (IDA), for example, use targets and metrics such as the development of a defined number of clusters in core sectors, which are linked to wider policy objectives such as regional growth, job creation, and economic stability.

102. This means prioritising sub-sectors for investment, and then – as set out in Recommendation 2 – identifying target companies within those sub-sectors to proactively pursue. The UK government has already undertaken work to identify sub-sectors where there is potential for the UK to be at the frontier of emerging industries (see focus box below).

Focus Box: Emerging industries – sub-sectors the government is already backing

- **Quantum technologies** – Over the next three to five years, quantum computing could deliver $5-10 billion of benefits across the world; and this rises to $450-$850 billion in the next fifteen to thirty years.[38] The UK National Quantum Strategy committed £2.5 billion to developing quantum technologies in the UK over the ten years from 2024 – more than doubling current public investment - which will aim to generate an additional £1 billion of private investment into the programme. This will support a number of targets, including achieving a 15% share of the global quantum technologies market.

- **Carbon Capture, Usage and Storage (CCUS)** – The CCUS market is projected to reach $7 billion in 2030, and the £1 billion CCUS Infrastructure Fund has been

[38] Bobier, J-F., et al (2021) What happens when 'if' turns to 'when' in quantum computing? BCG paper: https://web-assets.bcg.com/89/00/d2d074424a6ca820b1238e24ccc0/bcg-what-happens-when-if-turns-to-when-in-quantum-computing-jul-2021-r.pdf

announced as part of the UK government's CCUS Net Zero Investment Roadmap, including the creation of four CCUS clusters in the UK by 2030.[39]

- **Small modular reactors (SMRs)** – The 2020 Energy White Paper announced £385 million in an Advanced Nuclear Fund with up to £215 million investment to develop a domestic SMR design that could potentially be built in factories and then assembled on site. It is expected to unlock up to £300 million private sector match-funding.

103. This level of clarity and specificity will help to reduce policy conflict by making the trade-offs between hitting investment targets and achieving different government objectives (i.e. separate to investment) clearer. The Review therefore recommends an overarching strategy with clear investment targets and greater detail on sub-sectors of focus to send a clear signal to investors and raise the profile of investment considerations across government.

Capitalising on industry knowledge and expertise

104. The Review has heard that industry values being included in developing visions and plans for growth sectors and can contribute useful insight, for example on data and measuring impacts within their sectors. A Business Investment Strategy provides an opportunity to capitalise on business expertise by bringing them into the strategy-making and delivery piece:

'We could be, and would like to be, thought partners, and providers of intellectual capital as well as investment capital. We have views on what can be achieved and what it might take to get there together.' – Sovereign Wealth Fund

105. The Prime Minister's Investment Council and the Life Sciences and Automotive Councils were cited as examples of bodies the government should seek to involve more in the policy making process to reduce conflicts and provide stability. The Review therefore recommends that the government explores how to bring business into the process (*Recommendation 1.3)*.

Long term predictability

106. Delivering the Strategy over the medium term requires flexibility, including the ability adapt to new environmental factors. This is how business operates; the Review has heard that government should do the same. What matters is predictability. Setting a timeline for strategic refreshes of not less than five years would provide business with a more predictable planning horizon, whilst still providing opportunities

---

[39] Carbon Capture, Utilization, and Storage (CCUS) Market to Reach $7.0 billion, Globally, by 2030 at 13.8% CAGR: Allied Market. Bloomberg, 18 January 2022: https://www.bloomberg.com/press-releases/2022-01-18/carbon-capture-utilization-and-storage-ccus-market-to-reach-7-0-bn-globally-by-2030-at-13-8-cagr-allied-market

for periodic updates based on changes in the political and economic environment and learning within a sector. Periodic refreshes also provide scope to build confidence in the government's commitment to achieving its stated objectives by creating a clear framework for scrutiny.[40] (*Recommendation 1.4)*.

Case Study: Aerospace Technology Institute – enabling better outcomes for the UK aerospace sector

The Aerospace Technology Institute (ATI) is an independent body, responsible for growing the UK's aerospace sector while delivering Net Zero aviation by 2050; it is joint funded by the UK government and industry.

The ATI was launched in 2013 in response to an ongoing decline in the UK's share of the global aerospace market. It has proven successful in reversing this decline – the UK's share of global aerospace trade had declined by 2.6% year on year over the period 2000-2010; while, since the launch of the ATI in 2013, the UK's share has risen by 1.1% year on year.[41]

The ATI has provided a stable, long-term technology strategy and R&D funding programme for the aerospace sector amidst considerable political, economic, and environmental changes. The ATI's funding programme offers grants via regular calls for industry-led Research and Technology projects that are based in the UK and support the priority technologies in *Destination Zero*. Every pound of public funding is matched by private contributions, helping de-risk investment and giving businesses confidence to make long-term commitments to the UK. It has awarded £1.7 billion in government grant funding matched by £1.5 billion in industrial contributions to encourage R&D spend – from 2010-2019, the UK had the second-largest growth in business expenditure on aerospace R&D among international peers including the USA, Germany and France.[42]

The ATI's technology expertise, knowledge of the sector and funding is a draw for companies of all sizes within a fiercely competitive international environment. ATI funding and support has helped:

- US-based Spirit AeroSystems to re-shore spoiler manufacturing from Malaysia to Prestwick in 2017, as well as supporting Spirit's long-term presence in Northern Ireland.
- Attract the disruptive hydrogen-electric aircraft SME ZeroAvia to establish significant operations and test its prototypes in the UK from California.
- Boeing to open its first European facility in the Advanced Manufacturing Research Centre's (AMRC) site in Sheffield in 2018. In July 2023, Boeing announced it would launch the Composites at Speed and Scale (COMPASS)

40 White, C., and Wilkinson, B (2017) Creating, not picking, winners: How to develop an industrial strategy which works for everyone. Issues & Ideas King's College London: https://www.kcl.ac.uk/ifis/assets/creating-not-picking-winners.pdf

41 Based on analysis of OECD data

42 University of Cambridge, Cambridge Industrial Innovation Policy (2023) The UK Innovation Report 2023: Benchmarking the UK's industrial and innovative performance in a global context: https://www.ciip.group.cam.ac.uk/uk-innovation-report-2023/uk-innovation-report-2023/download/

composites programme supported by £29.5 million in ATI funding. This is the largest R&D project in AMRC's history, with the potential to create up to 3,000 high-skilled jobs by the mid-2030s.

107. The ATI case study above showcases the level of investment that can be leveraged when government policy remains predictable over time. The ATI was set up in 2013 and has crowded-in £1.5 billion in industrial contributions to match government support, helping to ensure stability in the industry during a period of significant change in the UK policy landscape.

Recommendations

1. The government should set out a clear Business Investment Strategy by spring 2024. This should build on existing sector visions and plans for the five key growth sectors to communicate government's approach to investment over the medium term.

1.1 The Business Investment Strategy (the Strategy) should identify which areas government will prioritise, focusing on the Chancellor's five key growth sectors. The Strategy should be agreed by the new Investment Committee and implemented by the Investment Minister, as detailed in Recommendation 2.

1.2 The Strategy should set an overall ambition for increasing investment. Future iterations of sector visions should be precise in their objectives and have measurable targets – for example, increasing UK production by a set amount (e.g. of green energy), generating employment, developing manufacturing capabilities, deepening supply chains and levelling up. Objectives should be set in a manner that allows space for industry creativity and innovation to encourage competition and flexibility in how these targets are met.

1.3 The Prime Minister's Investment Council should play an important role in reflecting the needs and contribution of institutional investors, as should other government-business partnerships such as the Life Sciences Council and the Automotive Council. The government should consider how the perspectives of corporate investors, both international and domestic, can help inform its strategic approach to investment.

1.4 Government needs to deliver on industry and local government's consistent request for greater stability in and visibility of changes to the strategic direction of investment priorities, recognising that investments are often made on a 20-year time horizon. The Investment Committee should seek to establish mechanisms for doing so.

2. Focusing government: from reactive to proactive

'Dedicated relationship management teams are a good idea but they have been replicated in multiple departments and don't necessarily speak to each other, so it often meant duplicated effort on both our side and the Civil Service' – a technology company

Introduction

108. A consistent impression presented to this Review by investors was that the UK does not prioritise securing investment in the way other countries do. It was reported that it was difficult to understand the UK offer, engagement with UK government was not straightforward and making an investment meant taking on the complexity of policy webs across national and local government, with all the time and uncertainty that brings.

109. Added to the overall sense of investor fatigue was that whilst businesses said that they generally felt any concerns they raised were listened to, they did not often see them result in concrete action. This was presented in contrast to the UK's peers, who were considered to be proactive, with businesses citing examples of other countries being more 'can-do'.

110. Addressing these ingrained perceptions will require government to change how it operates. The Review heard repeatedly that the government must be more business-like in order to compete on the world stage – that means having the right seniority dedicated to investment, the resources and accountability in place to drive improved performance and a confident promotion operation. Taken together, this would support the move to a proactive approach and underscore the refocussed role of the Office for Investment (OfI) – as set out in Chapter 5.

Review findings

111. While investors noted that the UK has many strengths as an investment destination, their experience pointed to a picture of investment not being a priority across the UK government, especially when compared with its peers. Feedback focused on four areas:

   i. <u>*Lack of senior ministerial engagement*</u> - While businesses acknowledged the efforts of officials at the OfI and Number 10's Business Unit, most prominent in the feedback was a sense of lack of engagement from the top of government. The UK was regularly contrasted with France in this regard, and the seeming personal priority President Macron places on investor relations, as detailed in the case study below. A number of senior business representatives who spoke to the Review reported that their CEOs and Presidents were used to receiving texts directly from President Macron, being invited to the Palace of Versailles and having 'the red carpet rolled out'. Investors reported that this type of relationship-building was an important element in their investment decision-making, taken as an indication of the level of commitment the UK government has to investment partnerships. An international conglomerate with a net worth of over $300 billion operating in over 150 countries said relationships were 'critical' to how they do business, and '*it starts with the Prime Minister and extends to only two or three senior ministers or officials*'.

This lack of senior engagement was regarded by investors to be exacerbated by the high turnover of investment-facing ministers. It was raised throughout the consultation that there have been seven Business Secretaries and seven Chancellors in the eight years since the 2015 election. One major investor described their frustration at having to 'troop from department to department' to meet different Secretaries of State covering different areas of responsibility related to their investment, many of whom will have changed office before an agreement was secured. It added up to a sense of investment and investors not being prioritised at the highest levels of government.

This signalling extends beyond specific investments and compounds a general feeling of ambivalence to the wider concerns of business. While the Prime Minister's Investment Council was welcomed as a forum in which investors can air their concerns, there was a sense that engaging with government on issues of investment or business environment was a fruitless endeavour. As one investor described, 'we've been brought to water so many times and then dismissed'. However earnest ministers and officials in the Department for Business and Trade and other investor-facing departments are about wanting to improve the UK's investment environment, investors commented that most of their concerns had disappeared into the 'Whitehall machine' without ever receiving a clear response.

ii. *<u>Lack of wider government focus on investment</u>* – The policy conflicts described in Part 2, Chapter 1 were considered to be symptomatic of both the absence of a coherent strategy and a lack of accountability to deliver it. Government was perceived as disorganised by business, allowing opportunities to slip away, apparently due to a lack of clarity over who owned a policy area or who had the power to take a decision on a given issue. Investors noted that, too often, the investment picture does not add up across government, with the implications of decisions not fully considered from the perspective of an investor.

This sentiment was shared by a number of cabinet ministers and Number 10 advisers from previous governments of different parties, who generously gave their time to support this Review. They set out a tendency for initiatives to lose momentum in a cross-government setting, impacting attempts to coordinate policy action across different departments. This difficulty was also the subject of a recent *Reform* report.[43] For investors, this can lead to frustrations, with

[43] Pickles, C. and Sweetland, J. (2023) Breaking Down the Barriers: Why Whitehall is so hard to reform. Reform paper. https://reform.uk/wp-content/uploads/2023/08/Barriers_Final.pdf

departments sometimes pursuing legitimate – but competing – aims, finding themselves courted by one department and treated as a problem by another.

A particular issue, noted as a missed opportunity, was that of government procurement. Businesses and officials alike felt that there was scope to do much more through large government investments to maximise the economic benefit to the UK. This was thought to be particularly so in the case of UK supply chains, where the government could activity build in requirements to invest in skills locally, or improve regional links, for example, thereby contributing to the wider business environment.

Case Study: President Macron's personal efforts to attract investors and investment to France

Throughout the course of the Review, a striking number of businesses observed the efforts and successes of French President Emmanuel Macron in personally cultivating strong relationships with their CEOs.

An industry body contributing to the Review made the following observation:

'Relationships with CEOs and board members of global companies matter. While the financial implications and broader issues with the economy are the foundation of winning investment, it is often the personal relationships with senior political figures that can sway decisions one way or the other. President Macron has personally led a mission to encourage senior business leaders to locate in France, including regularly convening dinners with CEOs in strategic sectors such as life sciences and openly asking what more he needs to do to increase their investment into France. Following such meetings, importantly, Macron follows through with any commitments. When a final decision is being made on where to place an investment, these sentiments are important.'

In their paper *Why Choose Britain*, the Centre for Policy Studies also noted businesses they had spoken to made the same remarks, noting that *'the name of Emmanuel Macron came up again and again, to the point where it seems like a positive rarity for a CEO to set foot on French soil without being invited to the Elysée'.*[44]

iii. <u>*A lack of investment-related skills within government*</u> – When it came to skills, investors were complimentary about many officials they had worked with, but two complaints came up regularly in this Review – a lack of depth in officials' business experience and the regularity of churn. While there was acknowledgement of the energy, flexibility, and knowledge of how to operate effectively within government that civil servants typically bring to a role, many do not have previous experience

[44] Clougherty, T., Colvile, R., King, N., Lyons, G. B. (2022) Why Choose Britain? Centre for Policy Studies. https://cps.org.uk/wp-content/uploads/2022/05/Why-Choose-Britain-CPS.pdf

of a policy area – whether in business or government – and they often move on quickly, creating a sense in industry of dealing with a 'willing amateur'.

This was also an issue within the overseas network, which was largely regarded as spread thinly over too many markets, and not able to engage at a senior level or enter detailed discussions of the kind internationally-based business needs in order to fully understand UK opportunities. The effectiveness of the network was also considered to be reduced by a lack of strategic direction on investment from the centre of government, which is needed to guide their engagement.

There was, by contrast, universal praise for the role of specialist contractors, who brought private sector expertise and credibility, and often stayed in the same role long-term. Investors were reassured by the presence of specialists, who they viewed as providing business leaders with the confidence that their sector was understood. This was noted to work especially well when specialists were partnered with civil servants who understood government – a combination that was seen as being successfully employed by the OfI.

iv. *The government is too often reactive where others are proactive* – In comparing the experiences they had had with competitor markets, business painted a picture of the UK being on the back foot when it came to actively promoting the UK as an investment destination. Investors shared experiences of being sent tailored information on opportunities by other countries, showing a good understanding of their needs and making the case for them to invest. As one prominent contributor to this Review noted:

'Nine Elms* [the US Embassy in London] *has a file on us and is in touch regularly, making us aware of opportunities.' - Phillip Bouverat, JCB.

The Global Investment Summit (GIS) in 2021 was considered to be a successful event, but it was seen as an exception to rather than a reflection of the UK's approach. There was concern from business that there was not enough momentum behind it or a solid plan in place to capitalise on the platform. Particularly compared to key competitor markets such as France, Spain, and Ireland, businesses frequently observed that the UK tends to take an understated approach to promotion, apparently less willing to back big UK showcase events compared to other countries.

Businesses acknowledged that the UK had a recognisable brand in the 'GREAT' campaign, but this was not understood to be investment-focussed. It was perceived as a somewhat general 'UK open for business' message, lacking in substance with limited link to policy or incentives.

Guiding principles

112. The government must raise its game – it needs to be better set-up, with clearer accountabilities and an active and energised approach to going out and securing the strategically important investments that the country needs. This will require:

- **Investment prioritised at the top of government**, sending the strongest signal to business and across government that securing investment is critical to realising the country's high ambitions on future growth. *Addressing key finding on senior engagement.*

- **Accountabilities assigned at every level**, so that a genuine 'whole of government' approach adds up. This will ensure that ministerial time is employed to best effect and that all actors across government are sure what their responsibilities are and how they will contribute to overall investment aims. *Addressing key findings on senior engagement and wider government focus.*

- **The right skills, in the right places, supported by the right systems,** putting limited resources to best use and making the most of everyone's effort – in government and business – to achieve shared investment objectives. *Addressing key finding on investment-related skills across government.*

- **A shift from a reactive stance to a proactive approach,** putting the UK on the front foot to secure the investments it needs. *Addressing key finding on the perceived reactive stance.*

Raising the profile of investment at the top of government

113. Investors have made it clear that they would like to know where the buck stops when it comes to investment, in a way that is clear across other policy areas. The Review is convinced of the case that a senior ministerial figure, able to devote sufficient time to investor relations and offering backing at the highest level, is a central pillar of an improved approach to investment across government.

114. The Review proposes to upgrade the current role of Investment Minister to sit jointly in the Department for Business and Trade (DBT), HM Treasury and Cabinet Office, working closely with Number 10 (*Recommendation 2.1)*. Not only will this appointment serve as an anchor around which to re-energise the government's investment agenda, it will in itself provide a clear and visible sign to investors of a step change in government prioritisation of investment – both FDI and domestic.

115. The Investment Minister needs to have the influence to affect change through the new Investment Cabinet Committee, and act as a strong voice for investors in wider government decision-making and legislation. In particular, the minister must be able to personally negotiate and close investment deals at pace, removing the need to always seek final sign-off from a more senior colleague (as set out in Chapter 5).

Accountabilities assigned at every level

116. To bring about an approach to investment in which every department feels they have a stake, securing investment must be given higher priority across government. The new Investment Minister role will achieve that to some degree, but the structures of government must stack up to support that.

117. A new government Investment Committee would drive a strategic approach to investments, guided by the Business Investment Strategy (the Strategy) (*Recommendation 2.2)*. Recognising the effort needed to make linkages across

government and convene the relevant interests, such a committee would need appropriate resourcing (*Recommendation 2.3)*. There are models to learn from, including the successful National Security set-up, which has ensured decisions about national security are prioritised and considered strategically at the centre of government.

118. The Investment Committee and supporting official structures would have three main functions: holding ministers and departments accountable for delivering the Strategy and tracking progress against targets; agreeing negotiation mandates for the OfI; and driving improvements to the wider business environment to promote higher levels of FDI and business investment. (*Recommendation 2.4*).

119. Whilst a new minister and new Investment Committee would provide improved clarity in senior accountabilities, the Review is clear that a genuinely holistic approach to investment requires each part of government to better understand the responsibility it has and the contribution it makes to the overall effort. Setting this out through targets would be a simple and direct way to enable this.

120. To incentivise departments to actively consider investment across their activities, there should be a requirement for them to articulate annually their contribution to the Strategy. This could include assigning specific investment targets, derived from the Strategy, to central government departments covering each of the five key growth sectors and investment-enabling departments, such as the Department for Levelling Up, Housing and Communities on planning; the Home Office on visas; and the Department for Education on skills (*Recommendation 2.5)*. This model of clear targets, with established performance indicators, reflects best practice from independent promotion agencies such as the Irish Development Agency, which reports against ministerially agreed targets every six months to its Board.

121. With clear targets in place, a new account management system should be put in place to support investor relationships by providing transparent accountability. This will address the frustration of many senior business figures about the apparent multiple points of entry to central government, without sufficient clarity of where final decisions would be made.

122. The Review proposes that relationships with the most strategically valuable firms should be owned at Director General (DG) level, to ensure they receive the highest quality of service (*Recommendation 2.6)*. These DGs should become the recognised primary point of contact for these investors, with responsibility for ensuring that their concerns are raised and responded to across government, including facilitating policy conversations with other government departments as necessary. The new account management system should include aftercare following investments and a focus on securing secondary supply chain investments.

123. Publishing a short annual performance report on progress against the Strategy and investment targets would increase transparency and drive performance through central government (*Recommendation 2.7)*. It would also act as an opportunity to engage business and investors on the direction of travel. An independent body that reports to government would be well placed to conduct this progress report; the Office for Budget Responsibility, the National Infrastructure Commission and the Independent Commission for Aid Impact perform similar functions in other parts of government and could serve as a model for doing this.

The right skills, in the right places, supported by the right systems

124. A clear theme throughout the Review when engaging with government was that business appreciates expertise. To make a convincing case to their CEOs and boards, business leaders need to be confident that their investment proposition is well understood and valued. To provide business with this assurance, there is a strong case for government to move beyond the current rigidities within Civil Service recruitment and retention models in order to attract expertise in and to develop expertise already present. Recognising the value industry-facing skills, knowledge and expertise bring to government-investor relations, this Review recommends introducing different pay bands to attract private sector experts and offering deals to retain existing staff for longer (*Recommendation 2.8*).

125. The profile of staff across the range of government's investment attraction activities should also be reviewed. This is explored further in relation to proactivity below. Specifically on the issue of skills in the overseas network, the Review notes that the UK footprint is an outlier amongst its peers: the UK has an investment promotion presence in over 90 countries, an operation far more expansive than most of its competitors.[45] This wide spread of investment promotion is not reflective of where investment comes from - the markets of Europe, North America and the Asia Pacific region accounted for more than 90% of inward investment into the UK between 2018 and 2022. This suggests that there is further consolidation that DBT could undertake to support its wider shift to value.

