

		AGENDA ITEM 5
		EDE/24/10
Committee:	Economic Development and Environment Policy & Scrutiny Committee	
Date:	21 October 2010	
SCRUTINY REVIEW: PERFORMANCE INDICATORS ON JOBS CREATED AND SAVED AS A RESULT OF FOREIGN DIRECT INVESTMENT (LI 015)		
Enquiries to:	Christine Sharland, Governance Officer 01245 430450 <a href="mailto:Christine.sharland@essex.gov.uk">Christine.sharland@essex.gov.uk</a>	

The Local Area Agreement (LAA) indicator LI 015 on jobs created and saved as a result of direct foreign investment has been referred to the Committee because it was flagged as red in July 2010 against the target.

A copy of the performance referral is attached as Appendix A to this report.

The briefing paper attached at Appendix B has been prepared by David Adlington, Head of Investment, to provide the Committee with some background on Inward Investment and County Council's involvement, and commentary on the specific target in question.

**Action required:**

**The Committee is requested to scrutinise the performance indicator in question.**

**Environment and Economic Development Policy and Scrutiny Committee**

<b>Date referred</b>	<b>Indicator</b>	<b>Performance at referral</b>	<b>Current performance &amp; DoT</b>	<b>Target</b>	<b>Summary of Discussions at Policy &amp; Scrutiny Committee</b>
July 2010	Jobs created and saved as a result of foreign direct investment (LI 015)  <i>Good performance is a high value</i>	Available September 2010	231 (09/10)	518 (10/11)	<p><b>Discussion at Policy and Scrutiny Committee:</b> This is the second time this has been referred to Policy and Scrutiny Committee. The Committee considered the issue in September 2007 (minute 52) and received a presentation from Louise Aitken, Economic and Regeneration Strategy Manager.</p> <p><b>Update from ESH:</b> This is an LAA indicator (and therefore likely to cease when the current LAA ends at the end of 2010/11.) The indicator did not meet target in 2009/10 and is unlikely to achieve the target for 2010/11. The indicator is intrinsically linked to the economic climate, and although can be influenced to a degree by ECC, is outside of our control. "Invest Essex" is responsible for delivering a programme of work that promotes Essex as a great place to do business, but the ultimate decision on investment rests with overseas companies.</p> <p>The general rate of investment enquiries has been higher than last year. Predicted outcomes for projects are tending towards 18-24 month timeframe as opposed to 9-12 months for last year. The number of live cases continues to be strong which bodes well for the future as economic conditions improve.</p> <p>The Invest Essex team will continue to provide confidential advice and practical support to companies</p>

					<p>wanting to establish a presence or expand in the UK. A strategic marketing strategy is being developed to promote Essex as an outstanding business destination. However, the PRG reductions may have an impact since allocations are likely to be cut by 50% for this particular area. Scenario planning is underway to address these cuts to minimise effects on current and future programmes.</p>
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**Briefing Paper:**  
**Inward Investment and LAA Target LI 15**

Author: David Adlington, Head of inward Investment

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## **1. Purpose**

It is noted that LAA Target LI 15, “Jobs Created & Saved through FDI (Foreign Direct Investment)” was not met for 2009/10. This paper provides background to the Inward Investment Programme, its objectives, and performance against targets.

## **2. Context**

### **Economic environment**

- Essex is already home to over 50,000 businesses providing a vast range of job opportunities for our local population and is a major economic driver in the East of England.
- Essex already has a wide spectrum of businesses including large and small, successful start-ups, iconic brands, and companies which have moved to Essex as a platform for growth. Our county has an outstanding record of technologies which were invented here, and of world-leading products manufactured in Essex.
- Internationally renowned companies in Essex, many of which are highly R&D intensive, include e2v technologies, BAE Systems, Ford, GlaxoSmithKline, New Holland Agriculture, Olympus Keymed and Selex.

### **Growth aspirations**

- Significant growth targets for Essex, although often headlined in terms of housing numbers, are critically linked to challenging numbers of new employment opportunities particularly in the designated growth areas of the Haven Gateway, Thames Gateway South Essex and the Harlow/M11/Stansted Corridor.

### **Role of the Public Sector**

- Employment growth is driven in a number of ways including new starts, growth of existing businesses, and new investment from elsewhere in the UK and from overseas. Some of this will happen naturally, but the public sector also has a role to play. ECC has a number of active and successful programmes in these arenas, including the INVEST Essex inward investment programme.

- Inward Investment activities clearly contribute to the strategic objectives set out in the ECC Corporate Plan, Essex Local Area Agreement (Priority 8), the Essex Economic Framework (Priority 2), and several of the themes and initiatives defined in the *Essex Economic Recovery Action Plan: Positioning Essex beyond the Recession* published April 2009.

### **3. Inward Investment Programme Overview**

We are passionate about Essex. Through the Inward Investment programme, we promote Essex as an outstanding business destination and help existing and potential investors make the most of our strategic location, thriving business environment, and quality of life.

