

ANNEX A

PUSH INWARD INVESTMENT TEAM: THE NEXT 18 MONTHS PROSPECTUS (DRAFT)

INTRODUCTION

The Partnership for Urban South Hampshire (PUSH) and the Solent Local Enterprise Partnership (SLEP) have both identified the need to attract additional inward investment to the area as a priority in accelerating economic and jobs growth.

This Prospectus sets out a proposal to create a single inward investment team providing this service across the Solent area, including the Isle of Wight, building upon existing assets, emerging governance arrangements, and a new relationship with UKTI.

An underlying principle is to secure greater participation from the private sector in this endeavour.

BACKGROUND

Although the UK has traditionally had a strong record in attracting Foreign Direct Investment (FDI), in particular from North America, Europe and SE Asia, the current conditions for attracting inward investment market are weak and the prospects look fragile as businesses struggle with falling consumer and corporate demand and increasing commodity prices and as nations struggle with large scale indebtedness.

Countries that have traditionally provided the source of much FDI are undergoing very significant financial problems and are introducing or are being encouraged to introduce severe measures to deal with the scale of their debt problems. Amongst many businesses investment confidence is weak and there has been criticism of the banks for restrictive lending.

This is not to say that inward investment markets have stagnated completely, but we do need to appreciate the condition of the current market and what type of investment is taking place.

The US is experiencing a major problem with debt that if not resolved could have severe global impacts and there are signs that even in the most strongly growing economies like China there is a slowing in the rate of growth. China also appears to be focusing its efforts on securing long term commodity supply (metals and oil in particular) on a global level (although they are in the process of establishing vehicle manufacture in the West Midlands). India has made important purchases within the UK eg Landrover and British Steel/Corus, but there is little evidence of large scale FDI not related to merger and acquisition activity. Foreign owned vehicle manufacturers as a group have embarked upon programmes of re-investment in their existing

plants (BMW, Nissan, Toyota) as they anticipate market recovery following the significant drop in sales experienced during the recent recession.

The Solent area does not have a strong record in attracting new FDI when compared with other parts of the South East like the Thames Valley and Kent. Recent examples include IKEA into Southampton, James Hardie Builders Merchant into Eastleigh and Peer 1 into Southampton.

The acquisition of ABP by the Admiral Group, P & O and Cunard by Carnival Corporation, Skandia by Old Colonial Mutual, Hamble Aerostructures by GE Aviation and Tandberg Television by Ericsson along with on-going programmes of investment by companies like DP World and Ford dwarf any setting up in the area by new foreign owned businesses. Indeed, some FDI has proved short lived (like Panasonic into Portsmouth and Pratt and Witney into Southampton Airport in the mid 1990s).

Within the UK businesses appears to be consolidating in the face of difficult trading conditions, but also putting themselves in a position to benefit from any upswing in the economy. This, along with the fact the so much of our business investment (including that from foreign-owned businesses) originates in the Solent area suggests over the next months we should be placing a continuing emphasis on developing our relationships with existing businesses in or to encourage and facilitate their expansion here.

OUTCOMES

The proposals set out here are designed to lead to the following outcomes

- Increasing levels of employment generating inward investment into the Solent area from foreign and UK sources consistent with the priorities of the Solent LEP and consistent with the proposals set out in the PUSH Economic Development Strategy
- The promotion of key development sites across the Solent area that contribute to the implementation of the spatial strategy for the area and the generation of new jobs and prosperity
- A unified approach to attracting and retaining investment that has the commitment of all partners and which achieves a higher profile for the area and the most efficient and effective use of resources

OUTLINE OF PROPOSAL

This prospectus sets out a proposal for a two stage process towards delivering an inward investment service across the Solent area within the context set out above and with the objective of securing alternative sources of funding. This works towards completion in the mid-term (12-18 months away). The availability of resources, their wise use, and the managing of interested parties expectations are all important considerations in arriving at the solution set out here.

The short term focuses upon a public sector led service that builds upon the current model. In the first stage priority will be given to:

- Maintaining the 'gateway' service
- Putting in place assets that will form the basis of the Stage 2 service
- Building relationships across the Solent area with local authority partners, business organisations, commercial property agents, developers, higher education, and others who have a contribution to make towards the process
- Building relationships beyond the Solent area with bodies such as UKTI, Sector Consortia (eg Marine SE and Farnborough Aerospace Consortium, other LEPs with a common interest (eg M3 Enterprise)

The PUSH Inward Investment Team (PUSH IIT) would be responsible for implementing the actions set out in Stage 1 under the guidance of the PUSH Inward Investment Board.

At Stage 2 the emphasis shifts to securing an uplift in enquiries and investments from a world economy that is now growing more strongly. This stage introduces a much greater role for the private sector. Both solutions are based upon respective sectors playing to their strengths to create the best quality service that we can deliver within the context of a realistic assessment of resource availability.