126. The Review heard that focusing more senior staff on building relationships within a smaller number of key investment markets is likely to yield better FDI results. A case made by a number of businesses and officials was that senior specialist staff are able to provide greater credibility when engaging with multinational headquarters, and often have better links with major investors. (*Recommendation 2.9)*. This may require a different approach to pay scales, especially in major commercial hubs. The overall cost to the taxpayer of this network should not need to be increased.

127. Once in place, overseas staff employed as investment specialists should be focussed exclusively on this, rather than fulfilling dual trade or consulate roles. They should have objectives that contribute clearly to the Strategy and maintain a direct reporting line to the Investment DG. This will enable the UK overseas investment operation to work in the efficient, focussed and proactive way the UK's competitors do.

128. Alongside an investment in skills, the government should also modernise its approach to stakeholder relations, including through better use of customer relationship management (CRM) systems. The Review has heard that government is currently hindered by a lack of a consistent cross-departmental CRM, meaning information is not effectively shared across departmental silos. The account management system that exists therefore relies heavily on strong individual

---

[45] OECD (2018) Mapping of Investment Promotion Agencies in OECD Countries: www.oecd.org/investment/Mapping-of-Investment-Promotion-Agencies-in-OECD-Countries.pdf

relationships across departments to avoid duplicative meetings on similar topics with investors.

129. Spending much time and effort manually keeping track of who is speaking to which parts of any given global business across different parts of government is not in line with modern business practice. Investors expect more and government needs to be better coordinated to maintain a negotiating position on equal terms. Government needs a modern, cross-government CRM system to enable effective coordination of its interactions with investors (*Recommendation 2.10)*. This new system must include agreement of process and responsibilities as well as new software and should be implemented as a priority.

130. Finally, while much of this section focuses on cutting down sector-focused silos in government to enable cross-government efforts to support investment, investors also told the Review that they valued the role of externally-visible teams with experience in the key growth sectors, such as the Office for Life Sciences and the Office for Zero Emission Vehicles. Considering this feedback, the government should consider setting up a similar outward-facing policy unit with particular expertise in professional services, reflecting its role as a key enabler and its value to the wider economy (*Recommendation 2.11*).

Moving from a reactive stance to a proactive approach

131. Feedback received from investors is that the UK is not as proactive as other countries in seeking out new opportunities. This is to some degree borne out by the data – in 2016, the UK allocated 17% of total resources to what the OECD defines as 'investment generation' – 'Reach[ing] out to foreign investors and convince[ing] them to locate their investment in the host country'.[46] This compared with 40% in Ireland and 50% in France and Germany. Investors the Review spoke to supported this assessment, and had very little sense that investment generation was an active area for the UK at all. As new investment is a key channel for increasing FDI, this is a particular concern.

132. As analysis of the data presented in Part 1 of this Review reveals, the UK underperforms against its European peers when it comes to investments of between £100-£200 million, with a potential gain of £1.7 billion annually if performance were to be improved in line with the UK's overall FDI share. The size of the prize is large, but the government must do more to attract new investments if it is going to substantially increase FDI.

133. Taking a more proactive stance towards investment generation will help the UK to bridge the gap with its competitors set out above. As set out in Chapter 1, priority investment areas should be identified and, within those, lead departments should specify which companies have the capabilities to deliver against these requirements. These lists should be jointly owned by the Investment DG in the DBT and the DG for that growth sector in wider government departments (*Recommendation 2.12)*.

---

46 Ibid.

134. These individuals and their teams should then work with departments across government, devolved administrations, regional promotion agencies and with the UK's overseas network to further relationships with those target companies and secure their investment. For the most strategically valuable investments, the Investment Minister and the OfI should drive these efforts.

135. There is also scope to focus more on the *how* of investment in the public sector - procurement, for example, accounts for one third of public spending, and could benefit from a more proactive, cross-government approach.[47] There is more that the government can do to extract greater value by using strategic procurements to contribute to its investment objectives. To bring procurement into the holistic approach required, departments, led by DBT and the Investment Cabinet Committee, should identify the top 10 strategic procurements each year and consider how government can best enable these contracts to support UK-based supply chains and leverage additional FDI (*Recommendation 2.13*).

136. Partnering with industry to showcase UK strengths to a global investor audience has proven to be an effective way of attracting investment. Now in its tenth year, London Tech Week in 2023 attracted more than 30,000 visitors,[48] including over 850 investors.[49] Birmingham Tech Week, the largest UK regional tech event, also attracted more than 7,500 attendees in 2023.[50] Between 2010-2019, the tech sector's contribution to the UK economy has grown by 26.5%, with DCMS figures showing the digital sector added £150.6 billion to the UK economy,[51] 7.6% of total Gross Value Added (GVA).[52]

137. Similarly, London Fashion Week is a cornerstone event of the British fashion industry, showcasing over 250 designers,[53] during which an estimated £100 million worth of orders are made.[54]

---

47 Cabinet Office. Transforming Public Procurement: Part 1 Consultation on draft regulations to implement the Procurement Bill, CP 862, June 2023: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1162785/Transforming_Public_Procurement_-_Part_1_Consultation_on_draft_regulations_to_implement_the_Procurement_Bill.pdf

48 Stokel-Walker, C. AI Anxiety, VR shoes and bullish speeches – what happened at London Tech Week 2023. Evening Standard, 23 June 2023. https://www.standard.co.uk/insider/london-tech-week-2023-moments-vr-event-b1088143.html

49 Scammell, R. London Tech Week: Three key takeaways. UKTN, 16 June 2023: https://www.uktech.news/news/industry-analysis/london-tech-week-2023-key-takeaways-20230616

50 https://birminghamtechweek.com/

51 DCMS Economic Estimates 2019 (provisional): Gross Value Added: https://www.gov.uk/government/statistics/dcms-economic-estimates-2019-gross-value-added/dcms-economic-estimates-2019-provisional-gross-value-added

52 Ross, N. Seizing the opportunity for tech led growth in 2022. UKTN, 21 March 2023: https://www.techuk.org/resource/seizing-the-opportunity-for-tech-led-growth-in-2022.html

53 https://fashionunited.uk/landing/london-fashion-week

54 According to research from Oxford Economics, in 2021, the fashion industry generated an estimated £28.9 billion direct gross value add to the UK economy, and additionally supported £18.9 billion gross value added contribution along its UK supply chain (indirect channel of impact) and £19.8 billion in the UK consumer economy (induced channel of impact) – a total economic contribution equalling 3.2% of the UK economy: https://www.britishfashioncouncil.co.uk/bfcnews/4563/The-Fashion-Economy-Report-2021

138. The Review proposes that there is a good case for government to back these major industry events, particularly as they benefit firms of all sizes. The case study below is an example of the benefits events such as London Fashion week can bring (*Recommendation 2.14*).

Case Study: The success of London Fashion Week in promoting British fashion and culture

London Fashion Week (LFW) is a major global event - over the past five years it has reached 57 million people in key territories via social media alone, and generated £4.7 billion Advertising Value Equivalency in press coverage, with a significant presence in the European, North American, and Asian markets. In 2021-22, LFW received coverage in 85 countries including 65,000 articles online and in print, from titles such as Dazed, Vogue, The Guardian, The New York Times, Business of Fashion, and many more international and regional titles.

Members of the UK fashion industry have reported challenges and uncertainty related to UK government funding of LFW, which has been contrasted with the more proactive partnering approach adopted by authorities in New York and Milan. This is despite evidence that returns to the UK on investment in LFW are far greater than the funding requested. LFW acts as a platform to sell the wider UK creativity industry - with the participating designers having reach into the highest levels of music, film, architecture, technology, investment and leaders of industry and countries around the world. It also delivers significant positive spillover effects for London retail, hospitality, logistics, freelancers and others, as well as creating crucial access opportunities for highly creative independent early-stage businesses.

Courtesy of, and with thanks to, Caroline Rush CBE,
Chief Executive of the British Fashion Council

139. The Review concludes that the government must reassess and revitalise its approach to investment promotion, in a strategic shift to a more proactive stance. The target investor lists will go some way to achieve this, but this must be part of a wider coherent vision, underpinned by the Strategy. The Global Investment Summit would be a natural point to launch this.

Recommendations

2. Investment should be prioritised across central government with clear accountability distributed through the system. This requires a fundamental shift in the current culture to transform the way government operates.

2.1. The role of Investment Minister should be given greater seniority, visibility, and authority to reflect the importance of investment to government. The Investment Minister should become a joint Cabinet Office, HM Treasury, and Department for Business and Trade role, with regular input to No.10. The Minister should attend cabinet where necessary to update on how the government's strategic approach to investment is being implemented.

2.2. A new cross-government Investment Committee should be introduced to oversee delivery of the Business Investment Strategy. This should be chaired by the Chancellor with the Business Secretary as deputy chair, and include Cabinet Office, Number 10 and other relevant Secretaries of State. The Investment Committee should be a permanent part of the cross-government machinery to drive a strategic approach to investments and enable rapid decision making when needed. It should be convened as soon as possible and no later than the end of 2023/24.

2.3. The Investment Committee should be supported by an official level committee that brings together the relevant Permanent Secretaries and Director Generals across government. This should include the senior official at Director General level or above responsible for the relationship with and policy agenda for each target company in the growth sectors. This mirroring of ministerial and official level committees, reflects the National Security model which has ensured decisions about national security are prioritised and considered strategically at the centre of government.

2.4. The Committee's remit should include:

2.4.1 Holding ministers and departments accountable for delivery of the Business Investment Strategy, tracking progress against targets.

2.4.2 Agreeing negotiating mandates for the Office for Investment.

2.4.3 Drive improvements to the wider business environment to promote greater FDI and business investment.

2.5 The Investment Committee should oversee how departments collectively deliver on the annual targets for FDI and business investment, as set out in the Strategy. In particular, responsibility for a share of the overall targets should be assigned to ministers and Director Generals in departments responsible for the five growth sectors. Ministers and Director Generals in investment-enabling departments such as the Home Office, Department for Education and Department for Levelling Up, Housing and Communities should also have targets related to supporting the realisation of those investments.

2.6 Director Generals should be responsible for overseeing the account management of target companies identified in the priority investment areas, ensuring they receive the highest quality of service from their teams. A named account manager should be responsible for helping key investors to navigate UK government and local areas and they should become the primary point of contact for those investors, including facilitating policy conversations with wider government departments as necessary. Account management should go beyond securing the investment, to include post-investment follow up and aftercare, recognising the importance of securing secondary investments and developing the wider supply chain of a sector.

2.7 Reflecting international best practice, the UK government should publish a short annual report outlining its performance against the Strategy.

2.8 The Civil Service needs a radically different approach to business-facing roles; in particular, it needs to do more to ensure individuals in such roles have sufficient credibility and tenure. To address this, the Review recommends that:

2.8.1 More specialists with extensive industry knowledge should be recruited, retained, and fully integrated within teams.

2.8.2 Civil servants should be incentivised to stay and pursue their careers within specific sectors to build expertise, in a model comparable to industry.

2.9 The government should reorganise its staffing for overseas investment posts. It should:

2.9.1 Reshape the current network to focus more on the UK's top inward investment markets.

2.9.2 Consolidate the overseas staffing profile, with a smaller number of more senior personnel who have the experience and capability to conduct commercial negotiations and develop relationships with global board-level executives.

2.9.3 Ensure that investment staff are focused solely on investment and protected from wider consular duties, and accountable to senior investment officials in the Department for Business and Trade.

2.10 A consistent Customer Relationship Management (CRM) system should be used across government to manage engagement with top investors.

2.11 The government should consider setting up an outward-facing policy unit with particular expertise in professional services, reflecting its role as a key enabler and its value to the wider economy. This unit could build on the success with investors of existing models where policy responsibility for the key sectors straddles more than one department, such as the Office for Life Sciences or the Office for Zero Emission Vehicles.

2.12 Director Generals responsible for investment across central government departments should work with the Department for Business and Trade to agree annual 'target lists' of the top companies to pursue in each of the priority investment areas. The Department for Business and Trade should work with regional promotion agencies and His Majesty's Trade Commissioners (HMTCs) to further relationships with those companies, making them aware of opportunities and developing the case for them to invest in the UK. For the most strategically valuable investments, the Investment Minister and Office for Investment should drive these efforts.

2.13 Noting their potential to support UK-based supply chains and enable further FDI, the Department for Business and Trade should work with departments across government and the Investment Committee, to identify the annual top 10 strategic public procurements and seek to increase their impact in line with the Strategy.

2.14 To support the shift to a more proactive approach, the government must reassess and revitalise its approach to investment promotion, underpinned by the new Strategy. The Global Investment Summit would be a natural point to launch this. Government should also renew its commitment to support flagship British industry events such as London Fashion Week and London and Birmingham Tech Weeks, which attract significant global attention and provide a platform from which promote the UK as an attractive investment destination.

3. Driving regional growth

Introduction

140. FDI into the UK doesn't flow equally to all regions. In 2018-19, London accounted for 35% of all FDI projects landing in the UK, despite only accounting for 24% of UK Gross Value Added (GVA) and 13% of the UK population.[55] The latest data also suggests that this historic investment gap between London and the South East and the rest of the UK has been widening. The capital's share of FDI projects rose from a fifth in 1997 to more than 50% in 2016.[56] The share of UK inward FDI into London and the South East region then further rose from 52% to 62% between 2015 and 2021, while other regions' share fell from 45% to 33% in that period, including a fall in devolved administrations' share from 12% to 6%.[57]

141. Aside from the equity concerns this raises, this disparity also impacts wider UK growth - the government's Levelling Up White Paper set out how the UK's wider economic performance is partly due to its large second-tier cities (including Birmingham, Manchester, Sheffield and Newcastle) not realising their potential relative to international comparators' second-tier cities, suggesting there are additional barriers to growth outside London.

142. The UK government has taken steps in the past decade to address this imbalance in inward investment. The creation of Metro Mayors and the city-regions model in 2017 has been welcomed by investors speaking to this Review as a positive change in attracting and growing foreign investment outside of London and the South East, with the perception that is has empowered local leaders to promote their areas and develop distinct economic identities. In central government, DBT has supported local investment promotion by creating English Regions Investment teams, and the OfI has recruited country-based resource dedicated to supporting investment into the devolved administrations. The data suggests these measures may be starting to have an impact – FDI projects in the Northern Powerhouse and Midlands Engine, for example, rose from a quarter to over a third of the UK total from 2016-17 to 2022-23.[58] FDI projects in the devolved administrations kept pace with the UK total, with

---

55 Department for International Trade (2021) Understanding FDI and its impact in the United Kingdom for DIT's investment promotion activities and services: Phase 2 Analytical report: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966936/Understanding-FDI-and-its-impact-in-the-United_Kingdom-for-DIT_s-investment-promotion-activities-and-services-phase-2-analytical-report.pdf

56 Holloway, W. (2021)

57 ONS (2023) Foreign direct investment, experimental UK subnational estimates: 2021: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/foreigndirectinvestmentexperimentaluksubnationalstatistics/2021. Percentages do not add up to 100% because there is a small percentage (between 3-12% per year) which cannot be allocated to a specific region. It should be noted that these statistics are experimental, and ONS advise caution when comparing 2020 and 2021 results with previous years.

58 Department for Business and Trade (2023) Inward Investment Results 2022 to 2023. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1164777/dbt-inward-investment-results-2022-to-2023.pdf

around one in eight projects (13%) landing in devolved administrations between 2016-17 and 2022-23.[59]

143. UK local investment promotion activity currently operates as a patchwork, with each of the devolved administrations, Combined Mayoral Authorities and a number of cities operating their own investment promotion agencies (IPAs), working alongside the Department for Business and Trade (DBT) as the UK's national investment promotion agency. Analysis conducted by LSE in 2018 of national and regional IPAs in Europe suggested that regional IPAs, when employing sector-targeting strategies, could be particularly effective in encouraging FDI due to the local expertise they could bring to investor decisions.[60]

144. The devolved administrations, Mayoral Combined Authorities and wider local authorities in the UK have proposed to this Review how central government could provide more support to empower regions and nations to attract investment, and ways in which the regional offer to investors could be made stronger and more compelling. These include increased resource support, greater links between national and sub-national government and the development of more mature place-based offers.

Review Findings

145. *Suboptimal connection to national government and constrained resources* – The Review has heard clear feedback from local government and the devolved administrations that, while substantial links exist, they would like to be better connected and work more closely with central government on investment promotion. One contributor described this as the desire to be better integrated into 'the hard wiring' of government. They also raised the challenge of ongoing central government staffing churn creating a lack of institutional knowledge of place-based offers and strengths. Finally, they suggested that additional resource, particularly specialist staff, could have the greatest impact at the local level, where investor propositions are developed.

146. *A need for collaboration over competition* – There was strong agreement that collaboration between UK areas to attract investment is key to success. There was discussion of different regional models, with the US held up as an example of a country where US States actively compete for investments with each other using fiscal and non-fiscal incentives. Ultimately, however, there was a clear consensus that collaboration rather than competition was more appropriate for the UK, so that the focus could be on winning investments from foreign city regions. In practice, this was described as areas of the UK working together to build cross-area clusters of specialisation and to strengthen cross-UK supply chains. The Review heard instances, for example, where regions have articulated their complementary offers well and have cross-sold each other to investors.

---

59 Ibid.

60 Crescenzi, R., et al. (2019) FDI inflows in Europe: does foreign investment promotion work?: https://www.lse.ac.uk/iga/assets/documents/research-and-publications/FDI-inflows-in-Europe-does-investment-promotion-work.pdf

147. *Lack of globally competitive, investment-ready propositions* – There was agreement that UK regions and nations can strengthen their ability to attract investment by creating more top-tier, investment-ready sites. The Review heard that other nations do this better – such as France and Sweden – and saw evidence of how they have mapped investment-ready locations, including detailing planning permissions, grid connections, transport links and local education and skills profiles. The Review heard evidence from investors that this pre-work can be instrumental in securing globally-mobile investments.

Guiding principles

148. Local, regional, and devolved administration leaders have been clear that better use of local insight and alignment with local initiatives can improve investment propositions across all areas of the UK. In line with this, the Review recommends the following principles to encourage regional FDI growth:

- **Stronger links between local areas and national government**, **including additional expert resource** located across UK areas to create internationally competitive propositions for investors. *Addressing suboptimal connection to national government and constrained resources.*

- **Clearer local strategies and promotion**, to create differentiation and to avoid inefficient competition between areas. *Addressing the need for collaboration over competition.*

- **More top-tier, investment-ready propositions**, learning the lessons from the approach of competitor IPAs and the government's own Freeports and Investment Zones programmes. *Addressing the lack of globally competitive investment-ready propositions.*

Stronger links and additional expert resource

149. Information and expertise are key in attracting FDI. Whether it's having a strong understanding of the needs of specific technical clusters, or leading discussions with a tech investor on AI regulation in the UK, expertise is needed across sectors, local clusters and supply chains, and throughout the investment life cycle. This expertise can be delivered at either the national or local level, or through some combination of the two, which is the current approach taken in the UK.

150. The West Midlands Combined Authority case study below sets out the impact that additional local resource directed towards promotion can have on investment generation.

Case Study: Success of the West Midlands Combined Authority's Business and Tourism Programme to drive investment:

The West Midlands Growth Company (WMGC), set up in 2017, is the West Midlands Combined Authority's investment promotion agency. WMGC played a lead role in the delivery of the £21.3 million Business and Tourism Programme (BATP), which was launched in July 2021 to realise the economic benefits of the 2022 Commonwealth Games in the region.

Designed to capitalise on the 'halo effect' of the Games, BATP sought to turbocharge trade, investment and tourism in the West Midlands to deliver a lasting economic legacy, whilst also positively shifting perceptions amongst potential visitors and investors. BATP has already shown significant success, generating 2,600 new jobs through 58 inward investment projects since its launch, and driving an upsurge in the region's pipeline of investment leads by an unprecedented 1100%. This has given the West Midlands the most investment projects by UK region outside London in 2022-23.[61]

This support also helped attract a record-breaking 141.2 million visitors to the region in 2022, with £17.2 million of visitor spend directly attributable to BATP activity (achieving 96% of its 2027 target already).

151. Several Mayoral Combined Authorities made the case to this Review that increasing the number of staff at the local level would be the most effective way to drive the expertise and commercial development of investment propositions in strategic growth sectors. The Review recognises that there are trade-offs in this view – having multiple local areas competing with international promotion agencies, for example, could involve duplication at the cost of the taxpayer, particularly if this approach were extended to include staff based overseas promoting local areas instead of the UK as a whole. Such an approach could also risk driving inefficient intra-UK competition rather than between the UK and competitor nations.

152. A 2018 LSE study of regional IPAs in Europe concluded that regional agencies could have a significant impact on driving local investment, particularly when employing sector-specific targeting strategies.[62] This capacity to impact is likely in part due to sector-based clusters tending to be regional in scope. Clusters are a major incentive for investment, as they encompass the skills, know-how, research base and supply chains that support investments to succeed.

153. There is an opportunity at the next Spending Review to test the effectiveness of more local investment promotion. The Deeper Devolution Deals agreed with the West Midlands Combined Authority[63] and Greater Manchester Combined Authority[64] could

---

61 Data provided by WMCG from DBT's annual results.

62 Crescenzi, R., et al. (2019)

63 https://www.gov.uk/government/publications/west-midlands-combined-authority-trailblazer-deeper-devolution-deal/west-midlands-combined-authority-trailblazer-deeper-devolution-deal

64 https://www.gov.uk/government/publications/greater-manchester-combined-authority-trailblazer-deeper-devolution-deal/greater-manchester-combined-authority-trailblazer-deeper-devolution-deal

be built on to help promote investment in those areas, with lessons then drawn for wider local promotion support (*Recommendation 3.1*).