- We provide confidential advice and practical support to companies wanting to establish a presence or expand in the UK.
- We focus strongly on the geographical significance of Essex, its excellence in key sectors and its skilled and entrepreneurial workforce, in order to attract and retain business investment in the County and to maintain and grow its vibrant, diverse and internationally competitive economy.
- ECC's INVEST Essex is now established as the delivery agency for inward investment activities in Essex, becoming the delivery partner of choice for Essex districts and boroughs, one of the unitary authorities, the sub-regional partnerships which include parts of Essex, and the regional inward investment agency East of England Inward Investment (EEII, formerly East of England International).

### **4. Key objectives**

- To promote a strong awareness of Essex internationally and domestically as an outstanding inward investment destination through a programme of proactive marketing and business development activities.
- To develop and service a strong pipeline of investment enquiries, leading to investment successes of both foreign and UK origin, especially with high-value jobs.
- To engage with existing foreign and UK owned investors in target sectors to understand and anticipate the challenges affecting their competitiveness and plans for growth, and to work with relevant partners to deliver solutions, create opportunities and identify collaborative advantage wherever possible.

## 5. Targets

- It is common in Inward Investment circles for success to be measured in terms of “Jobs Created & Saved”, and for this to be linked with Foreign Direct Investment (as with the LAA Target).

While this is a useful headline measure, it represents only one dimension of our activities, as well as being strongly influenced by factors which are outside our control:

- The indicator is totally dependent on overseas companies making investment decisions in favour of coming to or growing in Essex. We can influence, but cannot absolutely control this.
- Inward Investment projects are, by their very nature, quite long term projects for the businesses concerned. We note that although we have seen a year-on-year increase in the number of inward investment enquiries, we have many cases where businesses are undertaking fact-finding and opportunity exploration, and an increase in the number where decisions are being deferred or projects abandoned.
- This of course reflects the general economic climate, to which the indicator is also intrinsically linked. Again, although this can be influenced to a degree by ECC, is outside of its control.
- Our response to this is to focus a large part of our work on delivering a programme of work that **creates the conditions** in which businesses are more likely to invest. We promote Essex as “A great place to do business”, and of course work closely with clients who come forward in order to present compelling cases for them to invest with us.
- This is why, as well as tracking the headline “Jobs” indicator, our internal targets include things like:
  - New enquiries generated
  - Inward investment projects completed
  - Investor development engagements resulting in significant benefits to businesses
  - Marketing & promotional deliverables
  - Other targets related to business support interventions
- A specific commentary on LAA Target LI 15 is provided in Appendix A.

## 6. 2009/10 performance

- In 2009/10 we delivered all activities which had been set out in the Business Plan.

- We exceeded our targets for new investment projects, responding to 90 inward investment propositions from 17 different countries.
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- The geographic spread of enquires received was: UK: 39%; Rest of Europe: 24%; India/China: 19%; North America: 10%; Other: 8%
- We delivered an ambitious programme of marketing and promotion activities to reach UK and international audiences
- We created 40 case studies in which Essex companies described why Essex is a great place to do business
- Our business incubation premises supported 89 companies employing over 300 people
- The investor development programme engaged with 110 companies and 30 of those led to projects which delivered significant benefits to the business.
- Our business support programmes (Essex Innovation, and Essex Innovation Essex Manufacturing Innovation & Growth Programmes): Supported 131 businesses, helped create 11 companies, enabled 27 new product innovations, and leveraged more than £570,000 in R&D investment grants into Essex businesses
- As well as the ‘raw’ targets described above, we often quote anecdotal examples of successes, and some examples are given in **Appendix B**.
- Inward Investment projects are, by their very nature, quite long term projects for the businesses concerned. We note that although we see an **increase** in the number of inward investment enquiries, we have many cases where businesses are undertaking fact-finding and opportunity exploration, and an increase in the number where decisions are being **deferred**, with predicted outcomes tending towards 18-24 month timeframe (as opposed to typically 9-18 months last year). This of course reflects the general economic climate.
- Also, although we are in active discussions about some large potential projects, the typical number of jobs contained within each prospect is tending to be quite modest, generally less than 25.
- As of August 2010, the number of live cases continues to be strong, with over 150 “live” enquiry and investor development projects (including both UK and overseas based clients), which, if they were all to come to fruition, would yield over 2300 jobs. Clearly in reality this will not happen – historical data suggests that around 20% of enquiries result in a successful project – but it serves to illustrate the future for potential outcomes and as economic conditions improve.