STAGE ONE

It is proposed that over the next 12-18 months we give priority to putting in place the assets that will provide us with a springboard once economic conditions improve and maintaining the 'gateway' service. At the end of Stage One the service will have delivered

1. An Inward Investment Strategy under the guidance of the Solent LEP. The Strategy will draw heavily upon the Solent Value Proposition, the PUSH Economic Development Strategy, research on current and future market conditions and the assets the Solent area has for attracting inward investment. It will explore the drivers for inward investment, potential sources of investment and the competitive position of the Solent. Funding would be drawn from the Transition Fund monies made available by PUSH (totalling £30,000)
2. A Communications Plan that has been implemented over the preceding 18 months
3. An agreed model of a financially sustainable Inward Investment Team with commitment of key private sector contacts including identification and approaches to potential sources of funding
4. Improvements to the way in which the property register, contact and enquiry handling databases work that further increase their efficiency and effectiveness (this work is already underway)
5. An extension of the above underpinning infrastructure to the Isle of Wight

6. Further development of the existing 'knowledge bank' that provides an important asset in promoting the area to potential business investors and supports enquiry handling (this is already underway in the Southampton area).
7. An integrated web infrastructure and presence based upon Web 3.0 that provides customers access to high quality mobile and personalised access and which allows parts of the Solent to retain their own identities (development work currently being carried out at Southampton City Council)
8. A strong relationship with UKTI in the context of the Memorandum of Understanding with the LEP and in this context working with them on developing marketing and communications initiatives the fully exploits the potential of the Daedulus Enterprise Zone in home and overseas markets.
9. A strong relationship with potential private sector partners who will play important roles in delivering the future service
10. A system of aftercare account management system for foreign owned businesses including co-ordination and monitoring systems developed in partnership with UKTI and stakeholders with any training required completed
11. Role of the PUSH Inward Investment Board established and aligned with LEP requirements,
12. An enquiry handling service

During this first phase the local authorities will play the key role with strategic and operational guidance provided by the LEP Board and PUSH Inward Investment Board.

The costs of this phase are modest within the context of attracting and retaining inward investment yet the work is vital if the Solent area is to start delivering success in the mid-term. The financial implications are set out later in this report

STAGE TWO

The fundamental issue facing the partners is securing sufficient resources to deliver a service that can meet stakeholders' expectations and attract additional inward investment from foreign and UK sources to the Solent area

The local authorities alone are unable to shoulder this burden given the pressure on budgets. If stakeholders' expectations are to be achieved then the resource demands will have to be shared.

Essentially there are three steps in attracting inward investment

Generating leads – these can be from foreign and UK owned businesses not in the area already, existing businesses, and business start ups. They can be generated via a number of different means including promotional and awareness raising activity, direct targeting, links with intermediaries

Enquiry Handling or Management – once the lead has been generated managing it through to a successful conclusion (and this will be different for each party) by building the relationship, acting as a single point of contact and securing any feedback on the decision and process.

Information – this can occur at any stage in the process and requires the delivery of reliable and consistent data and knowledge and access to key contacts required to remove any barriers to implementation, provide confidence to the enquirer, and make the process as simple and easy as possible for the client

The existing mechanisms for inward investment in the Solent area are public sector focused with the main strengths (although capable of improvement) being in Enquiry Handling and Information. Lead generation is the weakest area where there is a need for additional capacity and resources and the development of skills. It is this area that the private sector is best placed to deliver.

The framework of the Long Term Solution is proposed to be an integrated not for profit public – private sector vehicle that will have a time limited life of 5 years with a break after three years that can be exercised by either partner.

The PUSH IIT will bring into this service:

1. The assets developed under the short term solution and any on-going activity and leads
2. An enquiry handling service
3. The knowledge bank and its on going maintenance along with the production of ad hoc and regular reports
4. The property register, enquiry handling, and contact databases and their on-going maintenance
5. Co-ordination of Aftercare Account Management

The private sector partner will bring into this relationship:

1. A commitment to implementing the Inward Investment Strategy that is approved by the Solent LEP
2. Preparation and implementation of an annual communications plan as the basis for lead generation
3. Private sector financial contributions as a means of implementing communications activity
4. Facilitating access to private sector contacts for the purpose of knowledge development and aftercare

WHAT CONTRIBUTION DOES THE SERVICE REQUIRE FROM YOU?

Local Authorities

The service cannot deliver in an effective manner across the Solent area unless there is a commitment from each local authority to contribute fully in:

- Supporting the management of specific enquiries with local knowledge, responding within agreed timescales, and where necessary providing access to key people and supporting visits to their areas
- Supporting the aftercare account management function by committing to undertake an agreed number of visits to foreign owned companies within their local authority areas and feeding back relevant information for co-ordination by the core team on a quarterly basis
- Contributing to the knowledge bank by ensuring that information on property, skills, transport, and quality of life factors are fed into the core team
- Taking part in any training that is organised by the core team or its partners that will improve the service provided to the customer.