154. Aside from the specifics of local resource, the Review heard that being well connected to central government is crucial to support investment in local areas in the UK. Such close connection helps to ensure that there is a joint understanding of how local investment strategies play into the UK's overall Business Investment Strategy, and also ensures effective matching of local opportunities to prospective investors.

155. DBT regularly convenes English regional mayors and meets devolved administration ministers as part of its investment operations. There is an opportunity following DBT' s creation to further strengthen these links. This Review recommends DBT employs sector specialists to report jointly to DBT and to devolved administrations and regional promotion agencies (*Recommendation 3.2)*. These specialists would have a twofold function: firstly, providing a valuable permanent senior link between the local and national investment promotion; and secondly, using their commercial and industry background and relevant stakeholder network to support the development of stronger local propositions. The background of these specialists should be matched to the focus of the local investment strategies.

Clearer local strategies and promotion, to create differentiation and to avoid competition between regions

156. Evidence-based selection and promotion of local strengths helps to focus investment, and to avoid counterproductive competition within the UK. If every area of the UK sought to promote itself as – for example – an international centre of excellence for the life sciences sector, this would likely lead to wasteful duplication and intra-UK competition, lost opportunities, and lost credibility with investors. To unpack the logic of this assertion, it would likely result in:

- duplication of effort as not every area will have genuine international strength in the sector, and so efforts in many areas will fail to convince investors and secure investment;
- inefficient intra-UK competition, as it would encourage a bidding war between areas, as life sciences investors look for the largest public sector support that they can get, knowing that every area is competing for the same investment;
- lost investment opportunities from not effectively promoting other sectors where local areas may have genuine internationally competitive clusters; and
- reduced overall credibility with investors, and their desire to invest, as they would likely take the view that every UK area is simply chasing investment in the life sciences sector rather than having genuinely worked to assess their local sector cluster, supply chains and skills strengths.

157. There are good examples of where evidence-based selection of local strengths has been done in areas of the UK - for example in the 2016 Northern Powerhouse Independent Economic Review. This evidence-based report sought to understand the

drivers behind economic performance and select priority sectors.[65] It differentiated between those sectors in the Northern Powerhouse that it determined could compete on national and international scales, and those that could not, due to their lower levels of regional productivity. The Economic Review merged the internationally competitive sectors it had identified, and their economic enablers, into a proposed distinctive offer for the North to investors.

158. Areas of the UK are best placed to identify their own sectors of strength, but central government needs to take an active role in supporting and endorsing local differentiation. Central government should do this by partnering with and promoting areas based on in-depth analysis of strengths and an understanding that not all sectors in all regions can attract central support. This will involve challenging decisions about priority sectors in each local area.

159. This model is in line with the approach of the UK's competitors. Current and former representatives of Sweden and Ireland's development agencies spoke to this Review of needing to have difficult conversations with their regional authorities as part of this local differentiation process. Their view was that it had then enabled more credible, evidence-based signalling to investors of where regions have world-class clusters, and so benefited those regions' overall investment success.

160. Negotiation of Memoranda of Understanding with regional or local area IPAs would help drive this differentiation (*Recommendation 3.3)*. These deals could last for five years, include any guaranteed funding contributions for that period, and include: sectors of focus; promotion and ways of working, including how UK overseas staff should represent propositions from local areas or the devolved administrations; and expectations around consistency of branding. These deals would take account of the Business Investment Strategy and local investment strategies in their focus, linking with the development of investment-ready propositions below, and ensuring that UK national promotion support is only given to areas of genuine comparative advantage.

More top-tier, investment-ready propositions

161. The Review investigated the local investment approach of competitor IPAs such as Business France and Business Sweden. In both cases, the Review's research suggests that they had worked closely with local areas to develop specific, investment-ready sites. Freeports and Investment Zones are examples of where the UK is already beginning to adopt a place-focused approach.

162. The Review recommends that this place-focused approach be extended. Central and local governments should work collaboratively to develop a series of investment-ready sites across the UK and actively promote them to investors (*Recommendation 3.4*). This would typically include securing planning permission and grid connections for those sites, delivering any infrastructure upgrades needed and mapping local supply chains, R&D research strength, and skills to attract an investor.

---

65 SQW (2016) The Northern Powerhouse Independent Economic Review: Final Executive Summary Report: https://www-transportforthenorth-com.webpkgcache.com/doc/-/s/www.transportforthenorth.com/wp-content/uploads/Northern-Powerhouse-Independent-Economic-Review-Executive-Summary.pdf

163. The Gravity case study below highlights an example where this approach has already been successful in landing a nationally significant project in Somerset. The ambition should be to enable the scaling of subsectors in regions to become self-sustaining growth and innovation 'super-clusters' that draw together supply chains and start-ups in key growth sectors.

Case Study: Gravity, Somerset - using a place-based proposition to secure a battery gigafactory

In the Autumn of 2017, Salamanca Group led a consortium to acquire the area adjacent to junction 23 of the M5 motorway near Bridgwater in Somerset. Before the purchase of the site was completed, Salamanca determined that the remediation of a former Royal Ordnance location could be undertaken at a reasonable cost and the risk warranted. Key to the success of this approach was an early alignment with the Department of International Trade (DIT) – now DBT - and later the OfI.

The site was rebranded *Gravity* and the vision for it was promoted via marketing materials and a strong digital presence. With the assistance of DIT, Gravity was promoted as one of the UK's major strategic foreign investment opportunities. The Gravity team set about overseeing the remediation of the site, including considerable demolition and the building of a new link road to junction 23 of the M5, with the site already benefitting from its access to power and broadband fibre networks.

In mid-2021, the Gravity team was made aware by OfI of the importance of securing a gigafactory for battery cells. Gravity focused on positioning the site as the best option in the U.K. and interfaced with the relevant government departments to deal with aspects of major infrastructure. To reassure potential investors of the viability of the project, Gravity put extensive effort into preparing drawings, surveys, technical data etc.

The lessons learnt in preparing the site to secure this major investment can be used as a template for other investment-ready propositions moving forward. These include;

- making sites attractive and ready for investment
- collaborative working between government and business to provide a strong, united offer.

Martin Bellamy, Chairman of Salamanca Group and Gravity

164. The impact of this approach can also be seen in the feedback of a recent investor into the UK. The investor, having initially not considered the UK as an investment location, was introduced to the OfI through an overseas Embassy contact, and on their first visit to the UK, were shown four potential sites, met the regional mayor and were navigated through the local planning and regulatory landscapes. They credited the OfI and DBT with presenting a clear investment pathway that influenced their choice of location.

165. This work could build upon the existing High Potential Opportunities Programme (HPO) in DBT, which highlights promising opportunities for investment across different areas of the UK. By selecting specific sites, this will have the added advantage of encouraging local investment strategies to fully differentiate themselves, as the site

will be located within an existing supply chain and skills cluster, and so will be highly marketable to only a small number of sub-sectors, thereby supporting the 'collaboration, not competition' objective.

Recommendations

3 Government should build on the success of Metro Mayors and best practice in the devolved administrations to expand its place-based offer to investors.

3.1 To support the continued development of local place-based offers in England, the government should consider how the Deeper Devolution Deal single pots allocated to the West Midlands Combined Authority and Greater Manchester Combined Authority can help promote investment in the next Spending Review period.

3.2 The Department for Business and Trade should extend the use of investment expert roles that jointly report to national government and Devolved Administrations or Combined Mayoral Authorities to bolster the development of local offers and strengthen national-local join up.

3.3 UK central government should create Memoranda of Understanding with sub-national IPAs to support their investment interests. These deals should last for a minimum of five years, include any guaranteed funding contributions for that period, and include expectations around consistency of branding, promotion, and ways of working, and should take account of the Business Investment Strategy and local investment strategies in their focus.

3.4 The UK should learn from organisations like Business France and Business Sweden, and its own Investment Zones and Freeports programmes, to strengthen its place-based, sector-specific offers across the UK. This should include developing a small number of sites in advance of seeking FDI investment, including securing planning permission and grid connections, and mapping local R&D, skills and supply chains strengths.

4. Improving the business environment

Whilst the business environment is not included in the scope of the Review outlined in the Terms of Reference, so many companies and investors mentioned their frustration with planning, grid connections, regulation and other aspects of the business environment, that I felt it necessary to report these. They are real barriers to attracting foreign direct investment and warrant serious consideration.

\- Lord Harrington

'Investors like the UK, they just want to see evidence the tanker is turning and there is a period of political and economic stability ahead' – Sovereign Wealth Fund

Introduction

166. A consistent theme raised with this Review was the critical role a country's business environment plays in securing an investment, reflecting the findings of the academic literature, as set out in Part 1.

167. Each of the 13 business environment factors set out in this chapter could have formed the basis of its own review. The Review has therefore focused primarily on summarising headline feedback from investors in each area, as well as briefly examining whether the available data supports these positions.

168. While investors noted specific sector challenges they faced, the Review heard a consistent account across sectors on the UK's key relative strengths and weaknesses across the business environment. Investors understood the complexity of making changes in some areas, although in many instances they thought relatively small changes in approach could have a substantial positive impact on the UK's investment attractiveness. Figure 13 below summarises this picture.

169. Through the evidence considered, the Review notes that improving the business environment to attract investment will require continuous cross-government focus and effort. The organisational changes set out in Part 2, Chapter 2 of this report will support the foundations needed to drive this effort.

170. Unlike the other chapters, which are structured around the principles by which the UK should seek to reorganise itself, this chapter focuses on each of the 13 business environment aspects in turn. Ultimately, the approach in each area focuses on reducing cost, time and complexity for investors seeking to navigate the UK business environment. Making changes will involve trade-offs between legitimate interests – for example, between the interests of taxpayers or billpayers and the interests of investors. But in light of increasing global competition for investment, the UK must

look at how to make the most of its relative strengths in its offer to investors and minimise the impact of its relative weaknesses.

Figure 14: UK business environment strengths and weaknesses relative to competitors

Areas of UK relative strength	Areas where the UK is competitive, but coming under increasing pressure from competitors	Areas of UK relative weakness
University-Level	Regulation and Infrastructure	Planning
Skills	Tax	Good connections
R&D	Visas	Energy price (in the short term)
Protection of IP	Bank Accounts	
	Procurement	
	Applied Technical Skills	
	Export support	
	Bank Access to Finance	

Planning

'Planning in the UK is just more difficult than in other countries' – Sovereign Wealth Fund

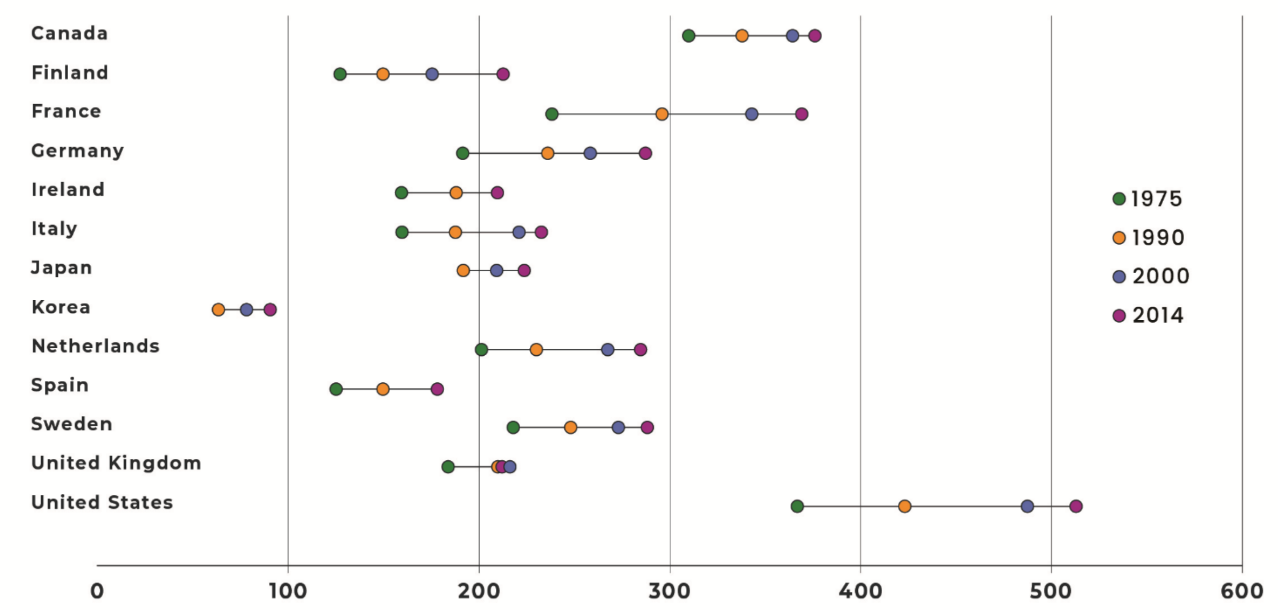
171. A point made strongly by businesses and financial investors was criticism of the UK planning environment as a barrier to investment, with a view that it generally prioritised local over national interest. While investors acknowledged planning was a barrier in all countries, they maintained that their experience in the UK was worse than elsewhere. In practical terms, this criticism was twofold – the difficulty and long delays required to navigate the planning system and the many actors involved; and the perceived unwillingness of central government or regional authorities to step in and prioritise the highest value investments within the planning system when they were threatened by local delays.

172. The perception of the UK as a laggard on planning is also backed up by data. The *Resolution Foundation's Beyond Boosterism* report sets out that 's*ince 2000, the UK has had the second-smallest increase in built-up land in the OECD and is one of the few OECD countries where the built-up area per capita has fallen*'.[66] The analysis in the report demonstrates that this trend cannot be attributed to either density of population; share of land already built up; or the percentage of land in protected areas, as Japan and Germany are more constrained than the UK on two of those factors, and

66 Brandily, P., et al. (2023) Beyond Boosterism: Realigning the policy ecosystem to unleash private investment for sustainable growth. Resolution Foundation paper: https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/06/Beyond-boosterism.pdf

the Netherlands on all three; all have still seen an increase in built-up land per capita, while the UK alone among them has seen a decrease. The negligible increase between 1990 and 2014 – significantly smaller than any comparator nation – took place equally under Conservative and Labour Prime Ministers.

Figure 15: Change in building density across countries over time (m² per capita)



Source: Analysis of OECD, Built-up area and built-up area change in countries and regions

173. The planning system of any country has to balance trade-offs between local and national interests, and this Review notes that the UK has a discretionary planning system that differs from the zoning-based systems used by countries like the USA, Japan, and Germany. Zoning-based systems typically provide more certainty to investors and the public by unambiguously defining land uses. The UK' s more discretionary system can allow for greater flexibility for decisions about land use to change over time as local priorities evolve, but it can also lead to slower and more complex decision-making.

174. This difference in approach to planning is likely to be a reason for the UK being an outlier in increasing built up land between 1990 and 2014. The Review therefore recommends changes to both the planning system in general below and also to the approach the UK should take to securing planning permissions for the highest value investments.

175. For the planning system in general, the case study of Stevenage Borough Council below shows how planning for investment projects can be accelerated locally where there is sufficient will and resource allocated to do so. To help ensure this becomes the rule rather than the exception, the Review recommends that measures related to investment in the National Planning Policy Framework should be strengthened and

that decision making related to investment projects should be fast-tracked (*Recommendation 4.1)*.

Case Study: Delivering inward investment through a proactive planning approach in Stevenage; providing growth for the local area, the local cluster, and the national Life Sciences Strategy

Stevenage has the third largest cluster in the world of cell and gene therapy companies, with 47 start-ups and £2.9 billion equity / IPO raised in a decade. As an emerging rather than established location, a critical focus is on ensuring a first-class planning environment to secure investment, jobs and regeneration. This is founded on a clear and vision-led Local Plan, allocating space for R&D development in a commercial district (around the GSK campus), and with Town Centre policies to enable quality mixed-use development that helps to create a 24/7 working and living environment. In addition, the Council invested in and recruited lead planning roles to support major life science and regeneration projects.

This approach is reflected in the collaborative work between Reef and UBS (developer and funder), and Stevenage Borough Council as both Local Planning Authority and landowner, to secure a new £65 million headquarters for Autolus Therapeutics. This development is the first of its kind globally and there is no other Town Centre advanced manufacturing cell and gene therapy facility across multiple floors

Autolus had initially committed to Maryland (USA) for this facility. Developer Reef Group and investor UBS, working alongside Stevenage Borough Council, were able to give Autolus confidence that the facility could be built in Stevenage within the required timescales and with respect to site acquisition, planning and construction, with developers working at risk to accelerate the development. Partnership working was key between the local authority, County Council and Hertfordshire Local Enterprise Partnership given the pace required to complete the facility. Start on site began within six months submission of a major application, and with a land sale for this Town Centre location between the council and UBS / Reef also completing in the same timeframe. This focused approach is reflected in both the application process and onsite delivery:

- Pre-app submitted 10 May 2021
- Pre-app response provided 22 May 2021
- Planning application submitted 3 June 2021
- Planning application validated 4 June 2021
- Committee date 18 August 2021
- Unilateral Undertaking complete and planning permission issued 26 August 2021

- Expediently discharging relevant planning conditions within 8 weeks or less.

Start on site began in November 2021, with the facility handed over for full operation within 18 months. This is less than half the time of a traditional build approach which would have been closer to four years. Response times and a commercial approach from the developers, funders and Council gave Autolus the belief that their required timescales could be met in the UK and this has created c400 skilled jobs in the town centre.

176. For the experience of Autolus to be more commonplace, local planning needs to be appropriately resourced. 58% of all councils said that they were experiencing difficulties in recruiting planning officers in response to an LGA survey in 2022, and this rose to 83% amongst county councils.[67] Adequate resourcing clearly remains an issue in the planning system, and one that government will need to address.

177. In terms of supporting high value investments in the planning system, businesses perceived an unwillingness for central or local government to step in to support those investments if they were threatened by difficulties on their route to approval. The example below, given by CPP of investment in digital infrastructure in Rome region versus water infrastructure in the UK is instructive in this regard.

Case study: CPP Investor experiences with major infrastructure projects in the UK and Italy

As the challenges experienced in planning systems are common across developed nations, the most effective measure of a system is an investor's comparative experience. The case study below contrasts the experience of CPP Investments, a major Canadian pension fund investor with more than 200 employees in the UK, with respect to significant infrastructure projects in the UK and Italy.

UK infrastructure project planning considerations: Anglian Water's Strategic Pipeline Alliance

CPP Investments is an investor in Anglian Water. Anglian Water's new strategic water grid, being delivered by the Strategic Pipeline Alliance, is currently one of Europe's largest environmental water infrastructure projects. It comprises a 340km pipeline which will transport water from the wetter areas of North Lincolnshire to the drier areas of Essex in the Southeast of England. The Strategic Pipeline Alliance is Anglian Water's largest capital investment for decades and is fundamental to the future of transporting water across the region to provide water resilience in the context of climate change.

67 House of Commons Levelling Up, Housing and Communities Committee: Reforms to national planning policy, Seventh Report of Session 2022-2023, HC 1122, July 2023: https://publications.parliament.uk/pa/cm5803/cmselect/cmcomloc/1122/report.html

Despite this, the project was not designated as a Nationally Significant Infrastructure Project in the UK planning system – a designation which enables a project to make use of the more streamlined planning process of a Development Consent Order. The pipeline impacts 13 local planning authorities and four county councils. This has resulted in the Strategic Pipeline Alliance working with 14 different planning officers and 14 local plans, as well as a long list of statutory consultees for each separate local planning authority and county, some of whom had never previously dealt with an Environmental Impact Assessment application.

Anglian Water's pipeline has been split into sections from a planning and delivery aspect. The 70 km section running from Bexwell to Bury St Edmunds took 23 months from initial submission in August 2021 to receive full planning consent and discharge of conditions. To satisfy the local planners, the Strategic Pipeline Alliance had to adhere to extensive archaeological investigations – over 3,300 trenches have been dug to date as the pipeline traverses some of the country's most significant areas of archaeological interest across North Lincolnshire, Cambridgeshire and Suffolk. The Strategic Pipeline Alliance reports that the lack of resources across all Local Planning Authorities has been extremely challenging and has often led to long response times. As of August 2023 – two years later – the Strategic Pipeline Alliance had only secured 82% of planning consents for their main pipeline. The delays have contributed to significant budget overruns and have impacted investor willingness to back major greenfield infrastructure projects in the UK.

European infrastructure project planning considerations: digital infrastructure in Rome

5G for Rome is a digital infrastructure project that aims to ensure 5G coverage across Rome by 2026. It is a 25-year Smart City concession from Roma Capitale (the municipal corporation that administers the City of Rome), and is part of a national government jubilee program, sponsored by the mayor of Rome. It is a €97.7m capital project that includes Digital Antenna System (DAS) technology and Wifi in three Rome metro lines and 7 public buildings, public wifi in 100 squares in central Rome, and 2,000 CCTV points. Roma Capitale is committing €80m including €20m upfront.

It took less than one year from the conception of the idea to the award of the concession, with blockers that arose for those competing – such as planning – dealt with rapidly by the municipal authority:

- The first 6 months were spent working through the scope of the project and setting up the tender with rapid work being done between national government, Roma Capitale and private sector operators – including CPP Investments portfolio company Boldyn.
- On 26th April 2023, the tender was issued with a 5th June tender deadline and a 2nd August award.
- By December 2024, the programme anticipates it will have provided full 5G access in metro line A, and to 50% of line B, and will have laid fibre to all 100 public squares in one of the most architecturally rich cities in Europe.