## 7. 2010/11 programme

- We continue with our strategic marketing programme to promote Essex as an outstanding business destination, and to help existing and potential investors make the most of the key locations, thriving business environment, and quality of life that we can offer.
- We continue to work with clients wanting to establish a presence or expand in the UK to provide confidential advice, compelling business cases and practical support. See **Appendix C** and our **Business Plan** for more details.
- As well as intense period of business-as-usual, key events in the early part of this year include:
  - Launch of a new and innovative on-line marketing programme
  - Major enhancements to our website including interactive mapping features and video content
  - Continuing push to develop opportunities relating to off-shore wind through a 3-county collaboration with Suffolk & Norfolk
  - Hosting an incoming delegation from Jiangsu, China
  - Attending major business promotional events related to key target sectors



## APPENDIX A to Briefing Paper

### LAA Target LI 15 – Additional information

#### Origin

- The LAA Target was based on taking the baseline of “Jobs Created & Saved via FDI” in 2006/7 (259) and predicting that this performance could be doubled over the 4-year period 2007/08 to 2010/11.
- In fact the baseline figure was largely made up of just one success, the rescue acquisition of a specialist aluminium casting company by an Indian investor, which enabled the retention of well over 200 jobs, which was not necessarily representative of what might be achieved by a flow of typical projects.

Table: LAA Target LI 15 – Jobs Created & Saved via FDI

2006/7	2007/8	2008/9	2009/10	2010/11
<b>Baseline</b>	<b>Targets:</b>			
259	290	389	454	518
	<i>Cumulative:</i>	<i>679</i>	<i>1133</i>	<i>1651</i>
	<b>Actual:</b>			
	303	624	236	
	<i>Cumulative:</i>	<i>932</i>	<i>1163</i>	

#### Performance

- However, as demonstrated by the above table, the target for **2008/09** was **exceeded** by a large margin.
- In **2009/10** the target was **not met**, which was clearly due to the impact of the economic recession.
- However, by the end of 2009/10, the **cumulative** overall outcome over a **3-year period** was running **ahead of target** (1163 vs 1133).

## **APPENDIX B to Briefing Paper**

### **Examples of successful projects from 2009/10:**

(Company names have been removed to respect commercial confidentiality)

- We helped a Basildon based healthcare company to expand their facilities. With support from our Essex Innovation Programme colleagues they have also been able to access grants to fund their advanced technology treatment. Our work has helped retain 45 jobs in Essex and create 6 brand new jobs.
- Our work with a significant Basildon based automotive company resulted in over 100 employees undertaking world class manufacturing training since 1 April 2009.
- A German company in the automotive sector set up a depot and sales base in Harlow.
- We helped an American drugs company with a manufacturing base in Northampton to set up a chilled storage and delivery depot in Braintree.
- After contacting us through our website we helped a UK display manufacturing company set up regional sales office in Chelmsford.
- Supported by the Sector Skills Council for Science, Engineering and Manufacturing Technologies (SEMTA), we helped 9 manufacturing companies to develop significant training programmes. 4 of these companies have drawn down SEMTA funding totalling £180,000 with 3 more due to commence training programmes in 2010.
- We are working on a new project with an Italian automotive company who want to set up a paint and assembly plant near to their prime customer who is located in Essex. This project will result in 20 new jobs.
- A major automotive company chose to retain their engineering design services in Essex and moved several hundred jobs to a new 32,000 square foot building in mid Essex. We are now engaging with them via our Investor Development Programme and this has already led real opportunities for diversification into non-traditional (for them) sectors.
- We helped an Essex microelectronics company to conduct a grant eligibility audit of its R&D activities. Subsequently, with support from our Essex Innovation Programme colleagues, the company has submitted an application for an EEDA R&D grant worth nearly £140k.

- We worked with a local property developer to implement the innovative idea of a competition to help attract more tenants into a new but far from full industrial park. The prize was one year rent free which, with other benefits, had a value of around £20,000. The winner was a growing confectionary company who will employ more staff and develop a new online delicatessen business. Another entry was offered space on the park, so the project has housed two businesses enabling one to start-up and one to expand.

## **APPENDIX C to Briefing Paper**

### **2010/11 – Themes and Key Priorities**

- Work programme is organised under the following **Themes**:
    - Strategy
    - Market Intelligence
    - Marketing and Promotion
    - New investment projects
    - Investor Development
    - Innovation & Sector Development
    - Business premises and incubation
    - Reporting
  
  - ...and will focus on the following **Key Priorities**:
    - Priority 1 – Continue to raise the profile of Essex
    - Priority 2 – Develop and strengthen the project pipeline
    - Priority 3 – Attract more foreign direct investment
    - Priority 4 – Strengthen partnerships
    - Priority 5 – Target high value businesses and sectors
    - Priority 6 – Development and retention of existing investors
  
  - Further details of are contained in the **INVEST Essex Business Plan**
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#### **Contacts:**

David Adlington	Head of Inward Investment	<a href="mailto:david.adlington@essex.gov.uk">david.adlington@essex.gov.uk</a>
Phone:	INVEST Essex enquiry line:	01245 702 480
Email		<a href="mailto:contact@investessex.co.uk">contact@investessex.co.uk</a>
Website		<a href="http://www.investessex.co.uk">www.investessex.co.uk</a>