Solent LEP and PUSH Inward Investment Board

- Clear and unequivocal strategic guidance
- Operational Steer and performance management

FINANCIAL IMPLICATIONS

Tables 1 and 2 set out the financial implications associated with the last half of 2011/2012 and the full year 2012/2013 if we decided to proceed as set out above. 2012/2013 is shown as a full year of operation but it may be possible to shorten this interim phase depending upon how quickly we can engage private sector commitment.

TABLE 1: EXPENDITURE

	2011/2012 (Oct-March)	2012/2013 (Full Year)
	£	£
STAFF	46,500	93,000
INWARD INVESTMENT STRATEGY	15,000	0
KNOWLEDGE BANK	2,500	3,700
WEB AND ELECTRONIC COMMUNICATIONS DEVELOPMENT	10,000	15,000
GRAPHICS	5,000	5,000
ADVERTISING, PROMOTION AND EVENTS	10,000	15,000
TRAINING	5,000	2,000
CARRY FORWARD TO 2012/2013	19,700	0
TOTAL	113,700	133,700

TABLE 2: INCOME

	2011/2012 (Oct-March)	2012/2013 (Full Year)
	£	£
SOUTHAMPTON CITY COUNCIL (staffing in kind)	31,500	60,000
UNITARY COUNCILS (PCC existing commitment to PUSH for 2011/2012)	20,000	15,000
IOW	0	15,000
SE HAMPSHIRE DISTRICTS (FBC,GBC, HBC existing commitment to PUSH for 2011/2012)	30,000	N/A
SW HAMPSHIRE DISTRICTS (TVBC, EBC, WCC,NFDC existing commitment to SCC for 2011/2012)	2,200	N/A
CORE DISTRICTS (FBC, GBC, HBC, EBC at £5000 each)	N/A	20,000
NON-CORE DISTRICTS (WCC, NFDC, TVBC, EHDC at £1000 each)	N/A	4,000
PUSH (TRANSITION FUNDING)	30,000	0
CARRY FORWARD FROM 2011/2012	0	19,700
TOTAL	113,700	133,700

Note: SCC receive £33,000 contribution towards costs of staffing in full year

Note: No private sector contribution included in core budget at this stage but should occur through individual projects

NEXT STEPS

1. The prospectus is agreed by the PUSH Inward Investment Panel
2. Individual discussions are held with local authorities to seek comments, gather input and secure commitment to the way ahead
3. The proposal is tested with Solent LEP
4. Stage 1 Action Plan developed and implemented
5. Feasibility for Stage 2 developed further based upon the consultation with the local authorities (2 above) and the views of Solent LEP (3 above)

APPENDIX EXISTING ASSETS

Staff – with many years experience in the inward investment process and professional backgrounds in business to business marketing and communications, market research, PR, graphics, web and electronic communications, business relationships, planning and the site development process. Knowledge and understanding of economic development and planning policies at Solent and local authority levels

Solent Value Proposition – prepared by OCO on behalf of PUSH

Web – the current websites www.invest-in-southampton.co.uk and www.invest-in-portsmouth.co.uk cover the whole of South Hampshire and conform to existing inward investment industry standards. The former is undergoing a major development to Web3.0 standard that will deliver improvements to the customer. There is potential to extend this experience to an upgraded www.invest-in-portsmouth.co.uk site and the creation of www.invest-in-IOW.co.uk

Underlying IT infrastructure – comprising South Hampshire commercial property register, enquiry handling and contacts databases; all with complementary reporting systems and the contribution of partners. This is currently in the process of a major upgrade that will provide improved efficiency and

Governance arrangements - in place through the Solent LEP providing strategic guidance, the PUSH Inward Investment Board overseeing operational matters and performance and linking in with the PUSH and LEP governance structures

Existing relationships - with UKTI, property agents, recruitment agencies, skills providers, research and innovation bodies, higher and further education, development and property interests, and local authorities across the Solent area. Access to local authority at Chief Executive and Head of Service levels, access to key local authority members including at Leader level. Existing relationships with Solent Local Enterprise Partnership Board members.

COSTS

It is estimated that a Stage 2 service would cost a minimum of £225,000 per annum to provide. This would provide approximately £130,000 for the purchase of supplies and services to raise the profile of the area including:

- The preparation and implementation of the inward investment strategy and communications plan that will lead to increased enquiries

- The development and maintenance of the 'knowledge bank' that will support not only raising the profile but also act as a resource for enquiry handling
- All IT, PR, Market Research, Graphics support including IT maintenance
- Purchase of disposables