CPP Investments considers this project to be a good example of national and sub-national governments acting in a coordinated and confident fashion, with a high sense of urgency, to deliver improved infrastructure for the public.

Case study provided by CPP Investments.

178. Government needs to consider how to back high value investments when the speed and complexity of the local planning system threatens it, as per the Rome case study. President Macron recently announced his intention that new factories will be able to be built in France within nine months; the UK needs to show a similar level of ambition it is to compete for the top future investments.[68] The Review therefore recommends that sites identified for high value investment projects should consistently be ready within nine months (*Recommendation 4.2)*.

179. In order to achieve this, government should consider a range of initiatives in tandem, each of which will help speed up planning for high value projects, but none of which is likely to be a single 'magic bullet' to overcome the multiple barriers. The list below is not exhaustive – call in powers by the Communities Secretary, for example, may also have a role. Ultimately, the UK needs to set a clear target – the nine months – and then work to deliver it. Four initiatives were suggested to this Review through interviews with investors and officials as elements that had the potential to speed up the planning process. These are:

- A small joint Department for Levelling Up, Housing and Communities and Department for Business and Trade specialist planning unit could support high value investments through the planning process by convening decision-making stakeholders (local authorities, the Environment Agency, etc) to provide investors with greater certainty on timing and next steps. Local areas in the UK should be able to enlist the support of this unit and deploy its expertise to pursue a local investment opportunity.
- Fast-tracking pre-application processes for high value projects to speed up overall timelines, in a similar way to the approach soon to be piloted for Nationally Significant Infrastructure Projects.[69]
- Using Planning Performance Agreements between local councils and developers to provide greater certainty on timeframes for investors. These can drive clear and timely planning decisions, helping to provide the certainty that investors seek.
- Using Local Development Orders and Special Development Orders to help reduce planning timelines and to provide certainty to investors. The feedback to the Review on the value of using these tools has been mixed, but local and national

68 Horobin, W. Macron Sets Out Plan to Accelerate French Industrial Revival. Bloomberg, 11 May 2023: https://www.bloomberg.com/news/articles/2023-05-11/macron-sets-out-plan-to-accelerate-france-s-industrial-revival

69 https://www.gov.uk/government/news/planning-inspectorate-launches-pre-application-trial-with-7-nationally-significant-infrastructure-projects

government should not shy away from their use if local opposition stands in the way of an investment of national significance in a key growth sector.

Grid connections

'Grid and planning are the big blockers for backing deals in the UK' *– Octopus Group*

180. Securing a grid connection, whether as a generator or as a user, is a key milestone for most investment projects. The current issues with new projects securing grid connections in the UK are well documented, with businesses giving example of companies being quoted connection dates up to 2037.[70] Feedback from business suggests that the inability to secure a timely grid connection is now acting as a major barrier to prospective investors.

181. It is important to note the context - the UK is in the middle of a surge of renewables being built and connected. It is home to the world's four largest offshore wind farms, and the fourth allocation round of its Contracts for Difference programme, announced in July 2022, secured nearly 11GW of low carbon capacity, which is enough electricity to power 12 million homes.[71] It is primarily this ramp up in renewable connections that has put unprecedented pressure on the National Grid, for whom applications for connections have risen from around 40-50 per year to 600.[72] Nor are connection delays an issue unique to the UK, as the graphic below shows:

182. The UK is, however, notable as having the largest capacity awaiting connection in the comparison above. The UK must, as a priority, rectify this issue if it is going to be able to compete for the top investments. These concerns have been the subject of a recent Parliamentary Select Committee report,[73] and the Winser Review, which was published recently.[74]

183. The UK has committed to respond to the Winser Review, and to publish a Connections Action Plan at Autumn Statement. The Review recommends that a priority for the Connections Action Plan should be to ensure that grid connections can be prioritised for more valuable investments, to ensure that the UK is using every tool at its disposal to encourage investment (*Recommendation 4.3)*.

70 Mavrokefalidis, D. UK batteries and renewables 'wait 15 years to connect to the grid'. Energy Live News, 30 January 2023: https://www.energylivenews.com/2023/01/30/uk-batteries-and-renewables-wait-15-years-to-connect-to-the-grid/

71 https://www.gov.uk/government/news/biggest-renewables-auction-accelerates-move-away-from-fossil-fuels

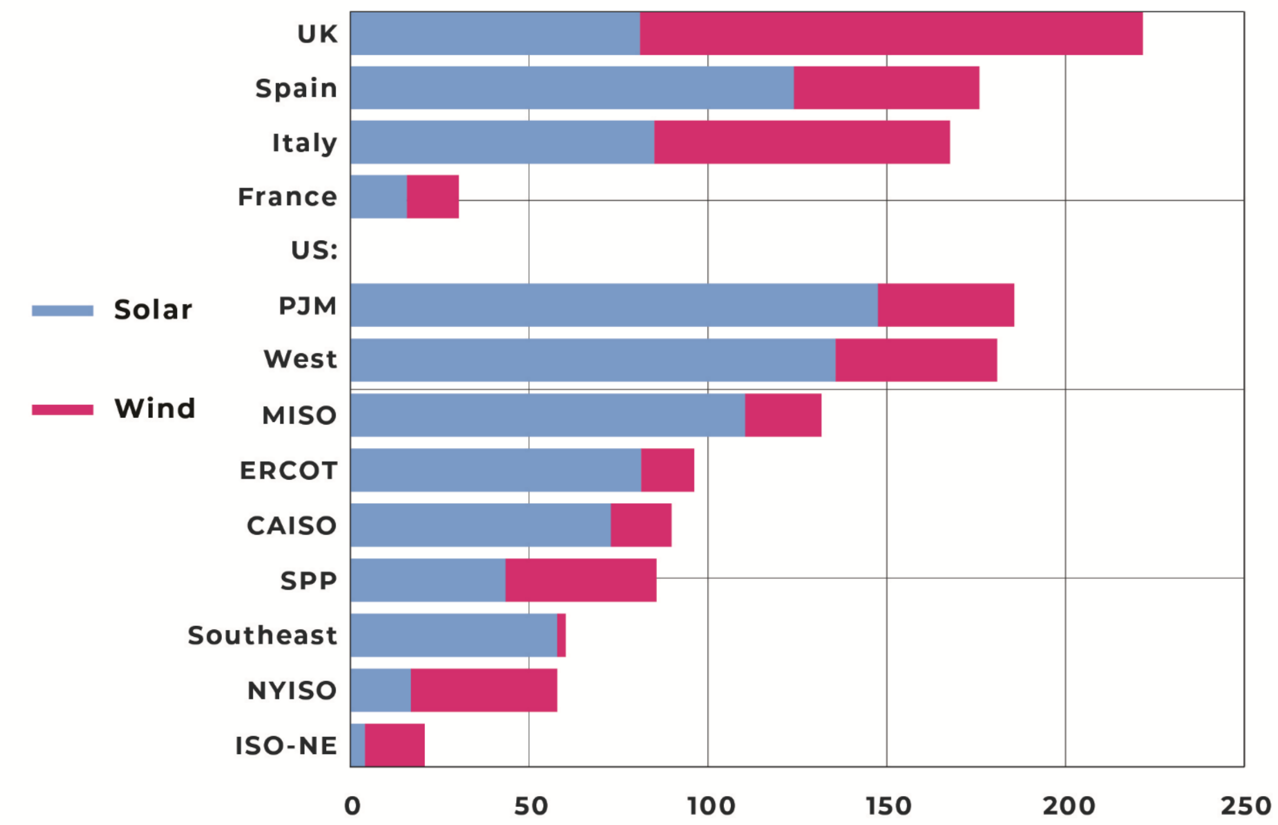
72 Dempsey, H. and Plimmer, G. Renewables groups sound alarm over UK grid connection delays. Financial Times, 6 February 2023: https://www.ft.com/content/bc200569-cb85-4842-a59a-f04d342805fc

73 House of Commons Business, Energy and Industrial Strategy Committee: Decarbonisation of the power sector, Eleventh Report of Session 2022-2023, HC 283, 28 April 2023. https://committees.parliament.uk/publications/39325/documents/193081/default/

74 Winser, N. (2023) Electricity Networks Commissioner's principle areas of recommendation: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1175649/electricity-networks-commissioner-letter-to-desnz-secretary.pdf

184. Additionally, the Review proposes that a prioritised grid connection forms part of an expanded OfI toolkit to attract the highest value investments, as set out further in Chapter 5.

Figure 16: Gridlock: over 1,500GW of renewable generation are waiting to be connected to grids in the US and Europe



Source: Bloomberg NEF, Lawrence Berkeley National Laboratory, National Grid, Electricity Northwest, Northern Powergrid, SSE Networks, Scottish Power Energy Networks, UK Power Networks, Terna, Red Electrica, French Ministry of Ecological Transition

Notes: UK data as of December 2022, Spain as of August 2022, Italy as of the end of 2022, Italy as of the end of 2021, France as of October 2022 and the US as of the end of 2021. Battery hybrid projects are included. Wind includes both onshore and offshore sites.

Regulation and Infrastructure

'Regulators are no longer just regulators, they are also agents of growth policy' – Neil Ross, Associate Director for Policy, techUK

185. Good regulation was considered by business to be crucial to the UK retaining and building upon its attractiveness to investment post Brexit. This was emphasised as a concern by the chemicals and manufacturing industries, for example, as divergence with EU regulation could affect their ability to export. But regulatory divergence, particularly in new digital industries, can also become a competitive advantage to attracting investment if done effectively. The feedback from business, particularly in the digital space, is that the UK could do more to differentiate itself, building on the

work of the Vallance and McLean Pro-Innovation Reviews of regulation that were published this year.[75] Additionally, they advised that the UK should be careful that regulators have clear demarcations of authority as the lines between industries continue to blur in the coming years through increasing digitalisation.

186. Investors, particularly those that invest in large capital infrastructure, viewed UK economic regulators as prioritising consumer bills over investment. While there are clearly legitimate arguments for this prioritisation, particularly during the current economic climate, the view of investors was that such an approach is preventing the UK from accessing much-needed capital.

187. The scale of investment needed in UK infrastructure in the coming decades requires a step change in approach. The Government's Net Zero Strategy estimates "that additional capital investment must grow from present levels to an average of £50-60 billion per year through the late 2020s and early 2030s";[76] the National Infrastructure Commission has suggested an additional £1.3 billion each year is needed to provide 5G coverage by 2027, and an additional £2.2 billion is needed each year to deliver full fibre networks by 2033;[77] while Barclays has estimated the water sector will need to invest an extra £100 billion over the next 25 years to address storm overflows, water resilience, and surface water flooding.[78]

188. Several organisations, including the government's Investment Council, have emphasised that if the UK is not seeking to match subsidy regimes such as the US Inflation Reduction Act, it is even more imperative that its regulatory regime is fit for purpose to be able to compete for investment. If the government can create a long-term, stable regulatory framework that prioritises investment and project delivery, reducing political and regulatory risk for investors, the UK will be able to attract a more competitive cost of capital to improve the quality of the UK's infrastructure, which will have benefits for the public.

189. This Review welcomes that the government committed on 10th May,[79] following Professor Dame Angela McLean's Review of regulators, to consult on refreshed guidance on how regulators deliver their growth duties, and notes that the consultation recently closed on the inclusion of Ofgem, Ofwat and Ofcom in the scope of the growth duty.

190. However, government should go further, and use Strategic Policy Statements (also called Strategic Priority Statements or Strategic Steers for different regulators) to ensure a consistent, long-term approach to encouraging investment across regulators, including how they should consider the trade-off of service levels, resilience

---

75 Vallance, P. (2023) Pro-innovation Regulation of Technologies Review: Digital Technologies report: https://www.gov.uk/government/publications/pro-innovation-regulation-of-technologies-review-digital-technologies
McLean, A. (2023) Pro-innovation Regulation of Technologies Review: Life Sciences: https://www.gov.uk/government/publications/pro-innovation-regulation-of-technologies-review-life-sciences

76 HM Government, Net Zero Strategy: Build Back Greener, October 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033990/net-zero-strategy-beis.pdf

77 National Infrastructure Commission, Strategic Investment and Public Confidence, October 2019: https://nic.org.uk/app/uploads/NIC-Strategic-Investment-Public-Confidence-October-2019.pdf

78 Barclays, Equity Research: UK Water: positive hydrostatic pressure, March 2023

79 https://www.gov.uk/government/news/smarter-regulation-unveiled-to-cut-red-tape-and-grow-the-economy

and sustainability against the cost of consumer bills. An example provided of this approach working successfully is the 2019 DCMS Statement of Strategic Priorities to Ofcom, which included the wording: "[t]he Government's view is that promoting investment should be prioritised over interventions to further reduce retail prices in the near term." Business saw this direction as being crucial in the subsequent successes of the pace of fibre rollout in the UK.

191. Businesses have set out the key to securing investment is for government to provide specific, consistent (ideally once per Parliament), and accountable instruction to regulators. The Review recommends that regulators are instructed, via the use of Strategic Policy Statements, to provide more focus and weight on encouraging investment in the coming decade (*Recommendation 4.4)* and that, in addition, regulators should publicly report on how they are taking into account Strategic Policy Statements on encouraging investment, and providing long-term value to the public.

192. Additionally, a consistent theme across all five growth sectors has been business perceptions that UK regulators are under-resourced, and often suffer from asymmetric expertise compared to the companies they are regulating due to the higher wages paid by those companies.

193. This issue has been compounded by seemingly inconsistent resourcing of regulators – the MHRA hired an additional 7.5% staff to respond to additional workload post-Brexit and in response to Covid, but then was faced by up to 25% staffing cuts according to reports.[80] In the end, MHRA end of year reports do note a staffing cut to 2022-23, but not to the levels anticipated. Then in March this year, a further £10m was committed to support the MHRA to enable patients faster access to leading-edge medical treatments.[81] Similar fluctuations in staffing levels appear to have impacted Ofgem in the middle of the recent energy crisis.[82] These reports do not point to a clear, long-term strategy that investors can have confidence in.

194. As noted by a contributor to the Review, the UK needs to recognise the importance of its regulators as engines of growth post-Brexit, and resource them accordingly as investments for future returns. Investing in regulators, when added to clear direction, consistency and accountability, is likely to be a highly effective use of public resources to attract investment. Additionally, the quality of UK regulators and market access could be used to further encourage investment by giving approval timing advantage for products which are researched, developed, or manufactured in the UK, potentially impacting marginal decisions of where to locate R&D and manufacturing.

195. The Review recommends that the government commits to clear long-term staffing and skills plans for its economic regulators (*Recommendation 4.5).* This should include ensuring that CEOs of regulators have the requisite skills and understanding of investor needs to ensure they can execute their duties effectively.

---

80 Foster, P. Staff at UK medicines regulator express alarm at plan for budget cuts. Financial Times, 14 August 2023: https://www.ft.com/content/8ef390b4-2d57-42fa-9ac6-88c08307eade

81 https://www.gov.uk/government/news/mhra-to-receive-10m-from-hm-treasury-to-fast-track-patient-access-to-cutting-edge-medical-products

82 O'Dwyer, M. and Plimmer, G. Ofgem forced staff to reapply for jobs as energy crisis spiralled. Financial Times, 27 September 2022: https://on.ft.com/3QN54sy

196. A further concern raised with the Review by businesses was the lack of an off-the-record forum where companies could enter a dialogue with regulators before regulatory decisions are made, recognising such a forum may help deliver mutually beneficial results in a timely fashion. The Review notes that this may merit further investigation, including consideration of the role of bodies such as the Takeover Panel.

Tax

'We'd like to see proper consideration of the planning cycle factored into tax changes' *– GIIA*

197. Tax rates are a key element of the UK business environment, particularly in light of the 'head turning' effect investors described to the Review of the US *Chips* and *Inflation Reduction Acts*. Investors were clear that low corporation rates and generous expensing regimes were attractive to investors.

198. The majority of interviewees agreed that headline UK tax rates remain broadly competitive, although preferential tax incentives came up regularly when discussing how other countries had successfully secured major investments, with the implication that the UK could do more in this area. The example of the early impact of the *Inflation Reduction Act* (Annex F) and the case study of tax incentives supporting an investment in Ireland (Chapter 5) are both evidence of this. This Review has not made specific recommendations on tax rate changes as to do so effectively requires an understanding of how these changes would impact the wider macro-economic and UK fiscal environment.

199. A clear point of consensus amongst all investors was that UK tax rates would benefit from reduced complexity and longer-term consistency. A senior partner at a consultancy who specialises in advising high net worth individuals said an international entrepreneur described the UK tax system as '*the world's worst maze*' which can be off-putting to investors and has created a cottage industry for consultants.

200. On consistency, the Institute for Fiscal Studies has noted that corporation tax has changed almost every year since 2010.[83] In response to the measures announced at Spring Budget, including the 100% expensing of capital spending for three years, the Institute for Fiscal Studies responded: *'An endless string of temporarily more generous allowances is not a good way to set policy. For any level of allowance, investment would be higher if the system were stable. We desperately need a stable corporation tax regime, with a properly reformed tax base, that improves investment incentives and lays down the conditions for higher business investment in the long run.*'[84]

201. Businesses invest on a 15-20 year time horizon, and stability and clear direction and more important than individual policies or headline rates. The Review recommends that the government commits to a consistent, long-term approach to tax that is clearly

83 Adam, S. et al. Spring Budget 2023 response, Institute for Fiscal Studies, 15 March 2023: https://ifs.org.uk/articles/spring-budget-2023-response#:~:text=Those%20plans%20will%20see%20day,a%20squeeze%20on%20other%20areas

84 Ibid.

signalled, within a system that seeks to reduce complexity for business (*Recommendation 4.6)*.

Commercialisation and access to finance

'Research – we're good at; development – ok; commercialisation – poor' – *Siemens*

202. Businesses noted the difficulty UK companies have scaling up, with access to finance cited as a key barrier. The Chancellor's *Mansion House* reforms have been universally welcomed as a step in the right direction, to help to unlock UK institutional investment in key growth sectors.[85] With the right support in place, the UK has an opportunity to become a 'scale-up nation' with its strength in Intellectual Property protection; start-ups; its highly respected regulatory regime; market size; and the depth of its capital markets. To that end, the Review recommends that government review the detail of the £20 billion per annum of public expenditure it has committed to spend on R&D through UK Research and Innovation by 2024-2025 with a view to increasing the focus on commercialisation (*Recommendation 4.7*). This is not as R&D should not be a priority for government, but more to recognise the persistent barrier that scale up poses to start ups in the UK.

203. The review should ensure that the correct balance is being struck for the UK's business and investment community between early-stage research, and development that leads to commercialisation and scale up, and take into account the business feedback to this Review that the balance should be changed to increase support for scale-up capital.

204. On the theme of financing and scale-up, businesses, funds and industry groups contributing to the Review suggested that more could be done to maximise the investment impact of HMG-backed resources. A point of consideration was whether the operations of a number of government-owned finance institutions – the British Business Bank, UK Infrastructure Bank, British International Investment, and Homes England – were being sufficiently deployed in support of securing investment into the UK.

205. Some contributors felt that there may be merit, where feasible, of the government-owned finance institutions being consolidated in the long term into a single institution. The support for this idea was threefold: to reduce complexity for business by creating a single front door for state finance support; to be able to attract top talent to run it; and to enable capital sharing between the different missions, giving greater flexibility.

206. In this set up, a consolidated state institution could take direction from the new Investment Committee, with guidance on lending set by government ministers, but then enacted by finance professionals, in a similar model to that employed by the Singapore government through the GIC (Singapore's financial asset management entity).

---

85 https://www.gov.uk/government/news/chancellors-mansion-house-reforms-to-boost-typical-pension-by-over-1000-a-year

207. More broadly, there was also a general view that these institutions, and UK Export Finance, could play a greater role in helping to deliver a Business Investment Strategy as outlined in Chapter 1, under the direction of the Investment Cabinet Committee. This Review considers there would be value in the government undertaking further work to assess the suite of products offered by the government-owned financial institutions listed above; whether they are serving all UK investor needs; whether there could be benefit in consolidation; whether the government's Investment Committee should playing a more active role in directing these institutions' funding; and whether there are either gaps or overlaps in remit that need addressing.

208. Additionally, government should consider how to help investors navigate the different investment institutions. One model cited as a good example in a different field was the role of the Digital Regulators Forum, set up in 2021, which works to coordinate the interaction of industry and other stakeholders with the different and sometimes overlapping roles of Ofcom, the Information Commissioner's Office and the Competition and Markets Authority.

209. The link between these finance institutions and the OfI should also be strengthened, to help signpost key investors to the potential support available and should form part of the playbook recommended in Chapter 5.

210. A further topic of discussion was whether the various state finance institutions – the British Business Bank, UK Infrastructure Bank, UK Export Finance, British International Investment, and Homes England – could be consolidated in the long term into a single institution. The support for this idea was threefold: to reduce complexity for business by creating a single front door for state finance support; to be able to attract top talent to run it; and to enable capital sharing between the different missions, giving greater flexibility.

211. In this set up, this consolidated state institution would be the resource of the new Investment Committee, with guidance on lending set by government ministers, but then enacted by finance professionals, in a similar model to that employed by the Singapore government through the GIC (Singapore's financial asset management entity).

212. This Review – and many of the investors who contributed to it – saw merit in this consolidation, and considers there would be value in the government undertaking further work to assess the suite of products offered by all state-backed financial institutions; whether they are serving all UK investor needs; whether there could be benefit in consolidation; whether the government's Investment Committee should play a role in directing these institutions' funding; and whether there are either gaps or overlaps in remit that need addressing. Additionally, government should consider how to help investors navigate the different investment institutions. One model cited as a good example in a different field was the role of the Digital Regulators Forum, set up in 2021, which works to coordinate the interaction of industry and other stakeholders with the different and sometimes overlapping roles of Ofcom, the Information Commissioner's Office and the Competition and Markets Authority.

213. The link between these finance institutions and the OfI should also be strengthened, to help signpost key investors to the potential support available and should form part of the playbook recommended in Chapter 5.

Bank Accounts

214. Internal statistics collected by the Department for Business and Trade and shared with this Review indicate that, for the past four years, setting up a bank account has been identified by investors as a major obstacle facing their entering the UK market. In the 2020-21, more than half of new investors reported this as the biggest setback, and consistent feedback from businesses has continued to highlight this as a major issue.

215. Being unable to open a UK bank account has a significant impact on the ability of an overseas business to operate in the UK – staff, rent, supplier contracts and other costs would have to be paid from overseas, involving currency exchange costs and delays. Additionally, HMRC and the Home Office can require a UK bank account for tax and visa purposes. The data suggests that being able to open a bank account is mostly a barrier for a high volume of lower value investors, and so has not featured as highly in the business feedback this Review has received – although it has been raised several times.

216. Conversations conducted by this Review indicate it is more likely to be due to operational barriers rather than legislative ones - that banks are making commercial decisions not to open bank accounts for overseas investors, which then prevents them from investing; this position is likely being further complicated by the rise of market-based banking or 'shadow banking'.

217. Due to the high number of investors identifying this as a major barrier, the Review recommends that government convenes a roundtable of banks and financial regulators to discuss the issue of bank accounts for overseas investors and potential remedies. As a minimum, it is recommended that banks are required to report to regulators on the number of overseas applications for opening bank accounts; the number of those that are successful; and the reasons for rejection (*Recommendation 4.8)*.

Visas

218. While visas were regularly raised as a friction by the investors interviewed by the Review, there was not a strong sense given that the UK visa system was more difficult to navigate than those in competitor countries. This perception is reinforced by the recent Social Market Foundation report *The Whole of the Moon*, which surveyed more than 2000 businesses in the UK, and concluded that ' *a strong theme across employers who had relevant experience of sponsoring employees in other countries was that they found the UK system to be clearer, less complex, and generally more certain to navigate than sponsorship regimes operated by other countries…Indeed, those most critical of the UK regime tended to be even more critical of the equivalent schemes of other countries, from the US to Canada to Australia to Ireland*.'[86]

---

86 Thomas, J. et al. The Whole of the Moon: UK labour immigration policy in the round. Social Market Foundation, 26 June 2023: https://www.smf.co.uk/wp-content/uploads/2023/06/The-Whole-of-the-Moon-June-2023-with-amends.pdf

219. The Review also notes that since Spring 2022, the Home Office created eight new visa routes for employers and skilled workers, including the High Potential Individual visa, launched to improve business mobility and help businesses access talent they need from abroad.

220. One area that investors suggested could benefit from more certainty was turnaround timing for visas, and being able to track those visas more easily as they were processed. UK Visas and immigration have a published service time of 15 working days for most work routes from outside the UK – according to the most recent stats, they made that target 96% of the time in Q1 of 2023.[87] These statistics suggest there is a high degree of certainty for most work visas, and while the UK should seek to continuously improve the speed and accessibility of its system, it suggests a reliable level of service for businesses.

221. UK Visas and immigration also offer a priority service (five working days) and super priority service (end of the next working day) paid for service for businesses. The UK should consider use of these services to support the most strategically important investments, which is discussed further in Chapter 5.

Skills

'In the U.K what we do get is high quality skills, but we don't get enough of it' – Jaguar Land Rover

222. The importance of skills was reinforced in multiple interviews conducted by this Review and is validated in multiple studies and reports; in a recent *Make UK* report, for example, skills were listed as the most important element of any future government industrial strategy.[88]

223. Skills – particularly at the high end of the education system – are seen by investors as a major UK strength, and this is backed up by the data. Four UK universities regularly feature in the top ten in global rankings, and – as can be seen in the graphic below – the UK outperforms other OECD nations on the proportion of 25-64 year olds with Level 6 (degree level) or above qualifications.[89]

224. Feedback from business was more mixed on the quality of skills below this top level, with manufacturing and green industries in particular raising difficulties they had found in finding sufficient skilled workers to meet their needs at middle management and for technical work. Again, this mirrors the data – the share of adults

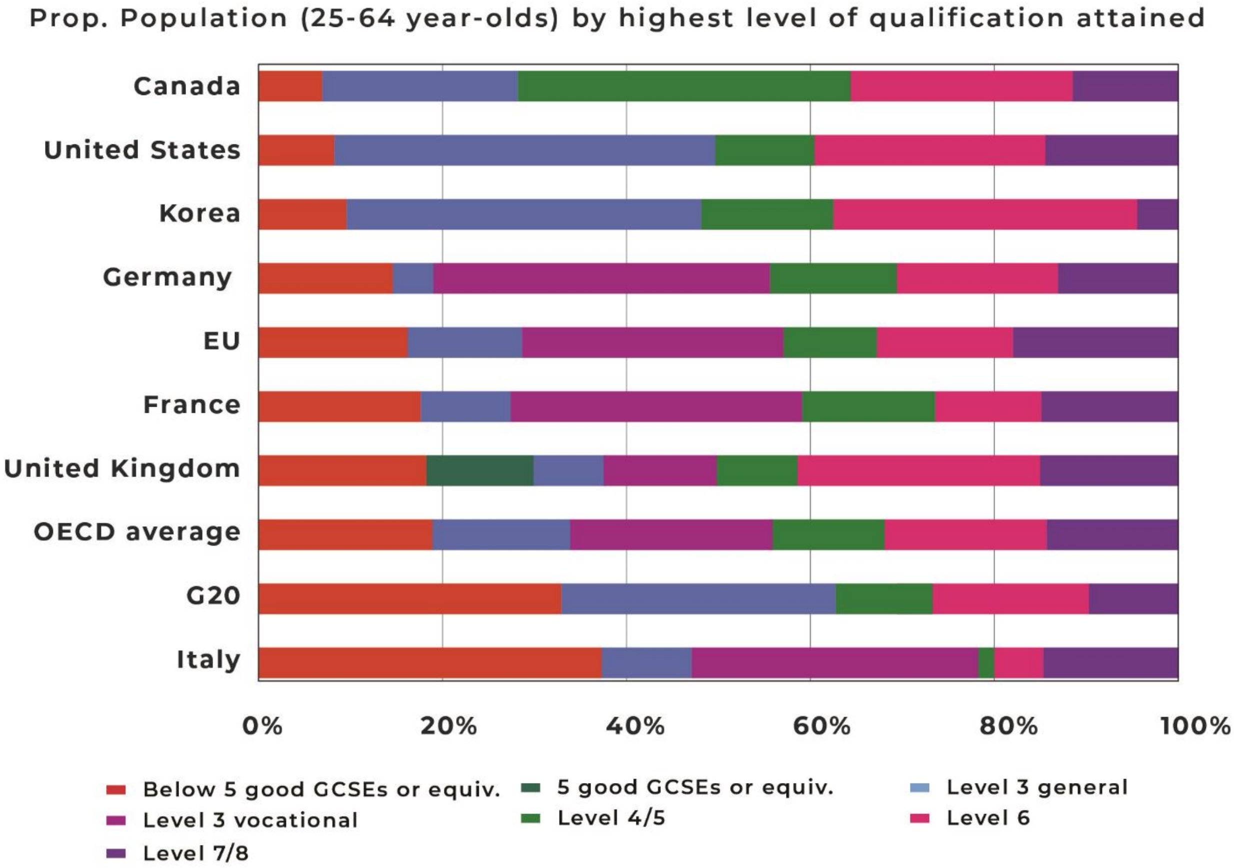
87 https://www.gov.uk/guidance/visa-processing-times-applications-outside-the-uk and https://www.gov.uk/government/collections/migration-transparency-data#uk-visas-and-immigration

88 Make UK (2023) Industrial Strategy: A Manufacturing Ambition

89 Educational attainment and labour-force status data, OECD, 2021. 2. 22 OECD members only; qualification levels relate to National Qualification Framework for UK, and ISCED levels for all other countries.

with vocational qualifications in the UK is nine percentage points below the OECD average.[90]

Figure 17: Educational attainment across countries (25-64 year olds)



225. Those businesses were broadly positive about changes made by the government to UK skills policy in recent years to address the perceived gaps, although it was noted that it is still too early to evaluate their impact and there were some concerns of the potential for the number of recent changes to create confusion for businesses. The changes mentioned included T-levels, introduced in September 2020, and designed to supplement class-based learning with work experience;. and Skills Bootcamps, also introduced in 2020, and offering adults free courses of up to 16 weeks to build up sector-specific skills, with a job interview offer on completion. Over 16,000 students have now studied the former, and the Department for Education is aiming to deliver 64,000 training places a year on Skills Bootcamps by 2024-25. Finally, there was optimism that Local Skills Improvement Plans (LSIPs), introduced as part of the Skills Act 2022, would ensure there is a stronger local employer component to developing

90 OECD (2020) Education at a Glance 2020: OECD Indicators: https://www.oecd-ilibrary.org/education/education-at-a-glance-2020_69096873-en

local skills plans; last month, all 38 areas of the country published their first LSIP, with the Plans drawn up for a three-year period.

226. One prominent concern from businesses already based in the UK was apprenticeships. The figures show that rate of achievement from apprenticeships has declined significantly in the past five years.[91] The Department for Education have set out ambitious targets to reverse this trend and observed that this is in the context of transformation of the programme to raise quality and better suit employer needs. But companies observed that they too often needed to pay more to upskill the UK workforce than in Germany. This was attributed to the German vocational skills system being more in tune with changing workforce skills requirements as new industries and technology changes emerge, with a well-established national and local process for managing this, compared to what was perceived as a more ad-hoc approach in the UK. The Review has sent a letter to DfE ministers summarising feedback from businesses.

227. The case study below shows how the UK can work with major investors to adapt its skills offer in key sectors – in this case to support nuclear energy. Initiatives such as this can help cluster skills and land wider sub-sector supply chains. The Singapore case study in Part 1 also demonstrates how skills initiatives can help to drive investment.

228. The UK should consider profiling its skills offer to support the most strategically important investments; this is discussed further in Chapter 5. It should also renew and update its promotion materials to fully showcase to investors the UK's strength in university-level skills.

Case Study: Joining up skills and inward investment to attract FDI in the Southwest

A unique partnership between Bridgwater and Taunton College (BTC) and EDF Energy was established ten years ago to deliver the workforce required for the new nuclear power station under construction at Hinkley Point C. They are creating a sustainable legacy of skills training for nuclear, demonstrating how local skills providers can maximise the economic impact of investment through collaborative working, joint investment and using a bespoke skills offer to attract FDI to drive regional growth by using existing funding.

In 2011 BTC began engagement with local employers to understand their skills needs, seizing the opportunity of potential growth in Somerset when the prospect of Hinckley Point C began to emerge. Financial investment from EDF has enabled the college to create bespoke training environments and curricula for civil nuclear, including an £8m Energy Skills Centre and a £2m Construction Skills and Innovation Centre, both providing 'live' work environments to support practical skills training. This secured BTC in pole position for the southern hub of the National College for Nuclear and the proven ability to deliver skills at scale and pace proved instrumental in attracting future

91 Department for Education. Consolidated annual report and accounts: For the year ended 31 March 2023, HC 1505, 18 July 2023: https://www.gov.uk/government/publications/department-for-education-consolidated-annual-report-and-accounts-2022-to-2023

investment to Somerset. In the four years between 2018-2022, over 1000 students graduated from the National College for Nuclear campus at BTC.[92]

The success of BTC's approach hinges on several factors – a senior level appointment to lead this work, a college-wide 'can do' approach; a dedicated point of contact for each business; early investment in bespoke learning environments; genuine collaboration with employers to tailor curriculum and awarding bodies to develop/deliver innovative, accredited training programmes with a clear line of sight to work; strong partnerships with industry bodies; staff recruitment and continuing professional development focusing on dual professionalism; the sharing of best practice, and an unrelenting vision to be world-class.

Procurement

'The most valuable pound or dollar for my company is revenue for a service provided'
- Pragmatic Semiconductors

229. Procurement accounts for roughly one pound in every three that government spends – some £300 billion per year.[93] Various investors advised this Review that other nations are more effective in their use of procurements to support domestic supply chains via including social value indicators that advantage domestic supply chains, rather than focusing solely on cost and quality in their criteria

230. Cost and quality should clearly remain primary evaluators for government procurement, but social value can ensure that more of the value of this enormous public sector outlay can support high-wage jobs in the UK without compromising World Trade Organisation or international trade commitments. Time and again the Review heard that it was not the rules that were the issue, but the public sector's willingness to consider social value in their procurements.

231. Government has recently taken several positive steps in this regard. In 2020, the Cabinet Office published a notice to make a minimum of 10% consideration of social value mandatory in central government procurements.[94] This has been followed up with further guidance and mandatory training for all commercial staff, and the change can be seen in a recent notice on procuring steel.[95]

---

92 Nuclear Engineering International. Nuclear South West: how a private public partnership is plugging the skills gap. NEI, 3 August 2022: https://www.neimagazine.com/features/featurenuclear-south-west-how-a-private-public-partnership-is-plugging-the-skills-gap-9899682/

93 Government Commercial Function. The Procurement Bill: summary guide to the provisions, 16 June 2022: https://www.gov.uk/government/publications/the-procurement-bill-summary-guide-to-the-provisions/the-procurement-bill-a-summary-guide-to-the-provisions

94 HM Government. Procurement Policy Note – Taking Account of Social Value in the Award of Central, Action Note PPN 06/20, 24 September 2020: https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts

95 Cabinet Office. Procurement Policy Note: Procuring Steel in Government Contracts – Revised Guidance, Action Note PPN 04/23, 11 April 2023: https://www.gov.uk/government/publications/ppn-0423-procuring-steel-in-government-contracts

232. Additionally, the Procurement Bill currently in Parliament, will bring together 350 different procurement regulations across the public sector into a single regime and includes a welcome focus on removing barriers to SMEs. Ensuring an investment focus in the secondary legislation will be essential. To enable this, investment-facing Director Generals in departments across central government should be consulted by Cabinet Office as it prepares secondary legislation for the Procurement Bill.

233. More broadly, government should continue to drive the importance of social value and SME participation in contracts to ensure opportunities are not missed to strengthen UK supply chains, particularly for the largest ten procurements launched by each department each year, as set out in Chapter 2.

234. An additional suggestion from businesses, to encourage innovation and support for SMEs via the procurement system, was that major UK procurers related to the growth sectors – such as the NHS for life sciences – should be given a procurement target of introducing a set percentage of innovative interventions each year, and with a budget envelope to enable this. This would help drive innovation and investment within the market, with long-term productivity gains for the public. The Review thought this idea deserved further exploration[96].

Energy Prices

235. A number of companies raised high energy costs as a concern with locating in the UK. This was particularly true of energy-intensive industries (EIIs) – where energy is a higher input cost than the average – typically manufacturers and chemicals companies.

236. The figures bear out this concern. On average over 2016-2020, Ofgem analysis found that GB EIIs faced electricity prices that were 50% higher than their EII competitors in France and Germany. Whereas France and Germany have taken decisions to shield heavy industry by placing the balance of aggregate costs onto other energy users, the UK has imposed carbon and renewable costs more evenly across electricity users.97

237. The UK has taken action to redress this – in February 2023, the government announced the British Industry Supercharger package designed to bring industrial electricity prices for energy intensive industries closer to those of other major economies.

238. In the long-term, the picture looks more positive – the UK has cut its emissions faster since 1990 than any other G7 nation.[98] It is well-documented that renewables now consistently produce cheaper electricity over their lifetimes than fossil fuels

96 The Review also notes the 2021 Spanish Entrepreneurial Nation report, which proposes the launch of launch of a public authority for innovative procurement

97 Ofgem (2021) Research into GB electricity prices for Energy Intensive Industries: https://www.ofgem.gov.uk/publications/research-gb-electricity-prices-energy-intensive-industries

98 Department for Energy Security and Net Zero (2023) Powering Up Britain: Net Zero Growth Plan: https://www.gov.uk/government/publications/powering-up-britain/powering-up-britain-net-zero-growth-plan

plants, and that this disparity is likely to grow as costs fall further.[99] The government is currently pursuing reforms to de-couple the price of electricity from the price of gas to take advantage of these lower energy production costs. This means the UK is likely to have highly competitive wholesale electricity prices within the 15-20 year timeframe companies typically consider when investing. This expectation of improvement was acknowledged by companies who spoke to the Review, although there was still concern expressed over the dampening effect the current disparity was having on investment in certain sectors.

Export support as part of the investment package

'We invest in the UK to export' – Philip Pratley, Leonardo

239. Many businesses spoke about the importance of export opportunities in their choice of where to invest internationally, particularly as the UK domestic market of 67m is not sufficient to match those of the US or the EU for manufacturing and life sciences companies.

240. Chief amongst those companies' asks were as frictionless trade as possible with the European single market, and the access to markets that come from Free Trade Agreements. The UK government now has agreements with over 70 nations, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which the UK is expected to formally join in 2024.[100]

241. The UK also offers export support to companies through UK Export Finance (UKEF) – specifically, loans and guarantees to support UK exporters pitching for overseas contracts; and guarantees and insurance to support exports. UKEF's Export Development Guarantee supports companies to access high value loan facilities for activities relating to exports. The facility is available to future exporters including overseas firms that do not have operations in the UK but are seeking finance to establish themselves in the UK and export, enabling international investment into UK export capabilities and supply chains. Since 2018-19, UKEF has provided over £37.3 billion in financial support, contributing to the government's ambition to reach £1 trillion of UK exports per year by 2030.[101]

242. Considering the value businesses place on export opportunities, the UK should ensure export support is prominent in its investment promotion materials, particularly the Export Development Guarantee, launched in 2020, and targeted at high value investments.[102]

99 Masterson, V. Renewables were the world's cheapest source of energy in 2020, new report shows. World Economic Forum, 5 July 2021: https://www.weforum.org/agenda/2021/07/renewables-cheapest-energy-source/

100 https://www.gov.uk/government/collections/the-uks-trade-agreements

101 https://www.gov.uk/government/news/made-in-the-uk-sold-to-the-world-new-strategy-to-boost-exports-to-1-trillion

102 https://www.gov.uk/guidance/export-development-guarantee

Research & Development

"R&D tax credits are the biggest bang for buck for our company" – Jaguar Land Rover

243. The UK's scientific and research base is one of the strongest in the world and a major asset in the pursuit of investment. There are many more components of this success, and the outcomes are striking. The UK has four of the world's top ten universities,[103] and is third in the world – behind only the USA and China – in the number of most highly-cited publications globally.[104] Over half of the best UK research reflects international collaboration – a proportion that has grown rapidly in recent years. Recent studies have shown that the UK's field-weighted citation impact - an established measure of research impact - was highest in the G7 and higher than all other comparator countries.

244. The current government has transformed the public funding available for research and development. In 2016-17 state funding for R&D amounted to £9 billion a year. In 2024-25 it will be £20 billion a year. A new body, UK Research & Innovation (UKRI) has been created to distribute much of this funding, which is available to businesses for applying new discoveries as innovation, as well as to universities and research institutions. The public research budget does not include R&D tax credits, which are also available to incentivise businesses to invest in research and development, and where noted by multiple businesses speaking to this review as a major incentive to invest in the UK.

245. To build on this, in the past year the government has established the Advanced Research and Invention Agency, set up to support high-risk, high-reward research in the style of DARPA in the US, and with an initial £800m budget for the first four years. It has also created the Department of Science, Innovation and Technology as a government department in its own right with a Secretary of State who is a member of the Cabinet.

246. The research base of the UK is one of the strongest in the world and leveraging that base in founding businesses in the fields of science and technology is notable by European standards. Just eight of the UK's university towns are home to more billion-dollar unicorn start-ups than the whole of France and Germany combined.[105]

247. The Review heard from stakeholders that it is not always clear what the UK government's research priorities are. It was also repeatedly mentioned that the decision-making timetable and process for committing public funds to invest alongside private business is regarded as mismatched, and a UKRI approach modelled on arm's length calls for research proposals of the Research Councils, is not best suited

---

103 Department for Science, Innovation & Technology (2023) The UK Science and Technology Framework. https://www.gov.uk/government/publications/uk-science-and-technology-framework/the-uk-science-and-technology-framework

104 Department for Business, Energy & Industrial Strategy (2019) International comparison of the UK research base, 2019 – Accompanying note:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/815400/International_comparison_of_the_UK_research_base__2019._Accompanying_note.pdf

105 Department for Science, Innovation & Technology (2023) The UK Science and Technology Framework

to the rapid timetables of commercial investment decision-making. The deployment of the public funding lacks the agility and predictability to be able to secure the maximum amount of global investment in research and development that can substantially leverage commercial investment. These concerns mirror feedback on the UK government' s grant process, which is covered in Chapter 6.

248. Some interviewees noted with approval the previous Industrial Strategy Challenge Fund for which UKRI had appointed Challenge Directors and had resulted in even more private investment being leveraged than had been anticipated. These challenges ranged from the creative industries ("Creative Clusters" and "Audience of the Future") to quantum technologies ("Commercialising Quantum Technology"). The Industrial Strategy Challenge Funds, despite its success, has been discontinued.

249. Nonetheless, R&D success and funding, supported by the UK's strong university-level skills base, is recognised as a UK strength by investors and should continue to feature highly in the UK's investment promotion materials.

Intellectual Property

'The UK should push what it is good at – skills and IP protection' – Life Sciences Roundtable

'The global success of UK publishing – like other creative industries - is built on our gold-standard copyright and intellectual property regime' – Publishers' Association

250. One of the core UK strengths highlighted to the Review was protection of Intellectual Property. The UK is a world-leader in innovation, as set out in the R&D section above. A natural accompaniment to innovation is protection of that intellectual property, where the UK has retained its position as 2nd globally for several years, according to the US Chamber of Commerce's 2023 International IP Index[106]. The UK's Intellectual Property Office was ranked in these positions for 2023:

- Joint third for Patents, Related Rights, and Limitations
- Second for Copyrights, Related Rights, and Limitations
- Joint first for Trade marks, Related Rights, and Limitations
- Joint first for design rights, Related Rights, and Limitations

251. Multiple businesses, particularly in life sciences and creative industries, expressed the value they placed on the UK's willingness to protect IP rights within their sectors, and that it can mean life or death for their companies at a time when there is a sense that Intellectual Property is under attack in all major international fora. Businesses commented that the UK has an excellent record of defending IP rules but does not always get the full benefit by signalling its approach in advance.

---

[106] U.S. Chamber of Commerce (2023) International IP Index: 2023 Eleventh Edition: https://www.uschamber.com/intellectual-property/2023-international-ip-index

252. The Review recommends that the UK does more to engage with key sectors and proactively discuss current IP issues and approaches, and to promote its offer to investors. Over time, this will further build recognition of the UK as a strong protector of IP.

Recommendations

4. The new Investment Committee should work across government to propose further improvements to the UK business environment, informed by the investor feedback provided to the Review, as summarised below.

Planning

4.1 Measures related to investment in the National Planning Policy Framework should be strengthened to give greater priority to investment projects in local considerations, and to fast-track decision making related to investment projects.

4.2 Sites identified for high value investment projects should be able to be ready within nine months. We further recommend that the government considers the following initiatives as routes to achieve this:

i. A small joint Department for Levelling Up, Housing and Communities and Department for Business and Trade specialist planning unit to support high value investments through the planning process. This unit would have the ability to convene decision-making stakeholders (local authorities, the Environment Agency, etc.) to provide investors with greater certainty on timing and next steps.

ii. Fast-tracking pre-application processes, such as the approach soon to be piloted for Nationally Significant Infrastructure Projects.

iii. The use of Planning Performance Agreements to provide greater certainty on timeframes for investors, including central government considering covering the costs of this for the most valuable investments.

iv. The use of Local Development Orders and Special Development Orders to help reduce planning timelines and to provide certainty to investors.

Grid connections

4.3 We recommend that the government's forthcoming Connections Action Plan should ensure that grid connections can be prioritised for the most valuable investments, as part of this Review's recommendations that the UK use every tool at its disposal.

Regulation

4.4 In light of the investment challenge the UK faces, the Review recommends that regulators are instructed, via the use of Strategic Policy Statements, to provide more focus and weight on encouraging investment in the coming decade. In addition, regulators should publicly report on how they are taking into account those Strategic Policy Statement on encouraging investment and providing long-term value to the public.

4.5 The Review recommends that the government commits to clear long-term staffing and skills plans for its economic regulators and examines the possibility of giving approval advantage for products researched, developed or manufactured in the UK, subject to restrictions imposed by international obligations.

Tax

4.6 The Review recommends that the government commits to a consistent, long-term approach to tax that is clearly signaled to business, within a system that seeks to reduce complexity for business.

Access to finance

4.7 The Review recommends recommend the government review the funding that has been allocated to UK Research and Innovation over successive Spending Reviews to ensure these allocations are directly incentivising new business investment in the five priority growth sectors, and consistently achieving a balance between early research, and development that leads to commercialisation and scale up.

Bank accounts

4.8 The Review recommends recommend that HM Treasury and other relevant government departments convene a roundtable of banks and financial regulators to discuss the issue of overseas investors being unable to open bank accounts in the UK in a timely fashion and potential remedies. As a minimum, we recommend that banks are required to report to regulators on the number of overseas applications for opening bank accounts; the number of those that are successful; the average time taken to open an account; and the reasons for rejection.

5. A globally competitive Office for Investment

'We need a clear offer about where the UK is going to compete, not a PR campaign about "global Britain"' – *Quote from a business roundtable*

Introduction

253. The Office for Investment (OfI) was set up in 2020 to land top international investments for the UK. The OfI is a small but senior team, with a physical presence in five UK cities.

254. Investors who gave evidence to this Review confirmed that the OfI's formation has been well-received and welcomed its focus on the highest-value investments. At the same time, investors reported that other countries' promotion agencies were more proactive in contacting them and making clear, targeted and wide-ranging offers to convince them to invest.

255. To be able to deliver such offers, and compete effectively for the most strategically important investments, the OfI needs to be given stronger backing from central government, including: clearer targeting of sectors and companies, in line with a new Business Investment Strategy; an expanded toolkit with which to make offers to companies; and increased flexibility to be able to negotiate the bespoke strategic partnerships that are needed to secure top investments

Review findings

256. *The OfI should be deployed with more specific and strategic focus:* Investors have fed back that the OfI is well-liked by businesses as a concept, and that the Department for Business and Trade has succeeded in pulling together credible senior staff. However, contributors to the Review observed that despite some notable successes since its inception – such as securing commitment to a long-term programme of investment through the UK-UAE Sovereign Investment Partnership – there was a lack of clarity about how individual investments fitted together and were building a collective impact against specified goals. There was no sense of a clear focus in how the OfI was deployed by the UK government beyond a mission to 'land top-tier investments' – partly symptomatic of the broader sense of a lack of strategy as detailed in Chapter 1.

257. *The OfI lacks the broad, ready-to-action toolkits used by other countries:* The experience of investors contributing to this Review suggests that other countries use both a wider and more developed toolkit to compete for the highest value investments. An example cited by one company involving the Irish Development Agency is set out in this chapter below, and the Singapore case study in Part 1 also

demonstrates the value of a multi-pronged approach. A further example is the recent announcement by the German government to commit up to €10 billion in subsidies to support a €33 billion Intel investment.[107] Although businesses who had first-hand experience with the OfI were complimentary, it was largely acknowledged that, considering its function as the UK government's premier investment unit, the OfI 'lacked teeth' by comparison, and its concierge service could not always provide a substantive offering compared to international competitors.

258. *The OfI is not given the flexibility and support to broker wide-ranging deals with business:* A final theme in investor feedback was a sense that, while the OfI were an adept concierge service, they were not fully empowered by the UK government to negotiate deals with strategically important investors in the way that internationally competitors are, such as the Irish Development Agency. Such an approach would require drawing on cross-government expertise to negotiate wide-ranging partnerships with businesses, that might involve multiple interests across government. The Moderna partnership case study – set out below – was acknowledged to be a good example of this, but was seen as the exception rather than the rule.

Guiding principles

259. The OfI should remain the government's elite unit to land the highest value investments, whether they originate from UK or foreign companies. To be able to compete effectively for highly prized internationally mobile investments, the Review recommends three changes to how the OfI is supported across government:

- A clearer, focused direction, enabling a more **targeted, proactive approach** – deploying investment support in key sectors and areas, and seeking to strategically build and develop clusters and supply chains. *Addressing the OfI should be deployed with more specific and strategic focus.*

- The power to draw on an **expanded, ready-to-action government toolkit**, responding to the needs of specific investments. *Addressing the OfI lacks the broad, ready-to-action toolkits used by other countries.*

- The authority, through the Investment Minister, to **negotiate deals and partnerships with business**. *Addressing the OfI is not given the flexibility and support to broker wide-ranging deals with business.*

Proactive targeting

260. Investors have been clear with this Review that they do not expect the UK to be able to compete with the breadth or level of subsidy being offered in the larger US and EU markets, which are discussed in Part 1 of this Review. But they do want to see

107 Reuters. Germany, Intel strike $33 bn chip plant deal; $11 bn subsidy on offer. Business Standard, 19 June 2023: https://www.business-standard.com/companies/news/germany-intel-strike-33-bn-chip-plant-deal-11-bn-subsidy-on-offer-123061900945_1.html

targeted incentives in a smaller number of sub-sectors where the UK considers itself to have a competitive advantage.

261. With the level of global competition, the UK cannot be a world leader in every subsector of the five growth sectors. The Business Investment Strategy outlined in Chapter 1 needs to support the UK's investment strategy by making those tough choices on sub-sectors of focus to ensure that taxpayer subsidy is spent most effectively.

262. These focus areas should then be used to generate the target company lists set out in Chapter 2, furnishing the OfI with a list of top companies within those sectors that it is then charged with proactively pursuing and enticing to the UK. (*Recommendation 5.1*).

An expanded, ready-to-action toolkit

263. The case study below provides an example of how other governments – in this case Ireland – use a variety of different levers including grant, tax, skills and planning flexibilities to successfully negotiate major investments. Businesses have cited further examples, including in Spain, Germany, France and Singapore, of government offering specific incentives to secure investments. The previous Chapter on Business Environment used the example of an investor in Rome securing planning guarantees; if those guarantees can be secured in a city as archeologically complex as Rome, there is no reason they cannot be given in the UK.

264. Creating and using such a toolkit will require cross-departmental agreement to establish a standard offer in each case, and then ongoing collaborative support between the OfI and the relevant central government department to negotiate a partnership with a company in the relevant areas (*Recommendation 5.2*).

265. Such a toolkit should also take advantage of all the assets that the UK has to support investments – including institutions such as the British Business Bank, UK Export Finance, and the UK Infrastructure Bank. The OfI should act as a broker in this regard, ensuring investors are able to navigate this support as smoothly as possible (*Recommendation 5.3).*

Case Study: The success of a multi-faceted approach in securing a major investment

Earlier this year a major global investor, developer and asset manager completed the purchase of a large site in Ireland with the intention of transforming it into a mixed-use industrial campus offering low-carbon energy solutions.

The investor shared with the Review that IDA Ireland (the government's foreign direct investment agency) played a pivotal role in the deal, offering a range of support to bring the ambitious investment plans to fruition. This included:

i. *Business rates* – the investor and IDA Ireland negotiated a zeroing of business rates during the transition period of the site being converted from its former industrial use to its future low-carbon energy use.

ii. *Planning and development support* – IDA Ireland shared examples and 'lessons learned' from other major businesses and development projects. Given the project's benefits in terms of employment and CO2 reductions, it has been given access to Ireland's national planning framework if needed in future.

iii. *Brokerage* – The IDA introduced the investor to future potential tenants for the new industrial campus.

iv. *Relationship management* – IDA Ireland provided a locally-based representative who provides access and supports for engagement activities with local communities, the Local Authority, the Environment Protection Agency (EPA), Electricity Supply Board (ESB), and Eirgrid. IDA Ireland also provides central support and relationship access to other major Ireland-based businesses that are relevant to the project and is supporting in marketing the new site to potential customers.

These key elements offered by IDA Ireland (tax reliefs, brokerage with tenants/partners, planning support) are all areas that the UK government could look to replicate to help encourage and support foreign investment.

Case study provided by an experienced international investor

The ability to negotiate deals

266. Having clear targeting and an expanded toolkit is the basis of a good approach to negotiating with businesses. What gets a negotiation over the line and a deal landed, however, is the ability to make decisions in real time. The Investment Minister, supported by the OfI, DBT and HM Treasury, needs to be given the freedom to negotiate strategic partnerships that may stray into multiple areas of government (*Recommendation 5.4)*.

267. The Moderna case study set out below is instructive in this regard – it shows that the UK can successfully negotiate a multi-faceted strategic partnership to secure a major investment. Such partnerships still appear to be exceptions rather than the rule - many businesses complained to this Review that they had been looking for just this type of partnership over the past five years but had been rebuffed, as there did not seem to be the flexibility to negotiate such a deal across the range of government interests.

268. Companies responding to this Review have been clear that they want to engage in dialogue with the government across the range of their business interests – rather than be limited to a bespoke deal on a manufacturing plant or an R&D grant for example. The nature of these partnerships is likely to vary significantly across growth sectors and companies.

Case study: Moderna – an example of a wide-ranging partnership

In December 2022, the UK government unveiled a 10-year strategic partnership with US biotechnology company Moderna. The partnership will bolster health security in the UK by bringing vaccine development onto UK shores, boosting the UK's ability to rapidly scale up vaccine production in the event of a health emergency.

As part of the partnership, Moderna will invest in the UK through the establishment of the Moderna Innovation and Technology Centre (MITC) in Harwell, Oxfordshire. This state-of-the-art vaccine research and manufacturing centre, expected to be operational by 2025, will create over 150 highly skilled jobs. The manufacturing facility will be capable of supplying up to 100 million doses of respiratory vaccine per year in normal circumstances, increasing to up to 250 million doses in the event of a health emergency, and the UK will have priority access to these vaccines where they are authorized by the MHRA.

The new Innovation and Technology Research Centre will also look to create revolutionary treatments, and will run a significant number of clinical trials. Moderna has also pledged to fund grants for UK universities, including PhD places, research programmes and wider vaccine ecosystem engagement.

This case study is an example of how wide-ranging partnerships that cover both the UK's strategic objectives and companies' commercial interests can be negotiated effectively. Despite the lack of a standard blueprint for the agreement, both parties were able to agree novel solutions during negotiation when traditional approaches were hindered by bureaucracy. Clear objectives on both sides and strong ministerial support for the partnership were key to its successful negotiation.

Courtesy of Moderna

269. Delivering the more targeted and flexible negotiating approach to securing investment outlined in this chapter will require a step-change in organisation. Departments, the UK's overseas networks and the relevant local areas or devolved administrations for a particular investment need to understand their roles in the process, in order to allow the machinery of government to work as smoothly as possible. *(Recommendation 5.5)*.

270. To deliver these changes, the OfI will need to continue to be able to recruit effectively, bringing the right level of skills and seniority to investor partnerships and investment negotiations. The Review recommends that the Department for Business and Trade budget continues to afford them the flexibility to recruit key personnel on the commercial salary scale to reflect the personnel required to lead complex negotiations with global CEOs. The OfI should also continue to develop both its in-house capability and its ability to engage and manage external legal and corporate finance advisers (*Recommendation 5.6*).

271. Finally, the Review also proposes that, in order to measure the impact of these changes, the OfI changes the way it evaluates its impact. The Review was particularly impressed by the contestability criteria used by London and Partners, and suggests

this could be used as a template (*Recommendation 5.7*). The criteria attempt to identify the specific value add of the promotion agency in investor decision making, removing any counting of projects that were likely to be 'non-contestable' – i.e. that would have been secured without the active intervention of the promotion agency.[108]

Recommendations

5. Government should build on the success of the Office for Investment, and ensure it has access to the right tools from across government to compete internationally. To that end, it should have a more targeted and proactive approach to investors, a clearly communicated toolkit, and the flexibility to negotiate strategic partnerships to secure the most strategically important investments.

5.1. Based upon the specific areas of sectoral focus identified in the Business Investment Strategy, and the target lists of companies identified within those fields (Recommendation 2) the Office for Investment should be charged with proactively contacting and negotiating deals to bring the most strategically important investors to the UK. This requires a shift to a more proactive operating model, supported by wider government.

5.2. The process by which offers to these companies are constructed should draw upon the full HMG tookit. Central government departments, through their accountable Director General for investment, should pre-agree a set of options with the Office for Investment, which can then be flexed as part of negotiations with companies, with departmental expertise brought to bear. This should be operational by April 2024, and include – as a minimum, an ability to:

5.2.1 In consultation with the Department for Levelling Up, Communities and Housing – make a specific offer for high value investments on planning, including the use of Special Development Orders under the Town and Planning Act.

5.2.2 In consultation with the Department for Energy Security and Net Zero – make a specific offer on grid connections that enables the prioritisation of the highest value projects.

5.2.3 In consultation with the Department for Education – make a specific offer on skills, as an area of strength for the UK. This could, for example, involve top-slicing any grant funding provided to support the investment to drive local skills provision to meet the needs of the investor.

5.2.4 In consultation with the Home Office – make a specific offer on visas to help secure top investments.

[108] London & Partners (2023) Evaluation Methodology: https://files.londonandpartners.com/l-and-p/assets/evaluation_methodology_2021.pdf

5.3. The Office for Investment should work with the British Business Bank, UK Export Finance, and the UK Infrastructure Bank to help investors to navigate the different financing options available through UK policy banks, identifying the products most relevant to each investor and facilitating appropriate engagement.

5.4. The Investment Minister, supported by the Office for Investment, should be given a mandate and support from wider government to negotiate bespoke offers to land top investments, supported by relevant departmental expertise.

5.5. An internal investment 'playbook' should be produced by Office for Investment. This document should set out the process and procedures for securing the most strategically important investments, including expectations of the Office for Investment, central government departments, UK Government Investments, the relevant state funding institutions, devolved administrations , English regions, and overseas posts. This should be shared across government, with responsibilities assigned to named teams within relevant departments.

5.6. The Office for Investment should continue to have the flexibility to recruit key personnel on a commercial salary scale to reflect the key skills and seniority required to lead complex negotiations with global CEOs. It should continue to develop both its in-house capability and its ability to engage and manage external legal and corporate finance advisers.

5.7. The Office for Investment should continue to explore ways of measuring the impact of its operations to inform future strategy and decision-making, as well as strengthening its accountability. The Review recommends the London and Partners contestability criteria be considered as a method for this.

6. Strategically targeted incentives

'The UK is fighting for inward investment in an increasingly competitive global market, with other countries becoming far more proactive, aggressive, and fast-acting. This doesn't seem to be well understood in UK government and we risk being left behind.' – Tom Keith-Roach, UK President, AstraZeneca

Introduction

272. Bespoke financial incentives can make the difference in landing internationally mobile investment because they impact the cost of and return on investment calculations, which influences a company's decision when choosing between locations. Incentives such as tax breaks and subsidies are therefore widely employed by the UK's competitors (as set out in case studies in this Review). The UK mainly uses business grants to target the highest value strategic investments, so the Review has focussed on how they can be used to support the OfI to be more competitive.[109]

273. The Review heard that grants in the UK are often not generating a strong incentive effect – the application and approval processes are too slow and uncertain to influence investor decision-making. What came through consistently and strongly is that if the UK wants to win more contestable investments, it needs to be clearer in communicating the types of investments that can attract capital support; better organised to engage with businesses and investors more proactively; and less risk averse – it must accept that to achieve its strategic objectives, some investments that are supported by grants will fail.

Review findings

274. There were three broad themes raised by investors across the sectors in relation to grants:

- *The UK incentives offer is unclear*. Businesses reported that the UK grant landscape was difficult to navigate and the type of investments that could attract grant support, how much, and under what conditions is not well communicated. This situation compared unfavourably with countries such as Ireland, Germany, and France where investors reported that in addition to being proactively approached, the overall incentive offer was clear.

---

[109] The UK government publishes grant statistics on its website: https://www.gov.uk/government/statistics/government-grants-statistics-2021-to-2022/government-grants-statistics-2021-to-2022

- *Grant application processes are opaque and slow.* Businesses reported that where they were potentially eligible for support, engaging with UK government could be confusing and frustratingly slow due to a lack of transparent processes and accountability. Businesses were unclear who in government had authority to sign off on funding decisions, which typically resulted in conversations with multiple officials and ministers, leading to delay and frustration.

  For example, a MedTech firm told us how during the four years it took them to negotiate an R&D offer with the UK, they had received approval and already invested £350 million in SE Asia. A large multinational advanced manufacturing company reflected that, *"grant decision making must be quicker, even if that decision is a 'no'."*

- *Application processes and timelines do not align to business investment planning cycles.* A common theme reported by large multinational businesses was that the application process for many UK business grant schemes do not align with the investment planning cycles of international companies, which are driven by global board decisions. Several businesses told us that long grant application windows meant they could not factor prospective UK grants into their decision making when deciding where to base a new investment.

Guiding principles – clarity, speed, alignment

275. The government should bring the full force of its resources to land contestable investments from its top target investors (as per the revised process set out in Recommendation 2), with a globally competitive OfI empowered to do this. As set out in Chapter 5, this extends beyond funding. As part of the OfI's expanded toolkit, however, targeted incentives will need to be used to win more deals in an increasingly competitive environment for investment. These need to be clearly communicated to investors and be approved quickly by the Investment Minister to be able to influence global board decisions.

276. Part 1 of this report analysed the size of the FDI prize. This Review estimates that a more coherent and strategic incentives approach targeted towards the highest value investments could have made a difference to approximately £2.5 billion of extra investment per year.

277. Grant support – or any other targeted incentives used – must be linked to delivering government objectives, proportionate to the value an investment will deliver, and provided only where investments are contestable (*Recommendation 6.2*). To realise this opportunity, investors must be offered incentives at the right point in the business investment planning cycle in a way that is 'bankable' in an investment assessment. *This addresses key feedback application processes and that timelines do not align to business investment planning cycles.*

278. At the heart of this recommendation is the principle that government should clearly communicate the kind of investment propositions that will attract capital support, then deliver an offer with the speed and efficiency that investors experience in a private sector commercial setting (*Recommendation 6.1, 6.3*). This contrasts with

the example set out in the focus box below of how the exceptional Regional Growth Fund currently operates.

Focus Box - A short history of grant support to large inward investments and lessons for the design of the new Business Investment Fund.

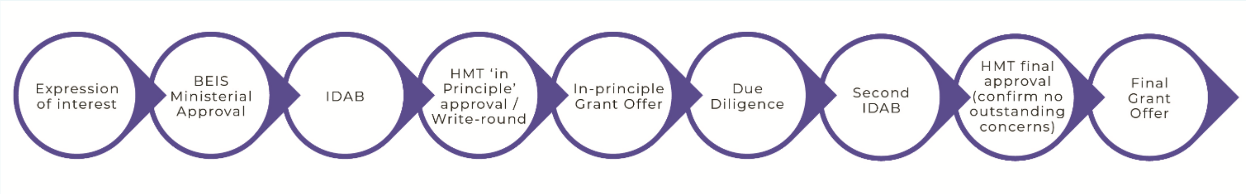
Historically, the UK government has used the Industrial Development Act 1982 to support the highest value inward investment cases, most recently the Grant for Business Investment from 2008 – 2011 and, in England, the Regional Growth Fund (RGF) from 2011 – 2015.

Funding for the RGF was discontinued after 2015, however the government retained an unfunded mechanism to provide support to companies on an exceptional basis. 10 exceptional RGF (eRGF) awards have been made since 2015.

The eRGF was not designed to support a proactive strategy for attracting and securing mobile investment in a highly competitive global market.

- Applicants are required to provide high levels of supporting evidence and undergo lengthy assessment processes before an initial grant offer can be presented to begin negotiations.
- Applications can take several weeks, involving multiple iterations because companies are not clear on what level of supporting detail they need to make a case for assistance.
- Due diligence can take several months as companies again may not have the required level of evidence. Departmental budget constraints and agreement between DBT (formerly BEIS) and HMT can add further delays.

Figure 18: The current eRGF process



279. The Review spoke with representatives of the Industrial Development Advisory Board (IDAB), which acts as a statutory gateway review function for government business grant programmes made under the Industrial Development Act 1982. IDAB and government officials working with IDAB recognised the feedback investors had relayed – including a high level of risk aversion contributing to slow decision-making – and that this feedback reflects the fact that IDAB's Terms of Reference were most recently revised in a different context to support it to play a predominantly reactive role.

280. The Review recommends IDAB should be given a more strategic remit to build expertise and investment opportunities in new growth sectors and, in keeping with the Business Investment Strategy, to consider wider indicators of where future opportunities lie for the UK versus shorter term value for money calculations (*Recommendation 6.4*). *This addresses all key feedback themes – clarity, speed, alignment.*

281. Notwithstanding the feedback provided to the Review, business understood that as well as supporting the delivery of policy objectives, the UK grants system must deliver value for money and that the government has a responsibility to ensure sufficient checks and balances are in place to mitigate risks such as fraud and error, and threats to national security. The challenge of balancing an effective and efficient incentive system alongside the necessary safeguards was acknowledged.

282. In addition to focusing on supporting the OfI to become more competitive, the Review has also recommended the government review its wider existing grant programmes to improve the investor experience and ensure those programmes are delivering their intended incentivisation of investment effectively (*Recommendation 6.5*).

Recommendations

6. Recognising the success of its existing funds such as the Automotive Transformation Fund and the Aerospace Technology Institute programme, the government should ensure that the Office for Investment has access to a Business Investment Facility that supports it to initiate proactive discussions with potential investors. The Facility should clearly communicate the kind of investment propositions that will attract capital support.

6.1. To effectively support the OfI's operations, the scope of the new facility should be clear to investors (new and existing), with a process akin to that of applying for a bank loan or Investment Promotion Agency and in particular, should be set up to deliver a response to business within 60 days.

6.2. The Investment Committee should consider how the facility can be designed to support a wider risk appetite. Government needs to accept that like any other financial institution investing in a deal, some investments succeed and some fail. This may involve the adoption of a risk portfolio approach.

6.3. The Investment Minister should have delegated authority from the Investment Committee, chaired by the Chancellor, to approve disbursements from the Facility, up to an agreed threshold with approvals above this threshold remaining the preserve of the Chancellor.

6.4. The Industrial Development Advisory Board (IDAB) has consistently been identified by businesses and officials as a significant delaying factor to government investment decisions. To address this, we recommend IDAB's Terms of Reference should be updated to support the operation of the Business Investment Facility. IDAB should operate like a bank's investment committee and support a 60-day response for decisions in principle for investments for high value cases.

6.5. The government should develop a framework for the smooth and efficient administration of the Facility, alongside a review of existing capital support programmes, and international best practice to identify barriers to attracting inward investment and opportunities to make the investor experience more business centric. As a minimum, this is likely to include:Providing a single route to search, find and apply for government grants for UK and foreign investors. The Great UK landing page should be updated to better promote available incentives to investors, including clear links to the newly developed "Find a Grant" landing page (the government's single place for finding and applying for grants for UK and international investors).

6.5.2 Introducing service level agreements on grant processing so that, where appropriate, applicants should know the outcome within 60 days of submitting an application.

6.5.3 Involving the Investment Committee in the design and development of new grants to achieve greater alignment between application processes and target applicants' investment decision-making cycle. Competitions and application windows are not appropriate for attracting investments driven by global board decision-making processes.

Conclusion

283. Part 1 of this Review focussed on building an understanding of what the UK's record on attracting FDI looked like and why, what FDI contributes to the UK, and how the picture compares with other countries. Part 2 has sought a business perspective behind the data to uncover how the government's investment policy is impacting their decision-making.

284. The feedback provided by investors to this Review has underlined the need for a change of approach. In many cases these changes are not revolutionary in themselves. But, taken together, all have the incremental effect of lining up the elements that will be key to future investment success - strategy, organisation and tools.

285. The recommendations set out above amount to a more joined up vision for the UK's investment landscape. They acknowledge that in the main, the incentives of government and business are aligned, with the economic prosperity of the UK being a shared objective.

286. The Review's recommendations have the potential to deliver a first-class investor experience, as illustrated in the introduction to Part 2. Creating this experience for investors will open up new financing flows to support the UK on its way to achieving the vision of a modern, high-growth economy that the Prime Minister, Chancellor and Secretary of State for Business and Trade have made their aim.

Annexes

Annex A: Terms of reference for the review into the government's approach to attracting foreign direct investment

Background

1. The government is committed to ensuring it is the most attractive destination in Europe for internationally mobile investment.

2. To do this, it is essential the government ensures the UK's wider investment offer continues to be competitive across a range of areas, including on skills and labour, infrastructure and tax, among other things, and it is taking forward action across a number of these areas to ensure the UK remains at the forefront globally.

3. Over and above this, the government's investment offer is also an increasingly important tool to persuade internationally mobile investors to choose the UK, including investment promotion, advice and incentives.

4. The Office for Investment (OFI) was established in November 2020 to support the landing of high value investment opportunities which align with key government priorities. Since its inception, the OFI has helped secure over £11.75 billion of inward investment into the UK, complementing the investment promotion work of the Department for Business and Trade (DBT).

5. In the face of increasing overseas competition for internationally mobile investment, it is right for the government to ensure its investment promotion operation is properly equipped to maximise its ability to fight for and win the transformational investments needed to drive the CX's ambition for the UK to become the world's next Silicon Valley.

6. This review will look at how the government, through the OFI, DBT and its other investment promotion levers, can best take advantage of the UK's strengths in the face of increasing levels of government subsidy from overseas, learn from our competitors and position the UK as the leading place for inward investment in the world.

Scope

7. The review will consider the following, focussing primarily, though not exclusively, on the key growth sectors identified by the Chancellor of the Exchequer (Green Industries, Advanced Manufacturing, Life Sciences, Digital Technology and Creative Industries):

- The investment promotion tools and processes the UK's international competitors use to attract investment, and how this compares to the UK approach

- The mandate for DBT (including the OFI), as the UK's investment promotion organisation, building on the success of the OFI, and any structural reforms required to increase investor awareness of services and maximise impact in attracting major investments

- The funding landscape in relation to the role of grant incentives, how these are deployed and structured– including whether the OFI should have a greater role in this – and how these can be used most effectively to win globally mobile investment projects, while maximising value for money

- The interactions of local support with national government levers

- The government's approach to setting and driving investment priorities.

8. Territorial extent: UK-wide

9. The following areas will be explicitly out of scope of the review. However, relevant feedback gathered during the review on these areas will be logged and passed to lead departments to consider and respond to as part of their wider policymaking process:

    - Wider business environment policies, including tax, regulation, infrastructure, and skills

    - DBT's existing investment service transformation programme.

Governance and resourcing

10. The review will be co-sponsored by the Chancellor of the Exchequer and the Secretary of State for Business and Trade.

11. Lord Harrington of Watford will chair the review and will report into the Chancellor and SoS DBT.

12. The Exchequer Secretary to the Treasury and the Minister for Investment will also receive regular reports on the review's progress.

13. The Chair will be supported by a Review Secretariat, made up of officials from the Treasury, OFI and DBT.

14. A steering group of senior officials from relevant departments, including Treasury, DBT and No 10, will oversee progress of the review.

Timing

15. The review will commence in April 2023 and produce a report with findings and recommendations by September 2023.

Annex B: FDI benefits and links to business investment

Companies receiving FDI are typically more productive, invest more in R&D, and make an outsize GVA contribution to the UK economy:

- ONS firm level analysis suggests that firms which attract FDI are 72% more productive than domestically oriented firms without any FDI links, even after accounting for firm size, industry, and location.[110]

- Foreign-owned firms spend significantly more than domestic firms on research and development, accounting for 35% of total R&D spending in the UK in 2021.[111]

- Data from the ONS shows that the 1.4% of UK companies receiving FDI – which on average are larger – accounted for 15% of UK employment, 25% of capital expenditure and 23% of average gross value added in 2018.[112]

- Research also shows that companies undertaking FDI are usually at the forefront of innovation and management practices in their sector. These may diffuse to UK companies that supply them, those that receive their products as inputs, or UK competitors in the same sector – providing increases in productivity as a spillover.

- A further benefit of the arrival of a high-performing foreign-owned company via FDI is that it will usually increase competition in the market it enters, spurring domestic businesses to become more innovative and efficient in response.

2. Whether FDI leads to these positive outcomes or whether it is the most productive, research-intensive firms that engage in FDI is unclear. In addition, statistical analyses do not directly demonstrate that indirect benefits always materialise or outweigh negative effects.[113] However, the balance of economic research for the UK does show beneficial causal effects for investment and productivity.[114]

---

110 Office for National Statistics, UK foreign direct investment, trends and analysis: August 2020. ONS. Table 1: Shares of UK business counts, employment, aGVA and acquisitions of capital expenditure attributable to firms with and without FDI links, 2018: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/ukforeigndirectinvestmenttrendsandanalysis/august2020

111 Business enterprise research and development, UK: 2021; ONS (2022) Annual research and development (R&D) spending and employment by UK businesses, including data by product category and employment on R&D: https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/researchanddevelopmentexpenditure/bulletins/businessenterpriseresearchanddevelopment/2021/relateddata

112 Office for National Statistics (2020), UK foreign direct investment, trends and analysis: August 2020. ONS.

113 The extensive empirical literature shows mixed findings internationally, particularly for advanced economies.

114 For example Griffith and others (2002) and Haskel and others (2002) both find evidence of significant positive spillovers from FDI, raising the productivity of domestic companies in related sectors. In Haskel and others, a 10 percentage point increase in foreign presence in a UK market increased domestic total factor productivity in that industry by 0.5%. Recent econometric modelling based on firm-level data by the then-Department for International Trade estimated, consistent with these earlier studies, that a £1m internal investment leads on average to a net increase in UK

3. Business investment captures the acquisition of non-financial assets by UK-resident firms, while UK inward FDI captures the cross-border flow of funds into UK firms, to increase their interest or stake. A common intuition is that FDI consists of investment by multinational firms abroad. In actuality, the measurement of FDI in balance of payment accounts reflects the flow of financing for that investment across borders.

4. Any business investment in the UK by a Multinational Enterprise (MNE) that is funded by UK-based sources of finance would be included in business investment but would not be counted as inward FDI because the funds to finance the investment did not cross a border.

5. Business Investment is recorded in the UK National Accounts, whereas inward FDI is recorded in the UK Balance of Payments. As such, inward FDI should not be considered a subset of business investment as they are not directly comparable in accounting terms.

6. Nonetheless, while inward FDI does not equate to or automatically contribute to business investment, there is evidence – and this is echoed in the range of experiences heard clearly by the Review – that it frequently does contribute to business investment. For example, the purchase of UK plant and machinery using cross-border finance.

---

gross value added of around £98,000. https://ifs.org.uk/publications/productivity-convergence-and-foreign-ownership-establishment-level

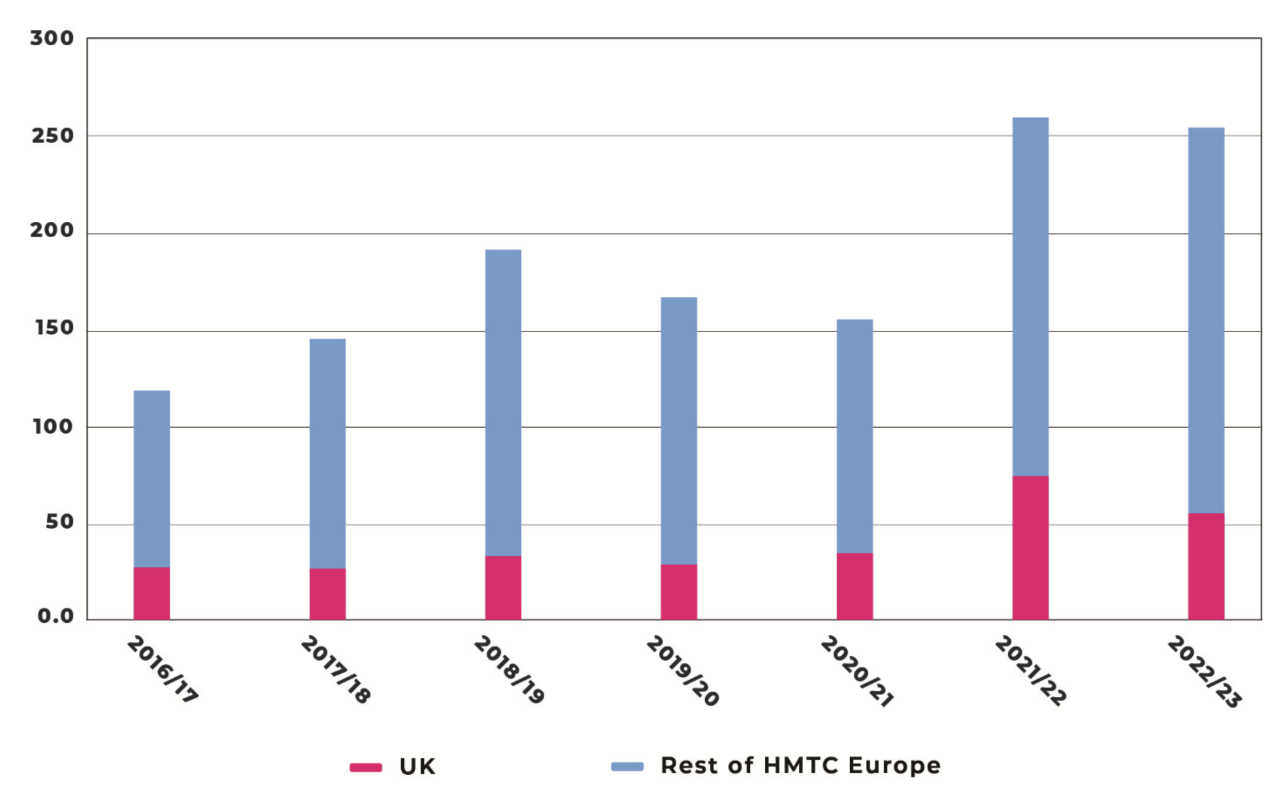
https://www.nber.org/system/files/working_papers/w8724/w8724.pdf

Annex C: UK performance attracting regional inward FDI

1. To evaluate the UK's current performance and estimate how much more investment it might be able to win requires an assessment of what investment is contestable by the UK.

2. An appropriate set of countries to consider as the potential investment market includes the countries of Western and Central Europe – for which UK trade falls under the responsibility of HM Trade Commissioner Europe – plus the UK itself.[115] The Review's analysis assumes that some investment going to the rest of this HMTC Europe region is contestable i.e. that the foreign investor wishes to increase capacity in the region and could be open to doing so by investing in the UK.

Figure 19: UK annual greenfield FDI inflows compared to the rest of Europe (£x billions)



Source: fDi Markets via Department for Business & Trade, Harrington Review UK Economic Context, Table 1

3. Only a proportion of this investment into the region will be contestable. Foreign direct investment is usually motivated by consideration of three factors:

115 The HMTC Europe region includes: Albania, Andorra, Austria, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden and Switzerland.

investment to access a domestic national market; investment to access resources; or investment to establish a platform for the region. Some resource-seeking FDI will be tied to location-specific opportunities such as mineral reserves, offshore wind resource or cheap local labour. But many investments may either be looking across the region for a suitable production base, or for their hub to serve the regional market – and these opportunities will be contestable by the UK.

4. Given these fundamental limits, the UK performs strongly. The chart below shows inward greenfield FDI flows to the UK and the region as a whole annually since 2016/17. The UK has taken a 21.3% share of the inward FDI available to the region over the period. In comparison, the UK accounts for 14.1% of the region's GDP. On this basis, the UK wins an outsized share of FDI, going beyond that which will be to access the UK market and including a portion of what is contestable across Europe. It is striking that this performance has been maintained over a period impacted by significant policy uncertainty and the UK leaving the single market that covers most of the region.

Annex D: Breakdown of UK and Europe FDI by sector

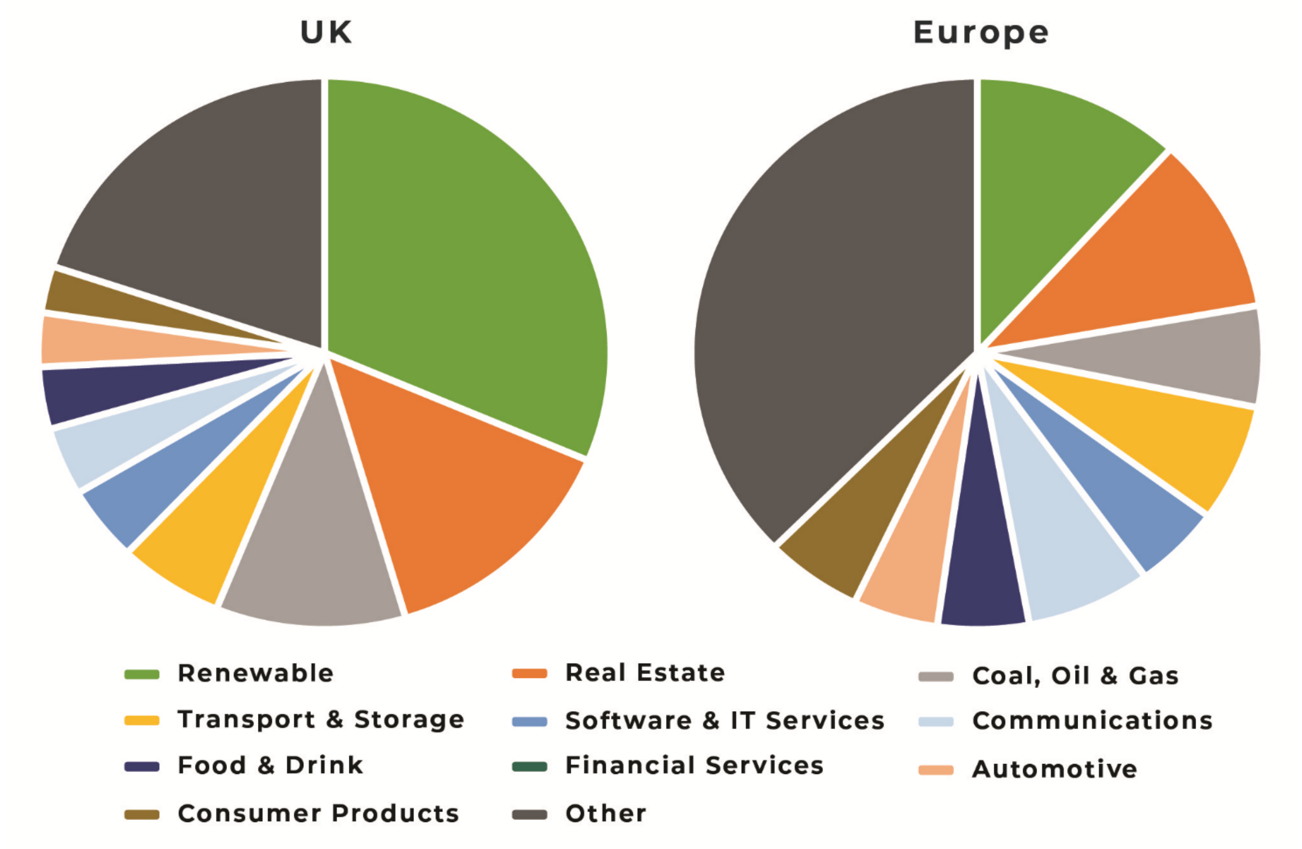
1. The chart below shows the proportions of greenfield capital FDI investment by sector, for the UK and the rest of the HMTC Europe area. Two features stand out:

   - Investment in renewables has been a much greater proportion of UK inward FDI – nearly a third of the total – than it has for the rest of the region.

   - Several sectors that include significant manufacturing – auto, consumer products and food and drink – have accounted for a smaller share of the UK's greenfield FDI than for the rest of the region.

2. These findings have led the Review to investigate two possibilities: whether the UK's strong performance attracting renewables investment has masked weaker results in other sectors, and whether the UK has underperformed in attracting manufacturing.

Figure 20: Sector breakdown of total greenfield FDI in UK and HMTC Europe (total = 100%)



Source: fDi Markets via Department for Business & Trade, Harrington Review UK Economic Context, Table 7

Annex E: Investment attraction strategies across Europe - how does the UK compare?

Case Study

Long-term strategies provide confidence for industry about a country's objectives for growth and investment priorities. The UK's competitors have a variety of approaches, as detailed below.

Ireland – Ireland's National Planning Framework (2019) and National Development Plan 2021-2030 (2021) combine to create Project Ireland 2040, including a public investment of €165 billion over the period 2021-2030. The National Development Plan outlines 10 National Strategic Objectives that set out a vision for Ireland's development over the period, outlining Strategic Investment Priorities to enable the Development Plan.

France – The France 2030 plan (2021) outlines a €100 billion investment plan to support businesses, rethink production models, transform infrastructure and invest in training. The plan details 10 objectives covering: energy, transport, food production, health, culture, and space and seabeds, each with allocated budget.

Germany – Germany sets out a number of long-term strategies; the 2030 Federal Transport Infrastructure Plan (2017), the Industrial Strategy 2030 (2019) and most recently the Sustainable Development Plan (2021). The Federal Transport Infrastructure Plan outlined transport policy for the next 10-15 years, including €98.3 billion of funding earmarked for upgrading and new construction projects. The Industrial Strategy establishes targets such as increasing the manufacturing industry's GVA from 23% to 25% in Germany, and to 20% GVA in the EU by 2030.

Spain – Spain's Entrepreneurial Nation 2030 Strategy (2021) focuses on ten sectors, which together make up 60% of the country's GDP. There are 14 specific measures relating to attracting and developing investment, including improving the policy and regulatory environment, attracting pension funds, encouraging investment into research, development, and innovation, and promoting the role of public procurement as a driver of innovation. The strategy also details measures to address socio-economic issues within Spain, with an emphasis on inclusive development across different territories, for people of all ages.

Additional sources considered

Agarwal, R. (2023) *Industrial Policy and the Growth Strategy Trilemma*. IMF Finance and Development Analytical Series Available at: https://www.imf.org/en/Publications/fandd/issues/Series/Analytical-Series/industrial-policy-and-the-growth-strategy-trilemma-ruchir-agarwal Accessed 23/07/23

Bartik, Timothy J. (2017) *A New Panel Database on Business Incentives for Economic Development Offered by State and Local Governments in the United States*. W.E. Upjohn Institute for Employment Research. Prepared for the Pew Charitable Trusts. Available at: https://research.upjohn.org/reports/225/

BCG (2023) *The UK must use its strengths to respond to US and EU Green Industrial Policies: Here's how* 28 April 2023 Available at: https://www.bcg.com/united-kingdom/centre-for-growth/insights/pro-innovation-regulation-of-green-technologies Accessed 25/07/23

Bhalotia, S. et al. (2023) *Trading Up: The role of the post-Brexit trade approach in the UK's economic strategy*. Resolution Foundation. June 2023. Available at: https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/06/Trading-Up.pdf

Cabinet Office (2021) Government Functional Standard GovS015: Grants v2.0. Available at: https://www.gov.uk/government/publications/grants-standards

Crescenzi, R., Di Cataldo, M., Giua, M. (2021) *FDI inflows in Europe: Does investment promotion work?* Journal of International Economics volume 132 (September 2021). Available at: https://www.sciencedirect.com/science/article/pii/S0022199621000775?via%3Dihub

Coulter (2022) *Industrial Policies or Industrial Strategy: The Difficulty of Enacting Long-Term Supply-Side Reform in the UK* The Political Quarterly, Vol. 93, No. 2, April–June 2022

Davies, G. and Christie-Miller, T. (2020) *The Case for a British Development Bank*, Onward Paper, October 2020

Energy Transitions Commission (2023) *Streamlining planning and permitting to accelerate wind and solar deployment* Insights Briefing Available at: https://www.energy-transitions.org/wp-content/uploads/2023/01/Barriers_PlanningAndPermitting_vFinal.pdf Accessed 31/07/23

Global Infrastructure Investment Association (2023) *Investing in the Future* GIIA Discussion Paper

HMG Life Sciences Vision (2021) Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1013597/life-sciences-vision-2021.pdf Accessed: 23/07/23

House of Commons International Trade Committee (2021) *Inward Foreign Direct Investment* Third Report of Session 2021–22. September 2021.

House of Commons Committee of Public Accounts (2023) *Supporting investment into the UK* Fifty-Sixth Report of Session 2022–23: Report, together with formal minutes relating to the report. May 2023.

IMF (2023) *Enhancing Business Investment in the United Kingdom* Selected Issues Paper, Agnese Carella, Ruo Chen and Xiaobo Shao. Available at: https://www.imf.org/en/Publications/selected-issues-papers/Issues/2023/07/13/Enhancing-Business-Investment-in-the-United-Kingdom-536320 Accessed 23/07/23

Industrial Strategy Council (2021) Final Annual Report. Available at: https://industrialstrategycouncil.org/sites/default/files/attachments/ISC%20Annual%20Report%202021.pdf Accessed at 23/07/23

Irish Development Agency (IDA) *Annual Report & Accounts 2022* Available at: https://www.idaireland.com/annual-reports Accessed 27/07/23

NEF (2016) Written evidence from the New Economics Foundation (ISG 182) Available at: https://committees.parliament.uk/writtenevidence/73233/html/ Accessed 23/07/23

OECD (2022) *FDI Qualities Policy Toolkit*, OECD Publishing, Paris. Available at: https://doi.org/10.1787/7ba74100-en

OECD (2020) *FDI Qualities Assessment of Ireland*, OECD Publishing. Available at: http://www.oecd.org/investment/FDI-Qualities-Assessment-of-Ireland.pdf

OECD (2022) *FDI Qualities Indicators 2022*, OECD Publishing. Available at: https://www.oecd.org/investment/investment-policy/OECD-FDI-Qualities-Indicators-2022-update.pdf

Oliveira-Cunha, J., Kozler, J., Shah, P., Thwaites, G., Valero, A. (2021) *Business time: How ready are UK firms for the decisive decade?* The Economy 2030 Inquiry, May 2021. Available at: Business-time.pdf (resolutionfoundation.org) Accessed 24/07/23

United Nations Conference on Trade and Development (2022) *World Investment Report 2022*, United Nations 2022

White, C., and Wilkinson, B (2017) *Creating, not picking, winners: How to develop an industrial strategy which works for everyone* Issues & Ideas King's College London Available at: https://www.kcl.ac.uk/ifis/assets/creating-not-picking-winners.pdf Accessed at 27/07/23

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

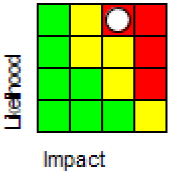
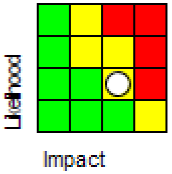
Email: public.enquiries@hmtreasury.gov.uk

Appendix 1 - Departmental Risk Register

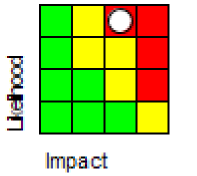
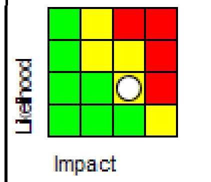
CHB Corporate and departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Leah Woodlock
Generated on: 16 November 2023

Rows are sorted by Risk Score

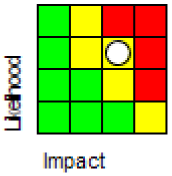
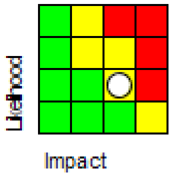
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB 002 Housing Revenue Account Financials 16-Oct-2023 Mark Jarvis; Sonia Virdee	**Cause**: • Increased running repairs and maintenance costs due to inflationary pressures, management costs and depreciation charges. Also, potential issue around non-recoverability of elements of service charge costs due to inadequate s20 consultation process **Event**: • Inability to contain financial pressures on the Housing Revenue Account, need to have a balanced budget. **Effect**: • The City Corporation's reputation is damaged due to failure to deliver housing services.		**16**	The latest financial position on the overall HRA, including the reviews noted above will form part of the HRA Estimates report to be presented in the autumn. Note the previous five year financial projections show the revenue funding position remained precarious and vulnerable to revenue overspends or significantly rising capital costs (leading to higher loan repayments and interest charges). Counsel opinion being sought on the S20 service charge recoverability issue. **16 Oct 2023**		**8**	31-Mar-2025 Reduce	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB002a	Close monitoring of capital schemes is required during 2023/24, update to be provided in regular reporting of capital forecasts. Continue to monitor the risk around non-recovery of leaseholder contributions to capital projects following the Great Arthur cladding case decision.	Close monitoring of capital schemes is required during 2023/24, update to be provided in regular reporting of capital forecasts due in the HRA estimates and revised 5 Year Plan in January. Continue to monitor the risk around non-recovery of leaseholder contributions to capital projects following the Great Arthur cladding case decision.	Mark Jarvis	2816-Nov-2023	31-Mar-2024
CHB002b	Continuous monitoring of the impact of inflation - capital schemes forecast to exceed budget as well as much increased repairs and maintenance and energy costs	The Savills report identified high repairs and maintenance costs, management costs and depreciation charges.. The level of the internal recharge to the HRA is being reviewed as part of a City wide recalibration however this will not impact the current years estimates. The current repairs and maintenance contract has had to be extended by one year but is being re-procured for the following period. Further controls on the repairs and maintenance contract spend are being implemented by Housing. The calculation of the depreciation charge has been reviewed with external valuers and significantly reduced accordingly – this will offset some of inflationary revenue pressures. The latest 2023/24 position and 2024/25 draft Estimates show a finely balanced position.	Mark Jarvis	28-Nov-2023	31-Mar-2024

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR38 Unsustainable Medium Term Finances - City's Cash 31-Oct-2022 Caroline Al-Beyerty	**Causes:** High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022 and although predicted to fall over the next two years, embedded increases. Construction inflation running at 4% for 2023/24. Contraction in key income streams and increase in bad debts following post pandemic change in working practices still continues into 2023. **Event:** Inability to contain financial pressures within year (2022/23) and deliver sustainable savings already baked in and/or increase income generation not realised requiring further draw down on Reserves. Inability to contain construction inflation or inability to rescope capital schemes within budgets. **Effects:** Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community. Inability to deliver capital programme and major projects within affordability parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.		**16**	The five-year financial plan provides recommendations for one-off cost pressures and ongoing pressures, now approved via the carry forward process on 30 June, this also included approval of £3.5m central contingency to support unforeseen inflationary pressures. An officer Star Chamber took place during May/June to review savings yet to be delivered during 2023/24 and was presented to RASC sub away day **16 Oct 2023**		**8**	31-Mar-2024 Reduce	Constant

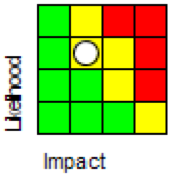
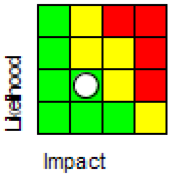
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a	Continuous monitoring of the impact of inflation • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs	The five year financial plan was approved by Court of Common Council on 9 March: 2023/24 base budgets include 2% uplift plus increase in base to support July 2022 pay award. Mitigations approved by CoCo in March 2023 include: central contingencies held to support new pay pressures; carry forwards from 2022/23 underspends to support one-off pressures; transformation funding held centrally to support Resource Prioritisation Refresh workstreams	Sonia Virdee	11-Jul-2023	31-Mar-2024

		and the culture shift. Additional funding allocated to support the backlog of urgent Cyclical Works Programme. £3m contingency ringfenced for urgent health and safety works under capital programme. An update on the five year financial plan was presented to RASC away day, with recommendations on 2024/25 budget setting.			
CR38b	Impact of construction inflation on capital programme: • Major projects • Business as usual capital programme Remain within the financial envelopes approved for major projects	Refer to CR35c.	Sonia Virdee	11-Jul-2023	31-Mar-2024
CR38e	A reduction in key income streams and increase in bad Debt *Triggers:* *Increase in loss of property investment portfolio income over £5m p.a.*	This is being monitored monthly, with action being taken to reduce spend where possible. Budget forecast for 22/23 included reduced income, with recovery profiled across the medium term. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues and this continues to prove effective.	Phil Black; Sonia Virdee	21/11/23	30-Jun-2024
CR38f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	The five year financial plan provides recommendations for one-off cost pressures and on-going pressures. Quarterly revenue monitoring undertaken to ensure departments have appropriate plans in place to meet savings. High risk departments are undertaking monthly revenue monitoring. An officer Star Chamber was held during June which was to review savings yet to be delivered during 2023/24 and was presented to RASC sub away day.	Sonia Virdee	16-Oct-2023	31-Mar-2024

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR35 Unsustainable Medium Term Finances - City Fund 19-Jun-2020 Caroline Al-Beyerty	**Causes:** High inflation – Office for Budget Responsibility forecasting peak reached Autumn 2022 and although predicted to fall over the next two years, embedded increases. Construction inflation running at 4% for 2023/24. Contraction in key income streams and increase in bad debts following post pandemic change in working practices still continues into 2023/24. (Real terms) Loss in Police funding sources combined with requirement to maintain officer numbers. Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile. **Event:** Inability to contain financial pressures within year (2023/24) and deliver sustainable savings already baked in and/or increase income generation to meet the Corporation's forecast medium term financial deficit will not be realised. Inability to contain construction inflation or inability to rescope capital schemes within budgets. **Effects:** Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community. Being unable to set a balanced budget which is a statutory requirement for City Fund. Inability to deliver capital programme and major projects within affordability parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.		**12**	Consumer Price Index rose by 4.7% in 12 months to October 2023, which is down from 6.3% to September. Inflation is feared to be embedded creating pressures on service/departmental 2023/24 budgets to make further savings. Construction inflation is forecast at 4% for 2023/24. The Bank of England base rate rose to 5.25% on 03 August 2023 and remained at this level following the September MPC meeting; there is an expectation that it will rise further to 5.5%. The risk has reduced, the medium term financial plan was approved by Court of Common Council on 9 March, which includes contingency measures to support 2023/24 pressures. **28 Nov 2023**		**8**	31-Mar-2024 Reduce	Constant

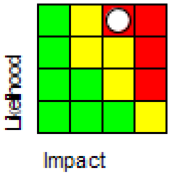
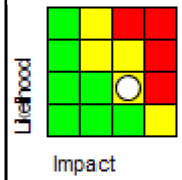
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a	Impact of inflation • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs	2023/24 base budgets include 2% uplift plus increase in base to support July 2022 pay award. Mitigations approved by CoCo in March 2023 include: increase in Business Rate Premium; rise in core Council Tax and Adult Social Care; rise in HRA rents; central contingencies held to support new pay pressures; carry forwards from 2022/23 underspends to support one-off pressures; transformation funding held centrally to support Resource Prioritisation Refresh workstreams and the culture shift. Identified inflationary pressures are well within the contingencies held, in addition, interest rates are giving a welcome boost to City Fund finances. The £30m ringfenced reserves released to support the backlog of urgent Cyclical Works Programme. £3m contingency ringfenced for urgent health and safety works under capital programme. An update on the medium term financial plan was presented to RASC away day, with recommendations on 2024/25 budget setting.	Sonia Virdee	16-Oct-2023	31-Mar-2024
CR35b	• Impact of inflation – capital schemes forecast to exceed budget as well as much increased repairs and maintenance and energy costs. • Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case.	The latest financial position on the overall HRA, including the reviews noted above will form part of the HRA Estimates report to be presented in January 2024. Note the previous five year financial projections show the revenue funding position remained precarious and vulnerable to revenue overspends or significantly rising capital costs (leading to higher loan repayments and interest charges).	Mark Jarvis; Paul Murtagh	28-Nov-2023	31-Mar-2024
CR35c	Remain within the financial envelopes approved for major projects	For Major Projects – Capital Buildings Board monitors delivery within the revised budget envelopes. Monthly updates on the cash flow requirements on the major projects are provided to Policy and Resources Committee, Investment Board and Finance Committee to understand the investment/asset disposal strategy. Regular reporting on the major projects programmes will be presented to Capital Buildings Board, Finance Committee, and Policy and Resources Committee monthly and draw down requirements to the Investment Committee. Capital financing options was presented to RASC sub away day, further discussions with RASC took place on 5th September. The Capital Finance Strategy for the Major Projects programme, included as an agenda item to this committee.	Sonia Virdee	16-Oct-2023	31-Mar-2024

CR35f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	The medium-term-financial plan provides recommendations for one-off cost pressures and on-going pressures. Quarterly revenue monitoring undertaken to ensure departments have appropriate plans in place to meet savings. High risk departments are undertaking monthly revenue monitoring. An officer Star Chamber was held during June which was to review savings yet to be delivered during 2023/24 and was presented to RASC sub away day. Police mitigation plans monitored by Police Authority Board quarterly.	Sonia Virdee; Alistair Cook	27-Nov-2023	31-Dec-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB 001 Chamberlain's department transformation and knowledge transfer 12-Nov-2021 Caroline Al-Beyerty	**Cause:** The TOM changes are insufficient or implementation of radical change fails. The impact of the flexible retirement scheme has been taken up by many long term colleagues leaving the corporation in March 2022. The TOM is also creating anxiety which in turn could cause colleagues to find roles elsewhere. **Event:** Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future. **Effect:** Chamberlain's Department fails to deliver its objectives.		**6**	A key risk remains but is reducing within Financial Services. Recruitment is underway where vacancies have been held, with key roles being prioritised. A number of key roles have been appointed too. Management is deploying temps and external expertise where there are significant gaps to support the current team until permanent positions are filled. The Learning and Engagement Board has been relaunched to support and develop staff. The board are considering options to deliver a skills matrix assessment to understand the learning needs and requirements across the department. **28 Nov 2023**		**4**	31-Mar-2024 Reduce	Decreasing

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB001b	Ensure that all colleagues are provided with the training they need to fulfil and succeed within their roles.	The departmental Learning & Engagement Board was re-launched on 21 June with a renewed vision, terms of reference and refined learning objectives. An all-staff learning survey has been circulated to request feedback on individual needs. A skills matrix review is planned to independently analyse strengths and areas for improvement for Chamberlain's staff.	Phil Black	21/11/23	31-Mar-2024

		Key workstreams for the board have been identified.			
CHB001c	Chamberlain's TOM structure design and culture is fit for purpose.	A number of actions sit within the workplan for the Learning and Engagement Board and within the empowering transformation workstreams which will be delivered throughout 2023/24 and 2024/25. In support of the FSD business partners transitioning to a matrix structure, a session outlining the benefits and practicalities was delivered to all FSD staff at the Away Day held in November.	Anna Flashman	28-Nov-23	31-Mar-2024
CHB001d	The corporate recruitment moratorium has lead to a significant number of vacancies being held across the department leaving gaps in capacity.	Vacancies across Chamberlain's have now been filled with the exception of a number remaining in the Financial Services team. A renewed focus is taking place on 'training our own' through a wider apprenticeship programme and graduate trainee recruitment. The Chief Accountant role has successfully been recruited too.	Sonia Virdee	28-Nov-23	31-Mar-2024
CHB001e	Following the resignation of the previous Assistant Director the team are now required to reprioritise to focus on core financial work including statutory deadlines, due to the capacity gap that this vacancy creates along with those already existing within the team.	A plan has been drawn up by the team to ensure most pressing work is covered, which will lead to some work being deprioritised in the interim and a possible shift in target completion dates. An update on FSD was taken to this committee in April and September with 3 key priorities focusing on 1) well-being of staff; 2) recruitment 3) getting the basics done. A verbal update will be provided in December.	Sonia Virdee	28-Nov-23	31-Mar-2024
CHB001f	Ensure procedure notes are in place, accurate and current. To avoid loss of critical knowledge and best practice approaches to departmental tasks and responsibilities.	A project has been at the July Chamberlain's Senior Leadership team meeting to identify the current procedure notes available and gaps across the department. The project proposes to review the quality, accuracy and validity of the procedure notes. It is requested that line managers coordinate their teams response. Findings show that transactional services within Chamberlain's have a series of comprehensive procedure notes in place. Following the implementation of the Matrix working, procedure notes will be developed for Business Partnering service, depicting best practices and standardisation (where appropriate).	Leah Woodlock	28-Nov-23	31-Dec-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
COO DITS 045 PSTN Switch Off 2025 18-Aug-2023 Zakki Ghauri	**Cause**: BT will retire their PSTN (Copper) Network at the end of 2025. Rendering all current connections redundant. **Event**: All current PSTN (Copper) connections will become unusable by the end of 2025. Forcing an upgrade to digital fibre or mobile services. **Effect**: All of our PSTN connections will cease at the end of 2025. This is in the range of 8,500 connections, which are linked to Lift/BMS/Fire Alarms and Door entry systems. Should these systems fail to be upgraded by the end of 2025, this could lead to essential services being inactive, without anyone being aware. This work will have significant financial impact to complete and failure to complete will have significant reputational impact		**16**	New risk - PSTN Switch Off to be discussed at the next risk assessment with SLT. No funding is currently available to initiate remediation. **This is in the process of being moved to a Corporate risk** **08 Nov 2023**		**8**	31-Dec-2025	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
COO DITS 045a	Investigations into the entire estate	BA is required to complete investigations and formulate remediation plan	Chris Rawding	08-Nov-2023	31-Dec-2023
COO DITS 045b	Funding – Start Captial Bid/Gateway Process	Seed funding required to investigate the size of the issue.	Chris Rawding	08-Nov-2023	31-Dec-2023

Document is Restricted

This page is intentionally left blank

Document is Restricted

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Agenda Item 26

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank