National Audit Office

REPORT

Supporting investment into the UK

Department for International Trade

SESSION 2022-23
27 JANUARY 2023
HC 1080

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Supporting investment into the UK

Department for International Trade

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 25 January 2023

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

20 January 2023

HC 1080 | £10.00

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011078 01/23 NAO

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Key facts

1,174

number of Foreign Direct Investment (FDI) projects the Department for International Trade (DIT) supported in 2021-22, a decrease of 19% on 2019-20. This represents 74% of all 2021-22 UK FDI projects (by number of projects, not by value of investment)

£7bn

estimated Gross Value Added (GVA – a measure of economic output) of FDI projects supported by DIT in 2021-22, an increase of 128% on 2019-20

£80.5mn

DIT's estimated expenditure on supporting investment into the UK in 2021-22. DIT estimated that 634 DIT staff (full-time equivalent) directly supported inward investment

$27.6 billion value of all FDI investment that flowed into the UK in 2021, including investments not supported by DIT

50% decrease in the value of all FDI flowing into the UK between 2012 and 2021 (not adjusted for inflation)

£135 million estimated increase in economic benefits DIT expects to deliver as a result of its investment transformation programme, over five years between 2022-23 and 2026-27 (15% increase from the pre-transformation baseline of £927 million to £1,062 million)

57% of FDI projects that DIT supported in the UK were outside London and the South East (excluding projects with multiple UK sites) in 2021-22, compared with 46% in 2016-17

89% proportion of investors surveyed by DIT in 2020-21 who reported satisfaction with the information and advice provided by DIT

74% proportion of investors surveyed by DIT in 2021-22 who reported that they 'definitely or probably' would have invested in the UK without DIT's support

Summary

1 Inward investment involves an overseas entity either investing in or purchasing assets in the UK, thereby introducing foreign money into the UK economy. It can bring economic benefits by creating new jobs and developing new infrastructure and can boost productivity through the sharing of new technologies and skills. There may be potential risks associated with inward investment such as over-dependence on overseas companies in a particular industry sector. In some cases, inward investment may have a negative impact on local economies if small local businesses lack the capacity to compete with large overseas investors.

2 The government sees inward investment as important for supporting economic growth and for generating investment to support its priorities, which include transitioning to a low-carbon economy, reducing inequalities between regions of the UK, and becoming a science and technology superpower through innovation. Factors that may attract investors to the UK include growth opportunities, consumer demand, ease of setting up a business and an established rule of law. While the UK is an attractive destination for inward investment, it competes with other countries, many of which offer direct financial incentives to overseas investors. Ultimately investors will make investment decisions based on whether they judge they can make a return, but the government aims to develop relationships with investors and to persuade them that the UK is the best destination for their investment.

3 The Department for International Trade (DIT) aims to encourage economic growth and a green industrial revolution across all parts of the UK through attracting and retaining inward investment.[1] In 2021-22, DIT spent an estimated £80.5 million on supporting investment with an estimated 634 staff directly supporting investment. DIT teams in the UK and overseas identify opportunities for investment in the UK, promote these opportunities to potential investors, and seek to attract and retain high-value investors. They do this by providing a range of support to investors throughout investment projects, including advice on, for example, suitable locations, UK regulations, or finding local staff with the right skills. In 2021-22, DIT was involved in 74% of all new UK Foreign Direct Investment (FDI) projects although it is not possible to say how many of these investments would have been made without DIT's support.[2] FDI is defined as an investment reflecting a lasting interest from a foreign investor or enterprise in a UK enterprise where the overseas investor owns 10% or more of the enterprise and aims to have an 'effective voice' in its management.[3]

1 These are the Department for International Trade's (DIT's) current priorities. DIT has updated them since it published its *2021-22 Outcome Delivery Plan* in July 2021.
2 DIT also supports capital investments where an overseas investor invests funds into a company, enterprise, or project for the purposes of furthering commercial objectives and expanding growth.
3 DIT defines investments with a lasting interest as those where business activities supported by the investment are expected to last for at least three years.

4 DIT shares responsibility for supporting inward investment with other government departments. It works closely with the Department for Business, Energy & Industrial Strategy (BEIS), which is responsible for the government's overall industrial strategy, as well as policy on specific sectors. DIT also needs to work in an integrated way with other departments which are responsible for policy in specific sectors or hold policy levers that can support inward investment, such as tax, regulation and visa requirements. In 2020, DIT established the Office for Investment (OFI), jointly reporting to DIT and the Prime Minister's Office, to improve its service for high-value investors where more effective cross-government working could help secure foreign investment.[4] DIT also works with local government and the devolved administrations to identify potential opportunities for investors.[5] In 2021, DIT established trade and investment hubs in Edinburgh, Cardiff and Belfast to support businesses across the UK and overseas investors.

Scope of this report

5 This report examines whether DIT is well-positioned to secure an impact from its support for inward investment. We assess whether DIT:

- has a clear and coherent strategy for supporting inward investment which reflects the government's economic and wider priorities and is understood across the organisation;
- has a robust plan for implementing this strategy, including the resources, processes and effective networks across government it needs to deliver; and
- is able to demonstrate that its activities are having an impact on investment into the UK.

6 The report examines DIT's support for both FDI and capital investment. DIT is the focus of our work, including how it works with other departments and local partners to support inward investment. We also present contextual data on all UK inward investment, including investment not supported by DIT. We do not cover the support that the government offers to UK firms who wish to invest overseas. There are broader related issues such as how the government strikes a balance between attracting inward investment and over-reliance on overseas investment, which may lead to the UK being more vulnerable to global market fluctuations. These are outside the scope of this report. Our methodology is set out in Appendix One.

4 In this document, where we refer to DIT, we mean both DIT and the OFI unless otherwise stated.
5 While devolved administrations (DAs) are responsible for economic development in their nations and may have their own investment promotion agencies, DIT has a UK-wide remit and operates for the benefit of the whole UK. For example, DIT's overseas posts and sector teams provide support to DAs.

Key findings

DIT's strategy and approach to supporting investment

7 **The UK is an attractive destination for inward investment, but the global investment environment is affected by many factors.** In 2021, the UK held the second highest levels of FDI stock in the world ($2.6 trillion). Factors that have affected FDI flowing into the UK include company mergers, acquisitions or consolidations, competition from other investment promotion agencies, restructuring following EU Exit and the impact of the COVID-19 pandemic. Over the past decade, the value of FDI flowing into the UK peaked in 2016, primarily because of higher merger and acquisition activity. In 2021, UK FDI inflows were $27.6 billion (including investments not supported by DIT), 50% below 2012 levels (not adjusted for inflation). Net global FDI flows declined in 2020 but had recovered to 8% above 2012 levels by 2021 (paragraphs 1.6, 1.7 and Figure 4).[6]

8 **DIT has successfully changed its approach to prioritise high-value investments**. In 2020, DIT began to develop a new investment strategy to focus on high-value, high-impact investments that support government's wider objectives on levelling up, net zero and innovation. Previously, it had aimed to support as many investments as possible and did not strongly differentiate the support it offered by project value. In reviewing its investor services, DIT identified issues such as a limited ability to build a pipeline, duplication of functions across DIT, inefficient processes and a weaker online service than similar investment agencies. We found that DIT's new strategy was clearly understood across the organisation. DIT is developing a new operating model to support its strategy and is developing performance measures and targets that reflect its aims (paragraphs 2.13 to 2.15).

9 **DIT has strengthened how it works with other government departments to present a more coherent UK offer to investors, but there are opportunities to develop this further.** DIT is responsible for attracting inward investment, but other departments, including BEIS and the Department for Levelling Up, Housing & Communities (DLUHC), are responsible for key policy levers that support inward investment. This means that DIT needs to work in an integrated way with departments and local bodies to help remove obstacles to investment. DIT established the OFI to focus on high-value investments where more effective cross-government working could make a difference. Since it was established, the OFI has helped secure commitments for investment worth more than £11.75 billion. Collaboration between DIT and BEIS has strengthened over time, and the model of a minister for investment jointly at DIT and BEIS helped align strategic priorities and promote joint working. However, following government changes in 2022, the current minister for investment represents DIT only (paragraphs 1.8 to 1.10, 2.2 to 2.5 and Figure 6).

6 The analysis is based on United Nations Conference on Trade and Development (UNCTAD) world investment data. UNCTAD reports values of FDI inflows in US dollars.

10 **DIT does not have a clear overview of the relative strengths of local areas across the UK in different industry sectors to help it identify the most suitable projects for investors.** DIT aims to support more investments outside London and the South East as part of the levelling up agenda, but does not otherwise favour particular areas of the UK. Instead, it works with investors to help them secure the most suitable opportunities and to avoid the UK losing out to overseas competitors. To build a picture of opportunities, DIT has published an ‘investment atlas’ of potential investments, sector teams have developed strategic plans, and teams in the English regions have identified priority sectors. However, DIT has not developed a UK-wide overview of local strengths, including skills, infrastructure and supply chain opportunities, and how it will market these. Devolved administrations and trade associations we consulted consider that it would be helpful for DIT staff engaging with investors to have a greater understanding of the relative strengths and competitive advantages of the nations and regions of the UK. Devolved administrations also told us there was scope for DIT to clarify how its UK-wide trade and investment hubs will support investment across the UK (paragraphs 2.6 to 2.8).

11 **DIT’s processes for reducing the risk of government involvement with controversial companies are not joined up.** To help it secure long-term investments that deliver economic benefits, DIT has developed effective client management processes and the OFI has set out criteria for which projects to support. DIT provides input to BEIS on whether acquisitions which are notified to, or identified by, the government under the National Security and Investment Act pose a risk to national security (a process led by BEIS).[7] It has also developed screening processes for checking whether the investors it plans to support have been involved in illegal activities and, following the Russian invasion of Ukraine, has developed a tool to identify whether investors it supports are subject to UK sanctions.[8] However, DIT’s current approach to due diligence is disjointed and the level of screening varies across teams. It is currently reviewing its sanctions screening process and considering how it should record issues and share them across DIT (paragraphs 2.9 to 2.12).

7 The Investment Security Unit in BEIS was established to identify, address and mitigate national security risks to the UK arising when a person gains control of a qualifying asset or qualifying entity, as laid out in the 2021 National Security and Investment Act. The Act gives the government powers to scrutinise and intervene in business transactions, such as takeovers, to protect national security. It requires certain acquisitions of control of entities operating within particular sensitive areas of the UK’s economy to be notified and approved by the government before they are completed.

8 The UK Sanctions List details the individuals, entities or ships that the UK currently has sanctions against. Reasons for imposing sanctions can include global human rights abuses, links to terrorist activities and to support the UK’s foreign policy aims. The Foreign, Commonwealth & Development Office is responsible for the use of sanctions.

Investment performance and impact

12 **DIT publishes a range of data on the number and value of investments it supports but this does not provide a clear view on its performance.** To track its progress in supporting investment, DIT sets internal performance targets such as the number of high-value projects it supports. It also publishes metrics on FDI and capital investments it has supported (**Figure 1**). In common with three out of four other investment promotion agencies we reviewed, DIT does not publish targets for its investment performance measures. This is because there are many wider economic factors that influence levels of investment. Similarly, it is not possible to determine to what extent trends in investment data can be directly attributed to DIT's activities or are influenced by other factors, such as the impact of the COVID-19 pandemic and EU Exit on the wider economic climate. DIT publishes forecasts of the potential economic benefits at the outset of investment projects, but it does not routinely monitor what outcomes have been achieved, whether they are higher or lower than forecast, or whether investments have led to any economic disbenefits (paragraphs 3.2, 3.3, 3.7, 3.13 and 3.14).

Figure 1

The Department for International Trade (DIT) published performance data between 2019-20 and 2021-22

DIT's investment performance improved against all published measures except the number of projects and safeguarded jobs between 2019-20 and 2021-22

Type of investment	Performance			Increase/decrease in performance 2019-20 to 2021-22	
	2019-20	2020-21	2021-22		
Foreign Direct Investment (FDI)					
Number of FDI projects supported by DIT	1,449	1,131	1,174	↓	-19%
Gross Value Added	£3,091mn	£3,875mn	£7,034mn	↑	128%
Number of new jobs	44,830	47,784	72,906	↑	63%
Number of safeguarded jobs	7,815	16,174	6,665	↓	-15%
Capital investment					
Large capital	£4,023mn	£3,821mn	£4,683mn	↑	16%
Venture capital	£672mn	£773mn	£960mn	↑	43%

Notes

1 The above analysis is based on the available data published by DIT and does not include all types of investment.

2 All figures are for FDI and capital investment projects supported by DIT.

3 FDI projects supported by DIT are counted at the point when DIT has confirmed at least some of the planned investment in the UK has been made.

4 New and safeguarded jobs are jobs expected to be created or retained over the following three years as a result of investment from FDI projects supported by DIT.

5 Gross Value Added figures are estimates of the economic output of FDI projects supported by DIT over the following three years.

Source: National Audit Office analysis of the Department for International Trade Inward Investment Results from 2019-20 to 2021-22

13 **Since 2019-20, DIT has supported fewer FDI projects, but the forecast economic benefits of projects it supported has risen.** The number of DIT-supported FDI projects has fallen by 37% since 2016-17, and by 19% since 2019-20, to 1,174 projects in 2021-22 (Figure 1). This fall may reflect global economic trends because global levels of inward FDI also decreased over the same period. However, since 2019-20, the estimated Gross Value Added (economic impact) and new jobs associated with the FDI projects DIT supported has increased by 128% and 63% respectively. The value of venture capital and large capital projects has also risen since 2019-20 (paragraphs 3.6, 3.7, Figures 10 and 11).

14 **DIT now supports more high-value projects and more projects outside London and the South East, but it is too soon to determine if this is a longer-term shift.** The proportion of high-value projects supported by DIT increased from 13% in 2019-20 to 41% in 2021-22, although this increase may reflect greater incentives for staff to record project value than previously (**Figure 2**).[9] The proportion of FDI projects that DIT supported in the UK outside London and the South East (excluding projects with multiple UK sites) also increased from 46% in 2019-20 to 57% in 2021-22. However, there is variation in economic impact across the UK. For example, in 2021-22, DIT estimates that investment it supported led to 3.1 new jobs per 1,000 people aged 16 to 65 in the North East, compared with 0.5 jobs in the South West. The proportion of DIT-supported projects with a research and development focus remained constant between 2019-20 and 2021-22. DIT has just started to record the number of projects with a climate focus. It is too early to determine any trends, given the long-term nature of investments in these sectors (paragraphs 3.9, 3.10, Figures 13 and 14).

15 **While many investors choose to invest in the UK without DIT's involvement, investors value the support from DIT and the OFI**. It is difficult to determine whether investments would have happened without government involvement. DIT works to understand the impact of its activities, including through an investor survey, and is developing an approach to analysing the relative costs and benefits of its support services. In 2020-21, 89% of surveyed investors reported satisfaction with DIT's information and advice, and 76% said DIT had helped them make useful contacts, which they rated the most valuable DIT service.[10] [11] In 2021-22, 74% of investors surveyed by DIT said they 'definitely or probably' would have invested in the UK without DIT's support.[12] Ultimately investors will invest because it makes commercial sense but the OFI considers it can play a key role in 'getting deals over the line' by building strong relationships across government (paragraphs 3.12, 3.13, 3.15, 3.16 and Figure 15).

9 High-value projects refer to projects DIT has assigned to its top two value bands. Each year DIT calculates value bands by sector using data on the value of projects it supported over the past three financial years. Projects assigned to the top two bands are in the top 25% of projects supported by DIT.

10 Department for International Trade, *UK Inward Investment Client Insight Survey 2020/21*, unpublished. DIT's client survey covers investors supported by DIT whose investment project has started in the UK. It does not cover investors who choose not to invest in the UK. The data are unlikely to be representative of all investors as only 18% of eligible investors responded to the survey in 2020-21 and 11% of eligible investors responded to the subsequent survey in 2021-22.

11 Data are not available on these measures for 2021-22 because DIT did not ask these questions in its 2021-22 survey. Between 2020-21 and 2021-22, DIT changed many questions, removed existing questions and added new questions, with the aim of improving how it measures investor satisfaction and efficacy of its different investment services.

12 A similar proportion (75%) of surveyed investors in 2020-21 stated that it was extreme likely, very likely or likely that their investment would have gone ahead without DIT's support and advice. The question wording varied between 2020-21 and 2021-22.

Figure 2

Number of Foreign Direct Investment (FDI) projects supported by the Department for International Trade (DIT) in its strategic priority areas, 2019-20 to 2021-22

The number of high-value projects DIT supported more than doubled from 192 (13% of the total DIT supported) in 2019-20 to 484 (41%) in 2021-22

Strategic priority	Metric	Number of FDI projects supported by DIT			Proportion of all FDI projects supported by DIT		
		2019-20	2020-21	2021-22	2019-20 (%)	2020-21 (%)	2021-22 (%)
High-value projects	Number of FDI projects in top two value bands (top 25% of past FDI projects by value)	192	315	484	13	28	41
Innovation	Number of research and development-focused FDI projects	357	280	297	25	25	25
Levelling up	Number of FDI projects outside London and the South East	728	616	676	50	54	58
Net zero/ reducing emissions	Number of FDI projects aligned to the Ten Point Plan	–	–	86	–	–	7

Notes

1 FDI projects supported by DIT are counted at the point when DIT has confirmed at least some of the planned investment in the UK has been made.

2 The Ten Point Plan refers to priorities set out in the government's *Ten point plan for a green industrial revolution*, these include: offshore wind; low-carbon hydrogen; nuclear power; zero emissions vehicles; green public transport; green ships; green buildings; carbon capture, use and storage; protecting the environment; and green finance. DIT began recording investment projects aligned with these criteria part-way through 2020-21 and so data are not available for 2019-20 or 2020-21.

3 Data for research and development-focused projects and high-value projects should be treated with caution due to issues with data quality and changing incentives to record these data.

4 High-value projects refer to projects DIT has assigned to its top two value bands. Each year DIT calculates value bands by sector using data on the value of projects it supported over the past three financial years. Projects in the top two value bands are in the top 25% of projects supported by DIT.

Source: National Audit Office analysis of Department for International Trade performance data

DIT's investment transformation programme

16 **DIT aims to deliver additional economic benefits of £135 million through its investment transformation programme.** To deliver its strategy, DIT identified that it needed to focus resources on priority investments and make better use of new technology. The OFI aims to support more high-value investments, and DIT plans to remove duplication, reduce staff time spent on supporting low-value investments, and make more use of digital tools for responding to simpler requests for support. The programme is forecast to cost around £26 million until March 2025, and DIT estimates that focusing on higher-value investments will deliver 36,700 new jobs and safeguard 464 existing jobs between 2022-23 and 2026-27. DIT estimates the programme will increase the economic benefits from every pound it spends on investment support by 40p and provide net savings of £4.2 million per year by 2027-28 (paragraphs 2.16 and 2.17).

17 **DIT has made progress with implementing the programme, but it is in its early stages.** DIT began developing its plans in 2020 and submitted a Spending Review bid for programme budget in 2021. There was an initial delay in taking the programme forward as staff were diverted to other priorities, most recently the conflict in Ukraine. DIT started to implement the programme in April 2022, with a programme plan through to 2028. It has set up a programme team and established nine workstreams, which include work to bring investment support services staff in-house and to develop a new model for managing investor enquiries overseas. It has piloted a new unit for responding to low-value enquiries from investors and conducted user testing for an online self-service platform (paragraph 2.18 and Figure 9).

18 **DIT must access and build the necessary skills, capacity and corporate knowledge if it is to achieve the forecast benefits of the programme**. DIT has rated the programme delivery risk as 'amber'. It intends to deliver the programme in phases, so that it can adjust plans if it is not delivering benefits as expected. DIT has made progress with filling vacancies in its project team, but limited capacity in the digital team could delay development of the online self-service platform for investors with simple queries. Investor use of the pilot enquiry response unit has been lower than expected so it is not yet possible to confirm that the unit gives investors what they need, and that efficiency savings will be achievable. DIT aims to refer more investors to the service to increase its use. A key part of DIT's transformation programme is bringing the Investment Services Team in-house when the contract ends in August 2023. This team currently has around 100 staff and holds relationships with around 900 investors. DIT plans to manage risks by retaining existing staff and transferring data held by the contractor to DIT (paragraphs 2.19 to 2.22).

Conclusion

19 The UK is an attractive destination for inward investment, which can play a key role in boosting the economy. DIT is taking sensible steps to increase the value it adds by focusing on projects that will have the highest economic impact, making more use of technology, working in a more integrated way with BEIS and improving due diligence processes. The Office for Investment, which DIT established to deliver a one-stop-shop for the highest-value investors, has had some early successes and DIT is supporting more high-value, high-impact investments. However, attributing success is inherently difficult, given long lead times in securing investment and the impact of wider economic factors on global investment flows. Understanding DIT's performance in supporting investment also requires a consistent approach to tracking impact over time. While there is some evidence that DIT's support has some impact on investors' decisions to invest, it remains difficult to determine how much investment would have happened without government involvement. Furthermore, attracting inward investment requires the coordination of multiple departments which hold policy levers. DIT needs to work in a joined-up way across government and local bodies to present a coherent UK offer to investors.

Recommendations

20 As it takes forward its transformation plans, DIT must build on progress to date and manage future risks if it is to achieve its aims of attracting long-term investment that drives growth. These recommendations are intended to support DIT and others with this endeavour.

a **DIT should work with BEIS, DLUHC, local authorities in England, devolved administrations and other relevant bodies to build deeper knowledge of the relative strengths of UK regions and nations.** This knowledge should be shared across DIT to inform how teams can better support investors. DIT should also clarify the role of the UK trade and investment hubs and how they will work with devolved administrations to promote growth throughout the UK.

b **DIT should consider how it can extend the benefits of working closely with BEIS to the rest of government.** DIT should:

- identify ways to further improve information sharing with BEIS on investors' interests and opportunities for investment; and
- explore opportunities to further strengthen joint working with other departments and build on the previous benefits of having a joint DIT and BEIS minister.

c **DIT should develop stronger processes for mitigating risks of supporting investments that expose DIT to higher levels of reputational and strategic risk.** As it reviews its due diligence processes, DIT should consider how it identifies and tracks the risks of involvement with controversial companies that may be involved in illegal or unethical activities or are subject to sanctions. Processes should be proportionate, integrated and used consistently across DIT and the OFI.

d **To mitigate risks to implementing its transformation programme, DIT should:**

- consider what contingency plans may be needed to address capacity constraints that could affect the delivery and effectiveness of digital tools that are critical to DIT's plans to achieve efficiency savings; and
- draw on National Audit Office guidance and other good practice on managing risks associated with transitioning and exiting contracts as it insources its Investment Services Team contract and works to ensure the effective transfer of capabilities and data from the supplier.[13]

e **DIT should draw out lessons from the first two years of the OFI, to inform DIT's transformation programme and its approach to managing investors.** This should also help inform further development of the OFI.

13 National Audit Office, *Good practice guidance, Managing the commercial lifecycle*, July 2021 (accessed 6 December 2022).

f **DIT should continue refining its performance framework to align with wider government policy objectives.** DIT should:

- ensure it has robust data to develop a wider range of value-based metrics such as the value of DIT-supported investment that contributes to the government's clean growth and research and development objectives;
- work with DLUHC to develop how DIT can gain greater insight into how it contributes to supporting growth throughout the UK, including in the geographical areas which most need investment; and
- ensure balance between allowing flexibility in the performance framework to respond to policy changes and achieving consistency so that DIT can continue to track and compare progress and trends over time.

g **DIT should assess how actual economic benefits resulting from inward investment projects compare with its forecasts at the outset**. This would help it draw out the reasons why actual benefits may be higher or lower than initial estimates, improve future forecasting, and gain additional insights into the impact DIT is having on economic growth and wider policy objectives. It could take a sample-based approach by, for example, focusing on the highest-value investments.

Part One

Investment landscape in the UK

1.1 This part of the report sets out:

- what is inward investment;
- trends in inward investment; and
- how the UK government and other countries support inward investment.

What is inward investment?

1.2 Inward investment involves an overseas entity investing in or acquiring assets in the UK and consequently introducing foreign money into the UK economy. Benefits include:

- the creation of new workplaces and retention of existing jobs;
- development of new infrastructure; and
- increasing productivity through the dissemination of new technologies, skills and management techniques.

1.3 The UK government aims to encourage economic growth and a green industrial revolution across all parts of the UK through attracting and retaining inward investment.[14] The government's inward investment priorities are to:

- boost productivity and employment across the UK;
- grow the UK's green industrial base to help meet the 2050 net zero carbon emissions target; and
- support the UK to become a science and technology superpower and invest 2.4% of gross domestic product in research and development by 2027.

14 These are Department for International Trade's (DIT's) current priorities. DIT has updated them since it published its *2021-22 Outcome Delivery Plan* in July 2021.

1.4 There are potential risks associated with inward investment. For example, some industry sectors may over-rely on foreign investment and there is a risk that the UK may lose skills and experience if inward investors re-locate overseas. In some cases, small businesses may lack the resources, capabilities or infrastructure to compete with larger foreign companies or implement new technologies or approaches that they use. If local businesses are not able to interact and compete with foreign investments, then inward investment can have a 'contractive' impact on the local economy and employment.[15]

1.5 As set out in **Figure 3**, inward investment includes:

- Foreign Direct Investment (FDI), defined as an investment reflecting a lasting interest from a foreign investor or enterprise in a UK enterprise where the overseas investor owns 10% or more of the enterprise and aims to have an 'effective voice' in its management.[16] FDI projects include new investments, expansion of existing investments, mergers, acquisitions and joint ventures. Inward investment statistics collected by the UK Office for National Statistics and United Nations Conference on Trade and Development focus on FDI; and
- non-FDI projects, for example, capital investments where an overseas investor invests funds into a company or a project for the purposes of furthering commercial objectives and expanding growth.

Trends in inward investment

1.6 The UK operates in a challenging global investment environment. Over the past decade, global FDI inflows (annual levels of investment on a net basis) peaked in 2015 and 2016, and then decreased in 2020 before recovering to $1.6 trillion in 2021, 8% above 2012 levels. UK FDI inflows followed a similar but more extreme trend. In 2021, UK inflows were $27.6 billion (including investments not supported by the Department for International Trade (DIT)), 50% below 2012 levels (**Figure 4** on page 18).[17] The number of new UK FDI projects decreased by around one-third from 2,265 in 2016-17 to 1,589 in 2021-22 (Figure 10 on page 36). Factors that have affected FDI flowing into the UK include company mergers, acquisitions or consolidations, competition from other investment promotion agencies, restructuring following EU Exit and the impact of the COVID-19 pandemic. New UK FDI projects in 2021-22 are expected to create 84,759 new jobs within three years and safeguard 7,765 existing jobs.

15 Department for International Trade, *Estimating the economic impact of FDI to support the Department for International Trade's promotion strategy: Analytical report*, June 2018 (accessed 6 December 2022).

16 DIT defines investments with a lasting interest as those where business activities supported by the investment are expected to last for at least three years.

17 The reported value of investment inflows are net values showing investments flowing into the UK minus disinvestments from the UK.

Figure 3

Types of inward investment recorded by the Department for International Trade (DIT)

Inward investment includes both Foreign Direct Investment (FDI) projects and non-FDI projects where overseas investors engage with UK projects

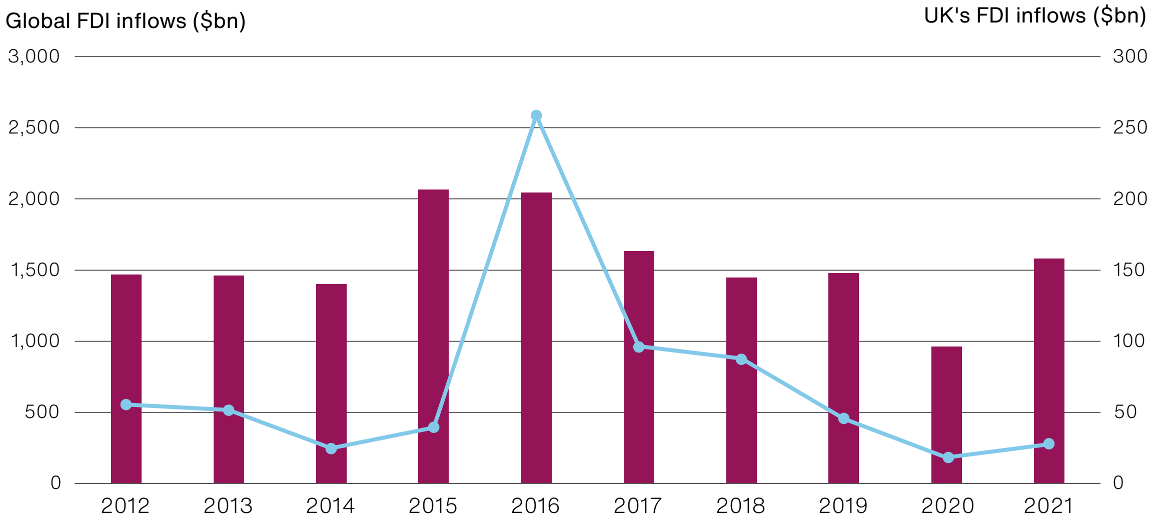
Inward investment	
FDI projects DIT's FDI eligibility criteria are: • the investment must bring additional capital investment into the UK; • the foreign entity must make or maintain at least 10% ownership of the UK-based entity; • the UK-based entity is expected to have a duration of at least three years; and • the investment must create at least one new permanent job in the UK as a result of the investment (lasting at least two years).	**Non-FDI projects** If a project receives funding from an overseas investor, or involves engagement with an overseas investor, but does not include all of the FDI eligibility criteria, it can be classed as a non-FDI project. In these cases, the overseas investor may make future FDI investments in the UK.
FDI projects can include: • New investments. • Expansions of existing investments. • Mergers and acquisitions and joint ventures.	**Non-FDI projects can include:** Research and development collaborations and partnerships. Capital investments, including: • growth capital, including venture capital into high-value start-ups, growth companies and funds, and private wealth to set up investment funds in the UK; and • large capital, including infrastructure and regeneration projects.

Source: National Audit Office analysis of Department for International Trade documents

Figure 4

Global and UK's Foreign Direct Investment (FDI) inflows by year from 2012 to 2021

In 2021, UK's FDI inflows were 50% below 2012 levels



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
World	1,468.8	1,459.0	1,402.5	2,063.6	2,045.4	1,632.6	1,448.3	1,480.6	963.1	1,582.3
United Kingdom	55.4	51.7	24.7	39.2	258.7	96.4	87.8	45.5	18.2	27.6

Notes

1 FDI is an investment reflecting a lasting interest from a foreign investor or enterprise in a UK enterprise where the overseas investor owns 10% or more of the enterprise and aims to have an 'effective voice' in its management.

2 The reported values of FDI inflows are the value of investments flowing into the UK net of disinvestments from the UK.

3 The Figure is based on United Nations Conference on Trade and Development (UNCTAD) world investment data. UNCTAD reports values of FDI inflows in US dollars.

4 UNCTAD uses Office for National Statistics (ONS) official data to compile UK's FDI inflows. However, due to the timing of release dates, subsequent updates and any revisions to previous years, there may be differences between datasets presented by UNCTAD and ONS.

5 ONS reports that a small number of high-value mergers and acquisitions influenced the level of UK inward FDI inflows in 2016.

6 We have not adjusted the data for inflation.

Source: National Audit Office analysis of United Nations Conference on Trade and Development world investment data and Office for National Statistics data

1.7 In 2021, the UK held the second highest levels of FDI stock in the world ($2.6 trillion).[18] DIT's 2021-22 client survey shows that investors find the UK an attractive investment destination due to growth opportunities, consumer demand and ease of setting up a business.[19] Established rules of law and regulation also help the UK compete with other countries for investment. Obstacles to investing in the UK identified by investors surveyed by DIT include difficulties with setting up a bank account, lack of financial incentives to invest and lack of skills in the workforce.

18 Foreign Direct Investment (FDI) stock is measured as the total value of all existing FDI at a point in time.

19 Department for International Trade, *UK Inward Investment Client Insight Survey 2021/22*, unpublished. DIT's client survey covers investors supported by DIT whose investment project has started in the UK. It does not cover investors who choose not to invest in the UK. The data are unlikely to be representative as only 11% of eligible investors responded to the survey in 2021-22.

Government support for inward investment

1.8 DIT aims to encourage economic growth and a green industrial revolution across all parts of the UK through attracting and retaining inward investment. DIT identifies and promotes strategically important opportunities for investment and seeks to attract and retain high-value investors. DIT provides a range of support to investors throughout an investment project, such as advice on suitable locations, UK regulations or finding people with the right skills (**Figure 5** overleaf). In 2021-22, DIT spent an estimated £80.5 million on investment support with an estimated 634 staff (full-time equivalent) directly supporting this objective.[20] DIT has multiple teams supporting inward investment (**Figure 6** on page 21 and **Figure 7** on page 22). In 2021-22, DIT was involved in 74% of all new UK FDI projects although it is not possible to say how many of these investments would have been made without DIT's support.[21]

1.9 In 2020, DIT established the Office for Investment (OFI) to play a central role in supporting the most strategic investments focused on government priorities. The OFI jointly reports to DIT and the Prime Minister's Office to enhance government's service for high-value investors where more effective cross-government working could help secure foreign investment. The OFI's current priorities include net zero, science and technology, levelling up and government-to-government co-investment opportunities. In November 2022, the OFI had around 25 staff (an increase from 18 in April 2022) and plans to expand to 38 staff by 2024-25.

1.10 DIT needs to work in an integrated way with several government departments and bodies to support inward investment. The Department for Business, Energy & Industrial Strategy (BEIS), which is responsible for the government's overall industrial strategy and policy on research and innovation, energy and clean growth, and climate change, works closely with DIT and the OFI on identifying and developing opportunities for overseas investors. BEIS is also responsible for identifying, addressing and mitigating national security risks under the National Security and Investment Act (paragraph 2.10). DIT works with other departments that support inward investment in their policy areas and with departments which hold policy levers, such as tax, regulation and visa requirements that can help reduce barriers to investment (Figure 6).

20 Department for International Trade, *Annual Report and Accounts 2021-22*, July 2022 (accessed 6 December 2022).
21 All UK Foreign Direct Investment (FDI) projects includes those projects that were set up with support of DIT and those in which DIT was not involved.

Figure 5

The Department for International Trade's (DIT) model of support for high-value investors

DIT aims to provide a range of support to potential investors

Motivation

A foreign investor would like to start or grow their business by investing.

An existing investor has a DIT-assigned senior account manager or someone from an overseas post who is their single point of contact and provides support they require. This relationship may have been built on trust over a long period of time.

↓

Research

The investor engages with DIT or DIT proactively engages with the investor.

DIT profiles the investor based on existing data or questions to estimate the value and strategic importance of the potential investment.

DIT may provide the investor with a tailored checklist of things to think about when investing in the UK and a shortlist of DIT's investment services based on the investor's profile.

Depending on the profile of the investor, DIT may provide them with regular investment opportunities and a channel of communication with DIT.

↓

Consideration

Once the investor confirms their interest in investing in the UK, DIT may create a virtual team to support the investment project, which may include team members from DIT's overseas posts, a senior account manager, other senior government officials, representatives from relevant local authorities and sector specialists.

DIT may provide investors with ongoing support throughout the duration of the project, including sharing data and research on relevant trends and identifying suitable locations with planning and permits from local authorities.

↓

Agreement

If the investor decides to invest in the UK, DIT may proactively support the investor with specifics around route to market and business set up, for example, the investor can be offered help with fast-tracked visa applications for themselves, employees or any other family members.

↓

Activation

The investor 'lands' in the UK, moving into the new location, commencing construction or starting recruitment. DIT may provide the investor with hands-on support finding the right skills for them, risk management, their investment strategy as part of business growth support, knowledge and connections around exports, and in some cases publicity and marketing campaigns to raise awareness.

↓

Aftercare

The dedicated DIT contact (an experienced senior account manager or someone from an overseas post) may continue to oversee the relationship with the investor, responding to any enquiries and issues from them.

Notes

1 The model of support for high-value investors presents an 'ideal' investor journey. When deciding what support to offer each investor, DIT considers a range of factors based on the investor's profile.

2 High-value investors include high-value capital investors, large multinational companies, infrastructure and big energy investors.

Source: National Audit Office analysis of the Department for International Trade's investment transformation planning documents

Figure 6

How the Department for International Trade (DIT) works with others to support inward investment

DIT works with several government departments and bodies to support investment into the UK

Department for International Trade

The Office for Investment (OFI) sits within DIT with very close links to the Prime Minister's Office. It aims to secure significant strategic investments aligned to the government's priorities, focusing on very high-value projects.

DIT's Strategy and Investment Group leads on delivering economic growth to the UK by attracting and retaining inward investment. It includes the Investment Directorate.

A range of DIT teams are involved in supporting investment in various locations including:

- **Investor Relations team** which works with institutional investors (sovereign wealth funds, pensions funds) on demand-led investment;
- **Strategic Relations Management team** which is responsible for day-to-day investor relationships;
- **Opportunities and Propositions team** which identifies investment opportunities in the UK (see box on 'engaging locally');
- **Sector teams** which provide specialist support to DIT teams, local partners, other departments and investors;
- **Investment Services Team**, a contracted-out team of around 100 staff, which handles enquiries and manages relationships with around 900 investors and provides research and insight;
- **English regional teams** and **UK trade and investment hubs** (see box on 'engaging locally'); and
- **a network of more than 90 overseas posts** (see box on 'working internationally').

Working with other government departments

Industry policy

DIT and the OFI work directly with the **Department for Business, Energy & Industrial Strategy (BEIS)** to identify and develop opportunities for overseas investment in UK businesses.

DIT also works with other departments that support inward investment in the policy sectors they are responsible for such as the **Department for Digital, Culture, Media & Sport**.

Wider government objectives

- **Levelling up:** DIT works with departments including **HM Treasury (HMT)** and the **Department for Levelling Up, Housing & Communities** to encourage growth in local areas.
- **Net zero:** DIT works with departments including **BEIS, UK Research & Innovation (UKRI)** and the **Department for Transport** on eg investment in offshore wind, electric cars, green public transport, rail enhancements and renewals.
- **Innovation:** DIT works with departments including **BEIS** and **UKRI** to support the development of research and development clusters across the UK.

Departments holding policy levers that can support inward investment

- **HMT** and **HM Revenue & Customs** on the UK tax and customs regime;
- **Foreign, Commonwealth & Development Office** on diplomatic relationships and security considerations;
- **Home Office** on migration rules eg visa arrangements for overseas workers; and
- **UK Export Finance**, the UK's export credit agency. Its products include a loan guarantee for finance to develop exporting capability in the UK, including an 'invest to export' offer for overseas investors looking to export from the UK.

Engaging locally

- **DIT's English regional teams** provide support to local partners including **city mayors, local authorities, Local Enterprise Partnerships** and **local investment promotion agencies**.
- **DIT's UK trade and investment hubs** in Belfast, Cardiff and Edinburgh, established in 2021, work with the **devolved administrations** or their **investment promotion agencies**.
- **DIT's Opportunities and Propositions team** engages with local partners to identify and support opportunities for capital investment at the local level.

Working internationally

- **A network of more than 90 overseas posts** across nine regions led by HM Trade Commissioners develop and manage relationships with investors and promote the UK as an investment destination through events, marketing and other channels.
- They build relationships with potential investors and direct them to the support they need to determine whether to invest in the UK.

Providing input into the National Security and Investment system

- The **Investment Security Unit** within **BEIS** is responsible for national security screening casework under the National Security and Investment Act, which came into force in January 2022. The unit scrutinises and intervenes in investments that raise national security concerns.
- DIT and other departments provide input into the screening process on a range of factors including the economic benefits of investments.

Notes

1 The list of DIT teams working on investment is not exhaustive.

2 DIT sector teams cover clusters of sectors, for example, Healthcare, Life Sciences and Chemicals, or Energy and Infrastructure.

Source: National Audit Office analysis of interviews with the Department for International Trade and other government departments

Figure 7

Estimates of the Department for International Trade's (DIT's) spending and resources related to investment support activity for 2021-22

DIT spent an estimated £80.5 million on supporting investment in 2021-22

Category	Estimated staff numbers (full-time equivalent (FTE)) 2021-22	Estimated spend 2021-22
		(£mn)
Strategy and investment directorate	–	28.2
Investment services	–	17.2
World events	–	6.2
Office for Investment	18	1.2
Other strategy and investment directorate	–	3.7
Overseas teams	**–**	**18.9**
Exports and UK trade directorate	**–**	**13.9**
Sector teams	–	9.1
English regional teams	35	4.4
North England regional team	20	
Midlands regional team	13	
South England regional team	2	
Devolved nations teams	–	0.4
Other exports and UK trade directorate	–	0.1
Overseas platform charge	**Not applicable**	**10.1**
Trading systems directorate	**–**	**0.2**
Corporate services	**–**	**9.1**
Other	**–**	**0.2**
Total	**634**	**80.5**

Notes

1 DIT published estimates of annual expenditure on Priority Outcome 2 (deliver economic growth to all the nations and regions of the UK through attracting and retaining inward investment) (£80.5 million) and the total level of resources (634 FTE) in its 2021-22 Annual Report and Accounts. DIT estimated the percentages of expenditure and FTEs that can be apportioned to Priority Outcome 2 and applied them to DIT's outturn for 2021-22. These data should be considered approximate.

2 DIT is unable to provide a complete breakdown of the estimated number of staff involved in supporting investment because many staff are involved in multiple activities including support for exports and spend only some of their time supporting investment. FTE data presented here are based on estimates of the proportion of time staff spend on investment support activity. The FTE data for the English regional teams reflect the position as at March 2022. The FTE data for the Office for Investment reflect the position as at April 2022. '–' indicates where data are unavailable.

3 Sub-totals for estimated spending at the directorate and sub-directorate level do not add up to the total estimated spending for the relevant directorate or DIT due to rounding.

4 Expenditure includes staff costs and wider costs such as expenditure on promotion activity.

5 The overseas platform charge relates to the business support services provided to DIT's overseas network by the Foreign, Commonwealth & Development Office (FCDO). DIT is recharged by the FCDO for its share of use.

6 Trading systems directorate costs include expenditure relating to multilateral trade relations.

7 Corporate services costs include expenditure relating to communication and marketing and to digital, data and technology.

8 'Other strategy and investment directorate' costs include analysts and international strategy; 'Other exports and UK trade directorate' includes export support costs that cannot be disaggregated from investment activity; and 'Other' costs include centrally managed contingency.

Source: National Audit Office analysis of Department for International Trade expenditure and resourcing data

How other countries support inward investment

1.11 DIT takes an approach to supporting inward investment similar to that used by investment promotion agencies (IPAs) in other countries. DIT and the IPAs we examined (in France, Germany, Ireland and the United States: the top alternative countries where surveyed investors said they would consider investing)[22] undertake similar activities, including supporting investors from their first interest in investing through to setting up a project. They also have similar priorities, aiming to attract high-value investments, with associated jobs in sectors such as advanced technology and clean growth industries, and with a focus on supporting regional development. Some IPAs, including in Ireland, Germany and France, offer direct financial incentives to investors, whereas DIT must work with other departments which award competitive grants and loans, such as BEIS. The Organisation for Economic Co-operation and Development (OECD) reported that, in 2016, the UK had the highest investment promotion budget compared with other OECD countries.[23] However, these data may be out-of-date and international comparisons between IPAs should be treated with caution because economic factors and legal characteristics of countries vary.

22 See footnote 19.
23 Organisation for Economic Co-operation and Development, *Mapping of Investment Promotion Agencies in OECD countries*, 2018, (accessed 6 December 2022), Figure 1.11: IPAs' investment promotion budgets in comparison to the size of their economies, 2016. This comparison excludes the US, as it is an outlier in terms of gross domestic product, but the OECD average takes it into account.

Part Two

The government's approach to supporting inward investment

2.1 This part of the report examines how the Department for International Trade (DIT) works with other departments and across the UK to support inward investment, its role in managing risks and opportunities associated with inward investment, and its new strategy for supporting inward investment and transforming its approach.

Working across the investment landscape

2.2 Potential investors require certainty about government policy to enable them to decide what to invest in and to be confident of a long-term return, and clear information on how to access support from the government such as available grants. As set out in Part One, DIT works with other departments, devolved administrations and their investment promotion agencies, and local partners to:

- identify opportunities for investment and develop propositions that can be promoted to potential investors; and
- support potential investors and help them tackle obstacles they face. For example, some investors may need help getting visas for their staff or clarity about planning rules or other regulations they need to comply with.

Cross-government working

2.3 The main department DIT works with is the Department for Business, Energy & Industrial Strategy (BEIS). Staff at DIT and BEIS considered that collaboration on investment has improved and developed over time. Although the relationship is good, some teams said that there is scope to improve information-sharing on investors' interests and on opportunities for investment. Approaches that have supported effective joint working include:

- the model of a minister for investment jointly at DIT and BEIS. We heard that this role helped align strategic priorities between the Office for Investment (OFI), DIT and BEIS, and that the former Minister for Investment, Lord Grimstone of Boscobel Kt, played an important part in bringing expertise and credibility with investors. Following government changes in 2022, this role was replaced by a new minister of state jointly at DIT and the Cabinet Office between 2 October and 28 October. A new minister of state (minister for investment) representing DIT only was appointed on 24 November; and
- the BEIS Virtual Investment Unit, which has mainly focused on clean growth, aims to support collaboration between sector teams in DIT and BEIS and ensure that investment opportunities are factored into policy-making. For example, DIT and BEIS sector teams worked together with the aim of building the UK's offshore wind supply chain by creating incentives and identifying investors.

2.4 DIT also works with other departments to support investment into their policy areas (Figure 6). For example, DIT collaborates with the Department for Transport to develop a pipeline of transport infrastructure projects where there is scope to attract inward investment. Levelling up has been an important priority for government. DIT and the Department for Levelling Up, Housing & Communities (DLUHC) recognise that they could be more coordinated in their approach to attracting inward investment to support this objective by, for example, working more closely on identifying local investment opportunities. DLUHC told us that challenges to developing a pipeline of projects between DLUHC and DIT include local businesses' and institutions' capacity to engage with foreign investors and develop viable business cases. Many local, individual projects may be too small for DIT to focus on, and resourcing in DLUHC is also a constraint to engaging with DIT.

2.5 In 2020, DIT established the OFI to strengthen how the government works together to provide an effective service for high-value investors (generally investments above £100 million). The OFI uses its position in the Prime Minister's Office to help ensure that departments across government work together to resolve any obstacles investors face. DIT reports that since 2020, the OFI has helped secure commitments for investment worth more than £11.75 billion. Examples of projects the OFI has supported include:

- an agreement signed between the UK and United Arab Emirates (UAE) in September 2021. The UAE committed to invest £10 billion over five years in UK technology, infrastructure, energy transition and life sciences projects.[24] So far, the UAE has invested around £5 billion; and
- Nissan planned to invest £1 billion to expand its electric vehicle production car plant in Sunderland and create 1,650 jobs in 2021-22.[25] The OFI considered that effective working with BEIS and HM Treasury helped secure the investment.

Supporting investment across the UK

2.6 DIT works with local partners to identify projects and ensure that the best opportunities are presented to potential investors to avoid the UK losing investment to other countries. DIT aims to increase investments in areas outside London and the South East which have historically received lower levels of investment, but DIT has established processes to ensure it does not favour particular regions and nations. However, multiple areas can claim to be the strongest in the same sectors and there may be local political pressures to secure investment. DIT and DLUHC consider that there is a need for a deeper understanding of what the priority sectors are for local areas. DIT plans to work with local partners to develop a more detailed overview of the relative strengths of UK regions and nations.

2.7 DIT has taken steps to build a picture of investment opportunities in the UK. It has:

- developed an English regions investment plan which identifies the sectors that DIT teams in the South, Midlands and North will prioritise. For example, the team covering the North focuses on sectors including advanced manufacturing, healthcare and life sciences;
- contributed to trade and investment plans developed by Local Enterprise Partnerships for their local areas;
- launched the High Potential Opportunities programme, a cross-government endeavour, to identify regional supply chain gaps and strategic opportunities. DIT launched 19 High Potential Opportunities in 2020-21, including, for example, heat networks in the North East and Tees Valley;
- launched the Investment Atlas, a DIT website listing Foreign Direct Investment (FDI) opportunities and capital investment opportunities in energy and infrastructure and real estate across the UK;
- developed strategic plans for key sectors; and
- engaged specialist staff who provide advice on specific cases.

24 Department for International Trade, *Annual Report and Accounts 2021-22*, July 2022 (accessed 6 December 2022).
25 Department for International Trade, *Inward Investment Report 2020 to 2021*, August 2021 (accessed 6 December 2022).

2.8 However, DIT has not yet developed strategic plans that set out how it aims to attract investment in the English regions. In contrast, the Scottish Government and the Welsh Government have each published infrastructure investment plans for attracting investment in their nations.[26] There is scope to build deeper knowledge of relative local sector strengths and existing skills, infrastructure and supply chain capability and share it across DIT to help teams identify the most suitable locations for investments. In particular:

- Potential investors' first contact with DIT is often with staff in overseas posts. The devolved administrations (and their investment promotion agencies) we consulted have a good relationship with DIT, but they consider that DIT staff in overseas posts need a better understanding of the relative strengths and competitive advantages of the nations and regions of the UK. They also told us that there is scope for DIT to clarify the role played by its UK-wide trade and investment hubs.
- We consulted two trade associations as part of our work. Both considered that teams in overseas posts could develop their knowledge of investment opportunities across the UK and ensure that they are presented clearly to investors.
- Overseas posts refer investors to teams in the UK, including the Investment Services Team, who will help investors identify suitable sites for projects. These UK-based staff have local expertise but may not have a full overview of opportunities across the UK.

Managing risks and opportunities from inward investment

2.9 DIT needs to balance the risks and opportunities that arise from attracting investment into the UK. It can do this by seeking to attract investors whose priorities align with the UK government's objectives and who are more likely to stay in the UK in the long term and continue to invest, rather than investors who may be less committed. DIT achieves this balance in various ways. It has developed a tiered approach to client account management, whereby investors are assigned to DIT teams depending on the value and strategic importance of the investment. The OFI has established criteria for deciding which projects to support, including government priorities, economic benefits and potential for the OFI to make a difference.

26 Scottish Government, *A National Mission with Local Impact: Infrastructure Investment Plan for Scotland 2021-22 to 2025-26*, February 2021 (accessed 6 December 2022); *Wales Infrastructure Investment Plan: mid-point review 2018*, May 2018 (accessed 6 December 2022).

2.10 The government needs to manage the risk that overseas investors could gain control of UK companies or supply chains. The Investment Security Unit in BEIS was established to manage national security risks arising when a person gains control of a qualifying asset or qualifying entity, as set out in the National Security and Investment Act.[27] DIT supports the BEIS unit by providing input on the economic, trade and political implications of acquisitions. DIT does not play a role in monitoring risks associated with overseas investors gaining control of sectors not covered by the national security regime. Investments in these sectors may be monitored by the departments with policy responsibility.

2.11 Some investors may be subject to sanctions or linked with illegal activities. DIT carries out initial checks to address reputational risks of association with investors who may have been involved in unethical or illegal activity, such as fraud or links to terrorism. If it identifies a potential issue, DIT assesses whether this is a manageable risk, or if it should not engage with the company. DIT is also developing separate screening processes to identify investors subject to UK sanctions. Following the invasion of Ukraine, DIT paused engagement with Russian and Belarussian companies, and developed a tool to identify whether investors it supports are subject to sanctions.

2.12 In 2021, the Government Internal Audit Agency (GIAA) carried out a review to provide advice on how to strengthen the OFI's risk and governance arrangements as it matures. GIAA advised the OFI to design and implement appropriate investor screening arrangements and that these arrangements should be consistent with DIT's wider approach. DIT identified that its current approach to due diligence on potential investors is disjointed and the level of screening varies across teams. In addition, it needs to establish a process for recording issues and sharing them across DIT. It is reviewing its sanctions screening process and considering how due diligence processes could be integrated across the department.

DIT's new strategy for supporting inward investment

2.13 In 2020, DIT reviewed its approach to supporting inward investment and the services it offered investors. At that time, its approach was to support as many investments as it could, and it did not strongly differentiate its support by project value. For example, although a greater proportion of DIT's staff focused on high-value projects, DIT's Investment Services Team and overseas posts also provided bespoke support to low-value projects. DIT interviewed more than 100 investors, analysed investment data, consulted its teams, and benchmarked its services against investment promotion agencies in other countries. It used the results to identify what investors need, the gaps in what DIT offered them and the important markets to target.

27 The National Security and Investment Act commenced on 4 January 2022. It gives the government powers to scrutinise and intervene in acquisitions of control over qualifying entities and assets, such as takeovers, to protect national security. The Act covers all areas of the economy, with a requirement for acquirers gaining control over entities operating in particularly sensitive areas of the economy, such as defence, energy and data infrastructure, to gain clearance before completing the acquisition.

2.14 The review highlighted issues such as duplication of functions, time-intensive manual processing, and a weaker online service than similar investment promotion agencies. DIT found that it had limited ability to build a pipeline and target efforts against government priorities, and that the service it offered was insufficient for high-value complex investments and inefficient for straightforward requirements. DIT told us that there had been occasions where the UK may have missed out on important investments because government departments had not worked together effectively to remove obstacles to investment such as by identifying suitable sites for large projects.

2.15 Following the review, DIT developed a new investment strategy involving a more differentiated approach to supporting investors. It aims to focus its resources on high-value, high-impact investments that contribute to government's wider objectives on levelling up, net zero and innovation. We found that DIT's strategy was consistently and clearly understood across the organisation, and that DIT is developing a new operating model, performance measures and targets to reflect the strategy.

DIT's investment transformation programme

2.16 To deliver the new strategy, DIT has established a transformation programme aiming to offer a more tailored service for different types of investors, supported by stronger enabling functions. The programme includes an expanded OFI focusing on the highest-value strategic investments and more expert investor-facing teams to support the remaining high-value investments.[28] Lower-value investments and simpler queries will be managed through new online services (**Figure 8** overleaf).

2.17 In developing the transformation programme business case, DIT analysed a range of options, including 'no change' and 'cost savings', before recommending full implementation of the programme. DIT forecasts the programme will cost around £26 million until March 2025 and estimates it will result in £135 million economic benefits (15% increase from the baseline of £927 million to £1,062 million), 36,700 new jobs and 464 safeguarded jobs over five years between 2022-23 and 2026-27.[29] It estimates that the programme will increase the economic benefit from every pound it spends on investment support by 40p (from £2.80 without transformation to £3.20 with the transformation). Through reducing inefficiencies DIT estimates net savings of £4.2 million per year by 2027-28. HM Treasury approved the programme business case in December 2022.

28 High-value investments refer to projects DIT has assigned to its top two value bands. Each year, DIT calculates value bands by sector using data on the value of projects it supported over the past three financial years. Projects assigned to the top two bands are in the top 25% of projects supported by DIT.

29 DIT estimated economic benefits are discounted to 2022-23 prices.

Figure 8
The investment transformation programme operating model

The Department for International Trade (DIT) plans to implement a tiered operating model

Planned investment service tiers	Enablers supporting all tiers of investment services
Top tier: the Office for Investment (OFI) The expanded OFI acts as a single point of contact for the highest priority investment projects and works across government to remove barriers to investment.	A stronger strategic and operational centre that generates a pipeline of potential investment leads and provides investor insight. An enhanced Customer Resource Management system – allowing better coordination across teams and better intelligence. Stronger monitoring and evaluation capability.
Second tier: a dedicated specialist support team High-value projects will be allocated a dedicated team with increased sectoral and regional expertise.	
Third tier: a foundational enquiry support through new online platform with call and/or chat function DIT wants to develop a quick and low-cost way of supporting low-value projects and investors with simple queries.	

Note

1 Plans for the transformation programme are currently in development and the model may change.

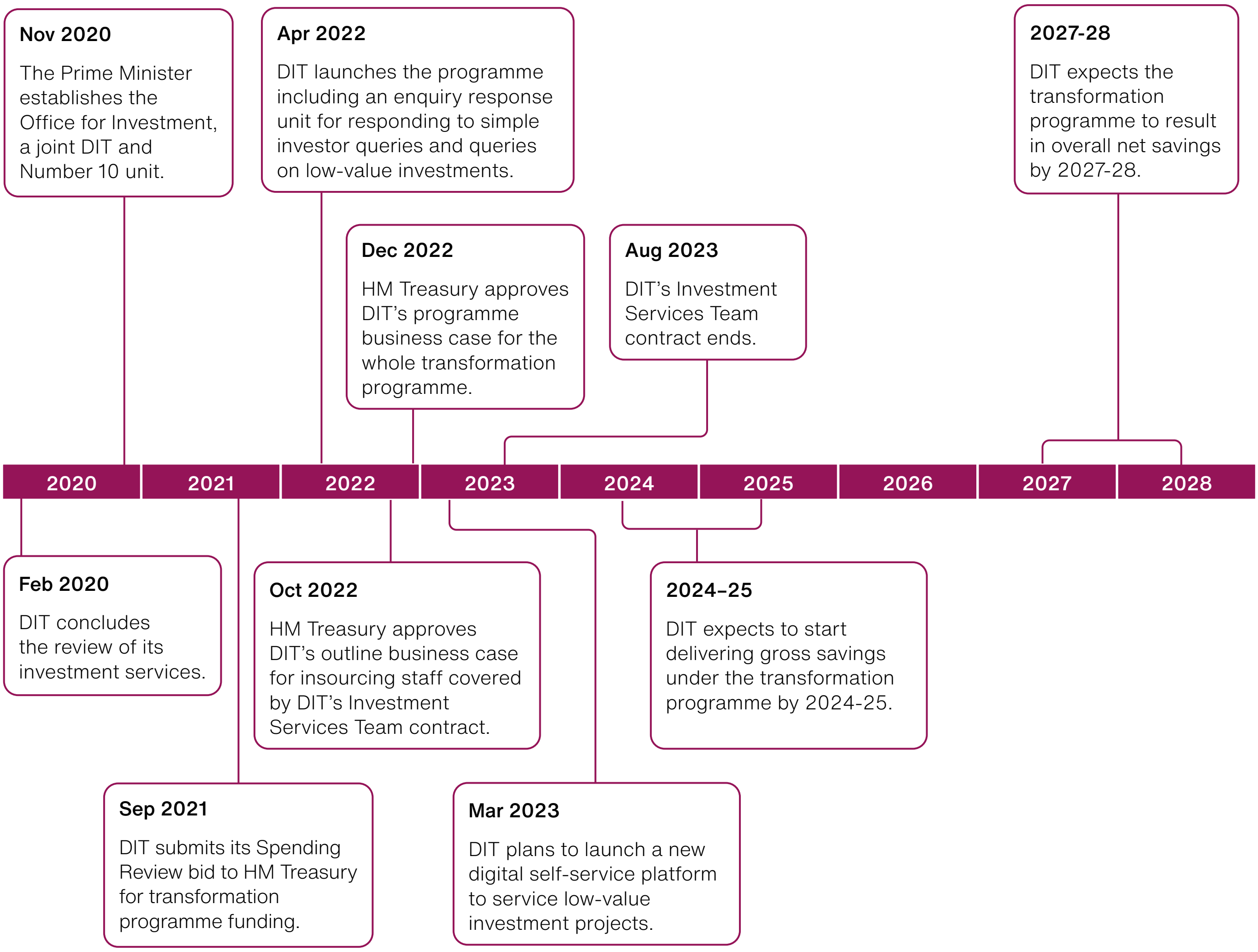
Source: National Audit Office analysis of the Department for International Trade's investment transformation planning documents

2.18 There was an initial delay in taking the programme forward as staff were diverted to other priorities, most recently the conflict in Ukraine. DIT started to implement the programme in April 2022, with a programme plan through to 2028 (**Figure 9**). It set up a programme team and established nine workstreams which included work to insource investment support services staff, a new model for managing investor inquiries overseas, and enhancements to investor account management. It has piloted a new unit for responding to low-value enquiries from investors and conducted user testing for an online self-service platform which will provide information to investors.

Figure 9

Investment transformation programme timeline from 2020 to 2028

The Department for International Trade (DIT) plans to implement the transformation programme between 2022 and 2028, with overall net savings expected by 2027-28



Notes

1 The timeline presents the actual events as of December 2022, the following events reflect DIT's planned dates.

2 DIT began to implement the programme in April 2022, having received funding through the Spending Review bidding process. It then developed the programme business case, which was approved by HM Treasury in December 2022.

Source: National Audit Office review of the Department for International Trade's investment transformation planning documents

2.19 DIT must manage risks if it is to secure the benefits of the programme. As at October 2022, DIT rated the programme risk as 'amber'.[30] It plans to implement the programme in phases so that it can adjust plans if the programme is not delivering benefits as expected. Specific risks include the following:

- **Governance.** GIAA is represented on the programme board, allowing it to provide ongoing assurance. In October 2022, it identified significant weaknesses in the framework of governance, risk management and control. DIT has taken various actions to address GIAA's recommendations, including the appointment of a programme financial reporting manager and ongoing development of reporting processes.
- **Capacity.** DIT has made progress in recruiting key roles on the programme, including programme director and head of business cases. These positions are now filled and the overall shortfall on the programme team reduced from 22% in July 2022 to 12% in October 2022. However, the capacity of the Digital Design and Technology team, which is critical to delivering important elements of the programme as well as other initiatives across DIT, remains a considerable risk.
- **Customer Relationship Management (CRM) system.** DIT has identified a need to enhance its CRM system to gain insights on investors and how DIT can support them. The current system is not used consistently across DIT and does not have the functionality staff need, such as the ability to manage their flow of work, so they resort to manual workarounds. DIT has conducted research to understand user requirements and it is making short-term improvements to the current system. It has not yet decided whether to build or buy a replacement system and in the meantime will continue with the current system until the end of 2023.
- **Enquiry response unit (ERU).** DIT established the ERU to manage low-value enquiries and to inform design of the online self-service platform. DIT has referred fewer investors to the ERU than anticipated, so it is not yet possible to confirm that the service provides the support investors need and that efficiency savings will be achievable. DIT plans to make changes to the internal referral process to increase volumes and expects external enquiries to rise once the online platform is live. DIT also faced challenges with low use of its online export services. In 2020, the House of Commons Committee of Public Accounts highlighted declining use of online export support services and recommended that DIT take action to ensure services meet the needs of smaller businesses. DIT agreed with the recommendation and is continuing to develop its online services for businesses.

30 DIT rated the risk that the investment transformation programme would fail to transform DIT as planned, leading to DIT failing to realise the benefits of the programme, as 'amber'. The amber rating is based on DIT's assessment of the probability of the risk occurring, which it rated as unlikely, and the potential impact if the risk were to occur, which it rated as critical.

Investment Services Team contract

2.20 An important part of DIT's transformation programme is its plans to replace its Investment Services Team contract, which is due to end in August 2023. This team of around 100 staff holds relationships with around 900 investors. In 2020-21, the Investment Services Team managed 581 successful investments and DIT considers that performance has been strong throughout the contract.

2.21 DIT plans to bring most of the existing services in-house and put in place a new, smaller contract to provide specialist research services. DIT considers that bringing core expertise in-house will help streamline operations and will provide flexibility to redirect resources to high-impact projects where required, ensuring greater focus on critical sectors and markets. DIT estimates that bringing services in-house will cost £47.3 million over five years compared with £62.3 million if DIT was to let new contracts for all services. HM Treasury approved DIT's insourcing business case in October 2022.

2.22 DIT considers that bringing services in-house by August 2023 is challenging but achievable. National Audit Office guidance on managing risks associated with contract termination, including the potential loss of knowledge, expertise and data, states that departments should plan for contract end from the start, ensure that they have the information they need for transition and plan for the transition of capability and data.[31] DIT told us that it has taken learning from other insourcing exercises in the department and aims to retain existing staff. It is identifying what data the contractor holds and making plans to transfer it to DIT. Success will also depend on DIT having capacity to deliver and alignment with the wider transformation programme.

31 National Audit Office, *Good practice guidance, Managing the commercial lifecycle*, July 2021 (accessed 6 December 2022).

Part Three

Investment performance and impact

3.1 This part of the report examines:

- how the Department for International Trade (DIT) measures its investment performance;
- trends in investment performance since 2016;
- DIT's performance in supporting high-value projects and wider government objectives; and
- DIT's impact on UK inward investment.

How DIT measures its investment performance

3.2 DIT publishes annual updates on its performance in supporting inward investment against measures detailed in its Outcome Delivery Plan.[32] These measures include:

- the number of new Foreign Direct Investment (FDI) projects supported by DIT;
- the number of jobs associated with these FDI projects;[33]
- the value of capital investment supported by DIT; and
- the total financial value of all FDI in the UK.[34]

32 Department for International Trade, *DIT Outcome Delivery Plan: 2021 to 2022*, corporate report, July 2021 (accessed 6 December 2022).

33 DIT reports on the estimated numbers of new and safeguarded jobs resulting from the supported investment project. New jobs are expected to be created within three years of the start of the project.

34 DIT sources these data from the Office for National Statistics.

3.3 In 2020-21, DIT published its performance against a new measure, Gross Value Added (GVA), for 2020-21 and retrospectively for 2019-20. GVA provides an estimate of the economic impact of supported FDI projects.[35] DIT also publishes an annual inward investment report, including breakdowns of the projects it supports by region, nation and sector. DIT has not set targets for its published performance measures. This is because it does not want to incentivise staff to focus on the investments that are most likely to come to the UK in order to meet targets, and because many other wider economic factors beyond DIT's control have an impact on inward investment trends. Of the four international investment promotion agencies we reviewed, one (Ireland) published targets against its investment performance measures.

3.4 DIT's internal performance framework sets annual investment targets. It is developing its performance framework to reflect its new strategy to focus on high-value, high-impact investments that contribute to government's wider objectives and has introduced targets for supporting high-value projects. Previous targets, based on numbers of projects supported, had incentivised teams to secure as many investments as possible rather than spending time on higher-value projects that can take longer to materialise. For 2022-23, it added new investment targets that support government's wider strategic priorities:

- **Net zero/reducing greenhouse gas emissions**. DIT aims to support 118 investments in 2022-23 that contribute to the objectives in the government's *Ten point plan for a green industrial revolution*.[36] These objectives do not cover all projects which support sustainable growth, such as projects which generate energy from waste. The target may require refinement to incentivise staff to prioritise a broader range of sustainable growth investments.

- **Innovation.** DIT aims to support 269 investments with a research and development focus in 2022-23. This supports the government's aim for the UK to become a science and technology superpower and achieve research and development investment of 2.4% of GDP by 2027.

- **Levelling up and reducing local and national inequality**. DIT aims to support investments that lead to 35,179 new jobs outside London and the South East. This target does not differentiate between UK nations and regions.

35 DIT published a report in March 2021, *Understanding FDI and its impact in the United Kingdom for DIT's investment promotion activities and services*, detailing its methodology for calculating Gross Value Added (GVA) (accessed on 6 December 2022).
36 HM Government, *The Ten Point Plan for a Green Industrial Revolution*, November 2020 (accessed on 6 December 2022).

3.5 DIT is making progress in improving the quality of its investment data. It has strengthened processes for verifying that it played a meaningful role in projects it supports, which it records as 'DIT-involved projects', and that the activities planned through the investment have started. However, issues remain with the data DIT uses to measure investment performance. Some data, such as the number of projects with a research and development focus, are not recorded consistently in its project database. It does not yet have a full picture on the value of capital expenditure on investment. In 2021-22 it collected this information for around 77% of projects.[37]

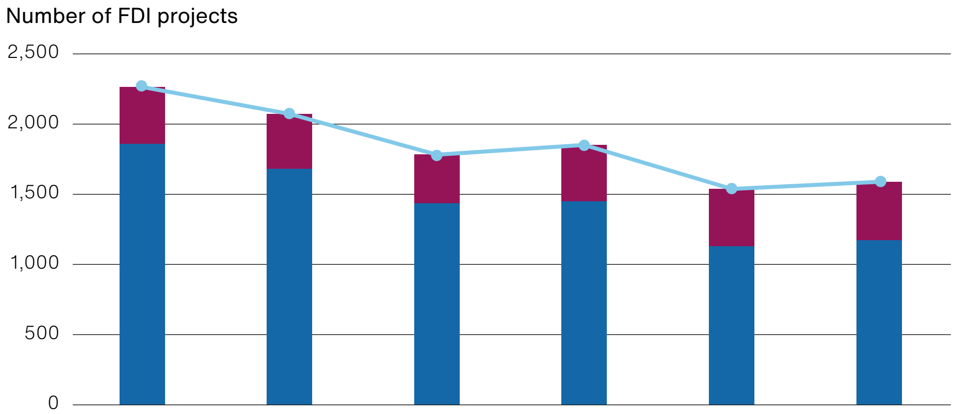
Trends in investment performance

3.6 Between 2016-17 and 2021-22, the total number of UK FDI projects and the subset of UK projects which DIT supported declined by 30% and 37% respectively (**Figure 10**). This fall may reflect global economic trends because the value of global levels of inward FDI also decreased over the same period. The number of new and safeguarded jobs associated with projects which DIT supported has fluctuated since 2016-17 (**Figure 11**).

Figure 10

Total number of UK Foreign Direct Investment (FDI) projects and the number which the Department for International Trade (DIT) supported, from 2016-17 to 2021-22

The total number of secured FDI projects, and the subset of projects which DIT supported, each decreased by around one-third between 2016-17 and 2021-22



	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
FDI projects not supported by DIT	406 (18%)	390 (19%)	346 (19%)	403 (22%)	407 (26%)	415 (26%)
FDI projects supported by DIT	1,859 (82%)	1,682 (81%)	1,436 (81%)	1,449 (78%)	1,131 (74%)	1,174 (74%)
Total UK FDI projects	2,265 (100%)	2,072 (100%)	1,782 (100%)	1,852 (100%)	1,538 (100%)	1,589 (100%)

Note

1 FDI projects supported by DIT are counted at the point when DIT has confirmed at least some of the planned investment in the UK has been made.

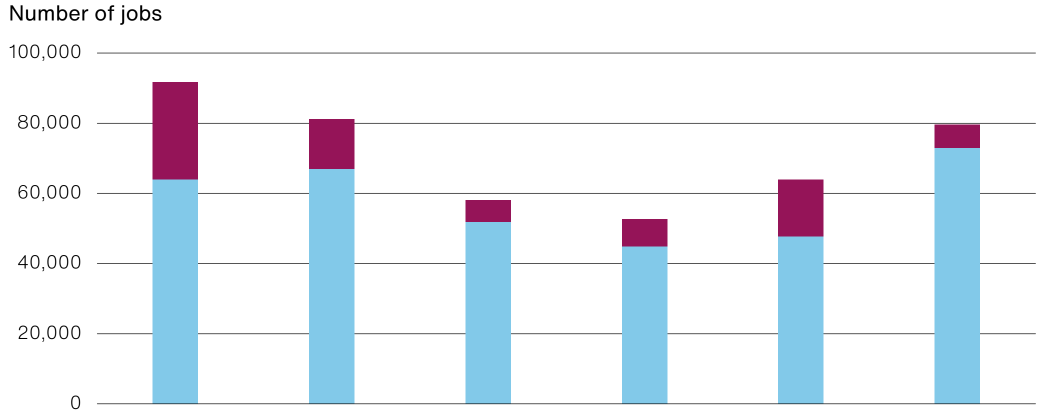
Source: National Audit Office analysis of Department for International Trade Inward Investment Results from 2016-17 to 2021-22

37 DIT does not have complete data on planned capital expenditure due to some investors withholding information which they are not required to provide, and because some FDI projects do not involve capital expenditure. DIT is uncertain about the proportion of projects missing information that each reason applies to.

Figure 11

Number of new and safeguarded jobs associated with Foreign Direct Investment (FDI) projects which the Department for International Trade (DIT) supported, from 2016-17 to 2021-22

Since 2016-17, the number of new and safeguarded jobs associated with projects supported by DIT has fluctuated with the highest number of new jobs of 72,906 in 2021-22



	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Safeguarded jobs	27,736	14,146	6,217	7,815	16,174	6,665
New jobs	63,892	67,060	51,863	44,830	47,784	72,906

Note

1 New and safeguarded jobs are jobs expected to be created or retained over the following three years as a result of the new or additional investment from FDI projects supported by DIT.

Source: National Audit Office analysis of Department for International Trade Inward Investment Results from 2016-17 to 2021-22

3.7 DIT supported fewer FDI projects in 2021-22 than in 2019-20. However, the estimated GVA (economic impact) of supported projects has increased by 128% from £3.1 billion to £7 billion. The total number of jobs associated with these projects increased by 51% (new jobs increased by 63%, while safeguarded jobs fell by 15% (Figure 11). The value of large and venture capital investments supported by DIT also increased by 20%, from £4.7 to £5.6 billion. The impacts of factors such as the COVID-19 pandemic and EU Exit on the wider economic climate mean it is not possible to determine to what extent these trends can be attributed to DIT's activities or are influenced by other factors.

Performance in supporting high-value projects

3.8 DIT's new investment strategy involves a more differentiated approach to supporting investors and a focus on high-value investments. As set out above, DIT has introduced new targets for supporting high-value FDI projects, which it defines as projects in its top two internal value bands.[38] In 2021-22, DIT supported 246 projects in the highest-value band against a target of 138 (**Figure 12**). The proportion of high-value projects supported by DIT increased from 13% in 2019-20 to 41% in 2021-22 (Figure 2). Various factors may have driven the increase, including greater incentives for staff to record project value given the new targets for high-value projects. DIT also exceeded targets for the total number of FDI projects and the value of capital investments supported.

Figure 12

Department for International Trade (DIT) performance against internal investment targets for 2021-22

DIT exceeded its internal performance targets for investment in 2021-22

Metric	Target	Performance
Foreign Direct Investment (FDI)		
Total number of FDI projects supported by DIT	833	1,174
Number of FDI projects supported in highest-value band (top 10% of past FDI projects by value)	138	246
Number of FDI projects supported in top two value bands (top 25% of past FDI projects by value)	323	484
Capital investment		
Value of large capital investments supported	£9.6bn	£18.6bn
Value of growth capital investments supported	£0.5bn	£1bn

Notes

1 Capital investments include investments where the investor has made a long-term commitment to investing in a project and investments where the investor has stated their intention to invest funds into a UK project or company and deploy capital with immediate effect, or in the very near future.

2 High-value projects refer to projects DIT has assigned to its top two value bands. Each year DIT calculates value bands by sector using data on the value of projects it supported over the past three financial years.

3 FDI projects supported by DIT are counted at the point when DIT has confirmed at least some of the planned investment in the UK has been made.

Source: National Audit Office analysis of Department for International Trade performance data

38 High-value projects refer to projects DIT has assigned to its top two value bands. Each year DIT calculates value bands using data on the value of projects it supported over the past three financial years. The top value band represents the top 10% of projects by value and the top two bands represent the top 25%. These bands vary by sector. Projects are allocated to bands based on either the number of associated jobs, if DIT has categorised the sector as labour-intensive, or based on capital expenditure, if DIT has categorised the sector as capital-intensive. This is to reflect the changing nature of inward investment, which in some sectors has become less capital-intensive with increasing digitalisation, and that the range of investment values and impact varies considerably by sector. For example, an automotive project's capital expenditure in DIT's highest-value band in 2021-22 would have been more than £13.5 million, whereas this figure was more than £100 million for renewable energy projects. For education, categorised by DIT as a labour-intensive sector, projects in the highest-value band would have been expected to deliver more than 50 jobs.

Performance in supporting wider government objectives

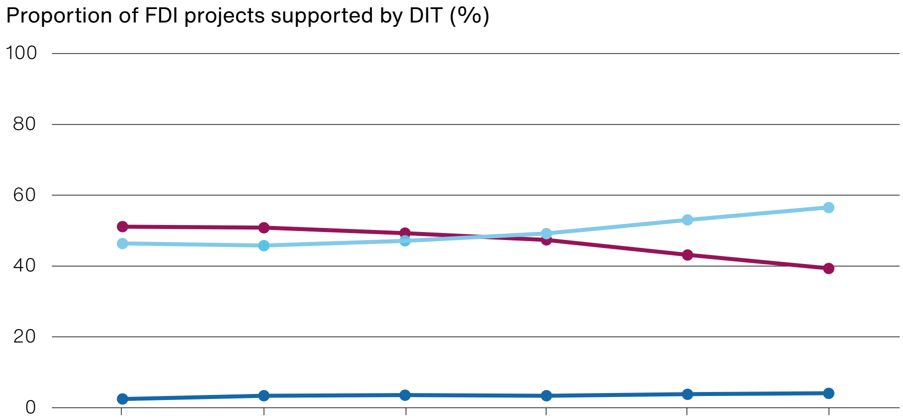
Promoting growth across the UK

3.9 As part of its investment strategy, DIT aims to prioritise investments that promote growth throughout the UK. The proportion of FDI projects that DIT supported in the UK outside London and the South East increased from 46% in 2016-17 to 57% in 2021-22 (**Figure 13**). However, there is variation in economic impact across the UK (**Figure 14** overleaf). For example, in 2021-22, DIT estimated that the FDI projects it supported would create 3.1 jobs per 1,000 people aged 16 to 65 in the North East compared with 0.5 jobs in the South West.

Figure 13

Foreign Direct Investment (FDI) projects supported by the Department for International Trade (DIT) by year and location, from 2016-17 to 2021-22

The proportion of projects supported by DIT based outside London and the South East (excluding projects with multiple UK sites) increased from 46% in 2016-17 to 57% in 2021-22



	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
London and South East projects	51	51	49	47	43	39
Non-London and South East projects	46	46	47	49	53	57
Projects with multiple UK sites	2	3	4	3	4	4

Notes

1 Percentages may not add up to 100% due to rounding.

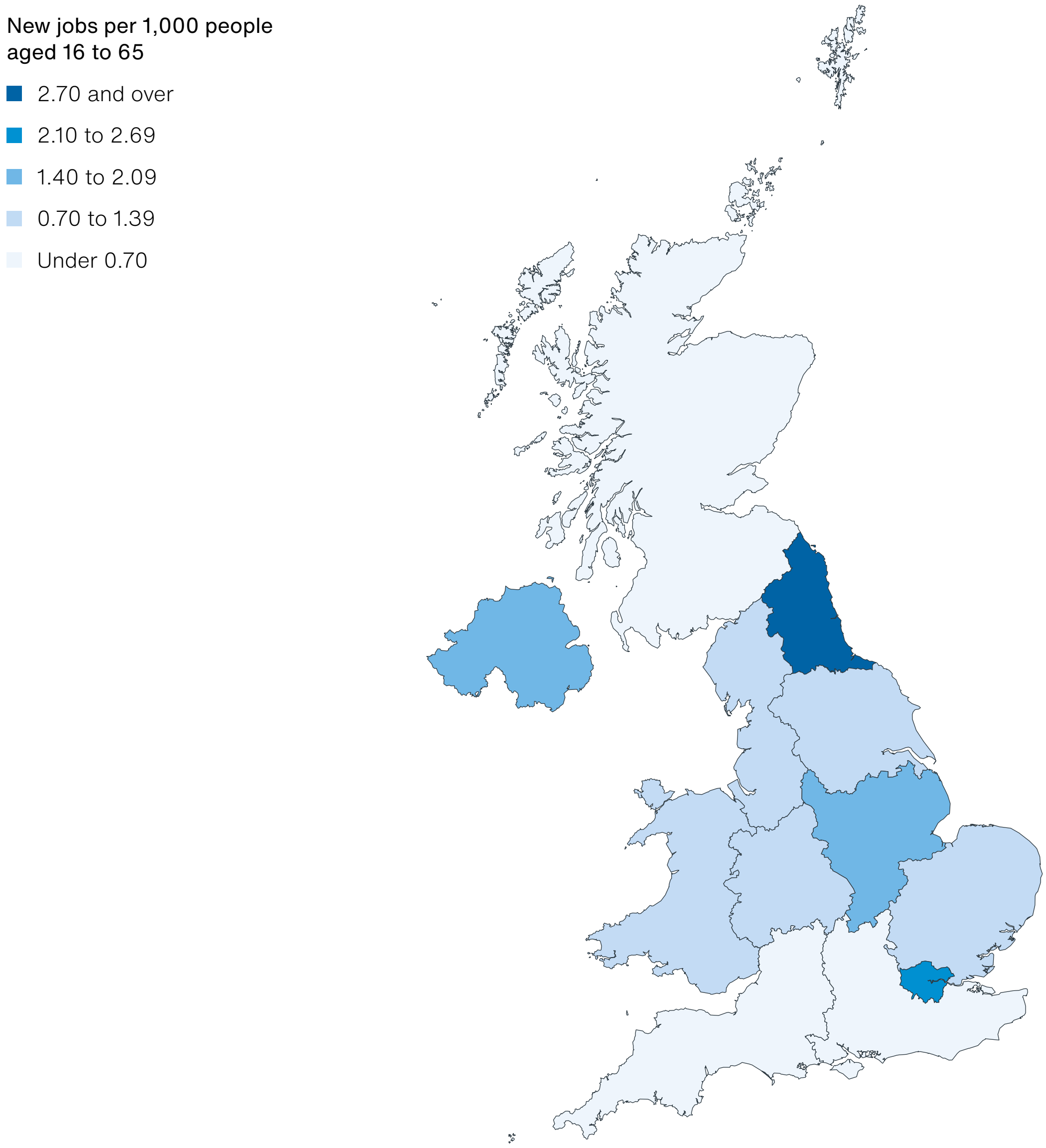
2 FDI projects supported by DIT are counted at the point when DIT has confirmed at least some of the planned investment in the UK has been made.

Source: National Audit Office analysis of Department for International Trade Inward Investment Results from 2016-17 to 2021-22

Figure 14

New jobs associated with Foreign Direct Investment (FDI) projects supported by Department for International Trade (DIT), by UK nations and regions per 1,000 people aged 16 to 65, 2021-22

There is variation across the UK in the number of new jobs created through 2021-22 FDI projects supported by DIT when taking population into account



Notes

1 New jobs are jobs expected to be created over the following three years as a result of the new or additional investment from FDI projects supported by DIT.

2 These data do not include new jobs expected from multi-site FDI projects, which made up 27% of new jobs associated with FDI projects supported by DIT, per 1,000 people aged 16 to 65 in 2021-22.

3 The data range from 0.51 new jobs per 1,000 people aged 16 to 65 in the South West to 3.06 in the North East. For England there were 1.31 new jobs per 1,000 people aged 16 to 65.

4 Population data are from the Office for National Statistics 2020 mid-year population estimates for the UK.

Source: National Audit Office analysis of Department for International Trade Inward Investment Results, 2021-22 and Office for National Statistics, Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland dataset, mid-2020 edition. Map outline from Office for National Statistics licensed under the Open Government Licence v.3.0. Contains OS data © Crown copyright and database right 2021

Supporting net zero and innovation

3.10 DIT aims to prioritise investments that support the government's wider objectives on net zero and innovation. To promote investment into these areas, DIT works closely with the Department for Business, Energy & Industrial Strategy (BEIS), which has overall policy responsibility for net zero and innovation (paragraph 2.3). It is not yet clear whether there is more inward investment in these areas:

- The proportion of DIT-supported projects with a research and development focus remained constant at 25% between 2019-20 and 2021-22.
- Data on investment in net zero projects are available for 2021-22 only when DIT considered that 7% of projects it supported were aligned with the government's climate objectives. This is not long enough to determine a trend, given the long-term nature of investments in these sectors. As at October 2022, DIT had supported 25 net zero investment projects against a target of 118 for 2022-23, but further projects may be confirmed later in the year.

3.11 Examples of DIT-supported projects that contribute to wider government objectives include:

- in 2020, DIT and Scottish Development International (the Scottish investment promotion agency) worked together to secure further investment by Piramal Pharma Solutions (PPS), a global pharmaceutical company. In 2022, PPS announced plans to build a new facility in Grangemouth, Scotland, and to upgrade its existing facility in Morpeth, England, a total investment of around £55 million;[39] and
- Eatron Technologies, a Turkish company developing battery management and semi-autonomous driving software, is an innovator in next-generation low carbon technologies. After locating its headquarters in Warwick in September 2018, Eatron made a new £1.5 million investment for the next phase of development of its commercial prototype, increasing total new UK jobs to 25. DIT has supported Eatron by making introductions and by providing investment propositions and support from sector specialists.[40]

39 Piramal Pharma Solutions, *Piramal Pharma Solutions Strengthens UK Presence with the Expansion and Upgrade of its Grangemouth and Morpeth Facilities*, press release, February 2022 (accessed 6 December 2022).
40 Department for International Trade, *Inward Investment Report 2020/21*, August 2021 (accessed 6 December 2022).

DIT's impact

3.12 Measuring the impact of investment support activity is challenging because it is difficult to determine whether investments would have happened without government involvement. International evidence suggests that investment promotion agencies have a positive impact on FDI, but that this impact varies. An Organisation for Economic Co-operation and Development (OECD) and Inter-American Development Bank (IDB) 2019 review of 51 countries found a positive relationship between the budget of investment promotion agencies and levels of inward FDI, and that various factors, including the size of the agency and its approach to targeting investments, affected the strength of this relationship.[41]

3.13 The OECD and IDB 2019 review of investment promotion agencies ranked DIT fifth out of 49 national agencies in terms of its evaluation approach.[42] To understand its impact, DIT has:

- surveyed investors, reporting annually on the challenges they face and whether DIT's support is helpful. DIT only surveys investors who have received DIT support and have invested into the UK;
- developed a theory of change, which maps the relationship between DIT's investment activities and the outcomes it aims to achieve. DIT plans to use this to identify further performance indicators;
- started developing an approach to model the costs and benefits of its investment services. It aims to understand which services have the most impact to support decisions on where to focus resources; and
- published its forecasts of the potential economic benefits at the outset of investment projects, net of economic disbenefits such as jobs that may be eliminated (paragraph 3.3).

41 Organisation for Economic Co-operation and Development and Inter-American Development Bank, *How to solve the investment promotion puzzle: A mapping of investment promotion agencies in Latin America and the Caribbean and OECD countries,* July 2019 (accessed 6 December 2022).

42 The review created an index for ranking agencies. The index was based on four indicator scores: whether the agency had a dedicated evaluation unit; whether it uses econometric methods for evaluation purposes; the number of other evaluation methods it uses; and the range of the agency's activities recorded in its customer relationship management system.

3.14 DIT aims to record potential benefits (such as salary level of jobs created and export potential) on its customer relationship management system (Datahub). However, Datahub is not used consistently across the organisation. DIT does not routinely monitor the outcomes that have been achieved, whether higher or lower than forecast, or whether investments have led to economic disbenefits. For example, the BioIndustry Association has raised concerns that an over-dominance of foreign investment in UK biotech companies, and corresponding lack of UK-based investors, can lead to these companies choosing to move parts of their operations and skilled UK staff overseas to be closer to their source of capital.[43] DIT told us that monitoring all investments on an ongoing basis is not feasible as it does not currently collect these data and doing so would require significant resources.

3.15 There is evidence that DIT is having a positive impact:

- Overall satisfaction is high among the investors that responded to DIT's client survey.[44] Out of investors surveyed in 2020-21, 89% reported satisfaction with the information and advice provided by DIT and 76% reported that DIT helped them make useful contacts, which they rated as the most valuable DIT service.[45]

- One-third of investors surveyed by DIT in 2021-22 said support from DIT had made their investment decision easier, 27% said they had made their investment more quickly and 13% said they increased their investment value due to DIT's support (**Figure 15** overleaf).[46]

- Investors we interviewed spoke positively about DIT's support. We heard that DIT helps investors understand where government policy aligns with their own objectives and areas of expertise, and informs investors about sector expertise in the UK, of which they may not have been aware. DIT also helps investors understand who they need to engage with in the UK to progress their projects. The UAE's Mubadala Investment Company, which in 2021 committed to invest £10 billion in UK industries, told us that support from the Office for Investment (OFI) has contributed to it having more of a UK presence and investing more in the UK.[47]

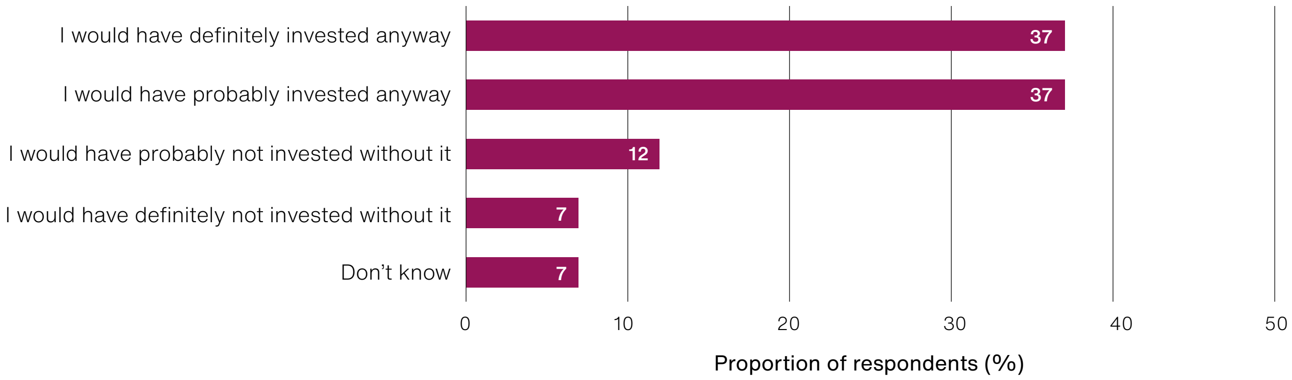
43 BioIndustry Association, *BioIndustry Association submission to the Labour start-up review*, August 2022 (accessed 6 December 2022).
44 Department for International Trade, *UK Inward Investment Client Insight Survey 2020/21*, unpublished. The survey data are unlikely to be representative of all investors supported by DIT as 18% of eligible investors responded to the survey in 2020-21.
45 Data are not available on these measures from DIT's most recent 2021-22 investor client survey as it did not ask these questions. Between 2020-21 and 2021-22, DIT changed many survey questions, removed existing questions and added new questions, with the aim of improving how it measures investor satisfaction and the efficacy of its investment services.
46 Department for International Trade, *UK Inward Investment Client Insight Survey 2021/22*, unpublished. The survey data are unlikely to be representative of all investors supported by DIT as 11% of eligible investors responded to the survey in 2021-22.
47 Department for International Trade, *UAE to invest £10 billion in priority UK industries*, press release, September 2021 (accessed 6 December 2022).

Figure 15

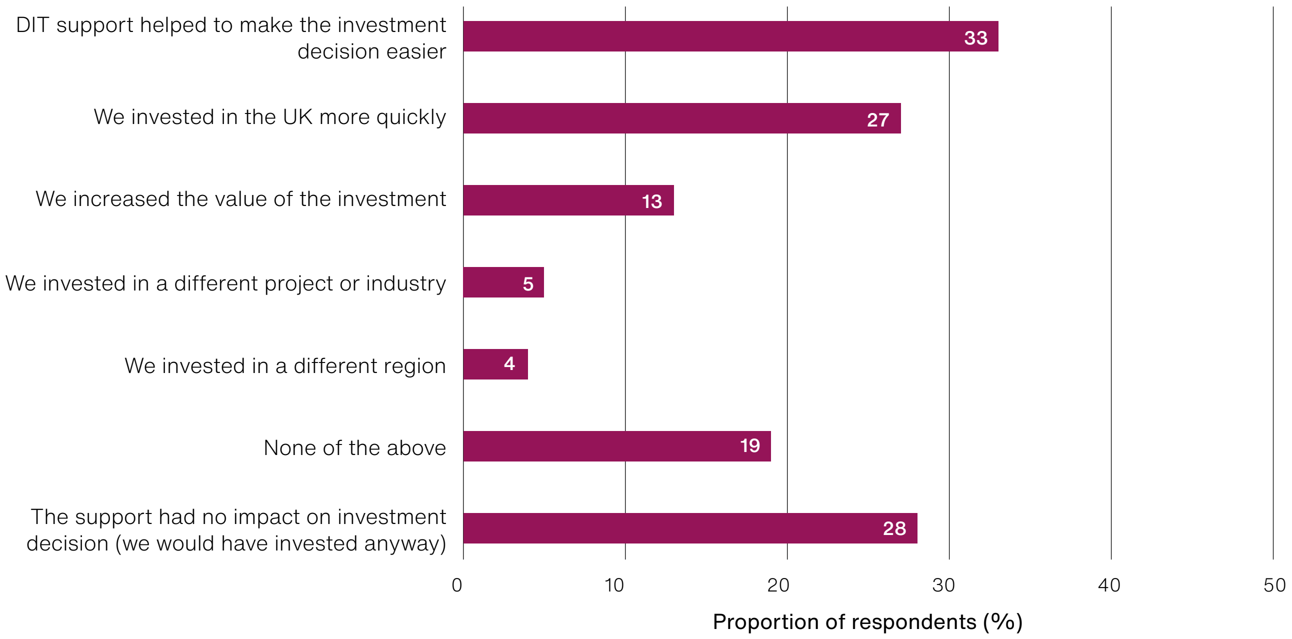
Investors' views on the Department for International Trade's (DIT's) influence on their decision to invest in the UK, 2021-22

Of investors surveyed by DIT in 2021-22, 74% reported they 'definitely or probably' would have invested in the UK without DIT's support, although around 70% of investors said DIT's support had some influence on their decision to invest

To what extent did DIT support influence your decision to invest?



How, if at all, did the support you received from the DIT network influence your decision to go ahead with this investment in the UK?



Notes

1 Respondents could select multiple responses for the survey question 'How, if at all, did the support you received from the DIT network influence your decision to go ahead with this investment in the UK?' shown on the second graph above.

2 DIT conducts quarterly surveys of investors it supports whose investment projects have started in the UK. It collates data into an annual dataset for analysis based on when the investment project started.

3 Data from DIT's client survey are unlikely to be representative of all investors supported by DIT due to relatively low response rates to the survey. In addition, only investors whose investment projects have started in the UK are surveyed: 190 investors responded to the first question above and 187 responded to the second question, representing 8% of eligible investors in 2021-22.

Source: National Audit Office analysis of Department for International Trade, *UK Inward Investment Client Insight Survey 2021/22*, unpublished

3.16 Many investors may invest without DIT's support. In 2021-22, 74% of investors DIT surveyed said they 'definitely or probably' would have invested in the UK without DIT's support (Figure 15) and a similar proportion of respondents (75% in 2020-21 and 77% in 2019-20) said they would have been extremely likely, very likely or likely to have invested without DIT's support in previous years.[48] Using its survey data, DIT estimates that between 4% and 8% of UK FDI projects would not happen without its support, although it considers this to be a low estimate.[49] Since 2016-17, the proportion of UK FDI projects supported by DIT has decreased from 82% in 2016-17 to 74% in 2021-22 (Figure 10). Ultimately, investors make commercial decisions on whether to invest but OFI considers that it can play a key role in 'getting deals over the line' by building strong relationships across government.

48 See footnotes 44, 45 and 46.

49 This estimate is based on responses to the question in DIT's 2020-21 client survey 'How likely is it that you would have invested in the UK without the support or advice of DIT?'. Of surveyed investors, 8% responded that it was 'not likely', with the remainder saying it was likely to some extent. DIT estimates that the proportion responding 'not likely' would be lower for investors with high-value investment projects as these investors are likely to be larger and have access to support and advice outside of DIT.

Appendix One

Our evidence base

1 Our independent conclusions on whether the Department for International Trade (DIT) is well-positioned to secure an impact from its support for inward investment were reached following our analysis of evidence collected primarily between May and October 2022.

2 We applied an evaluative framework with criteria that set out whether DIT is well-positioned to secure an impact from its support for inward investment. We used a range of study methods, as set out below. Any issues brought to our attention through our interactions with government departments or other stakeholders were triangulated against other sources. Where necessary, we asked questions of the relevant parties and/or asked for more information to ensure we focused on the highest-priority areas.

Interviews

3 To understand the steps taken by DIT to support inward investment and to assess whether it is well-positioned to secure an impact, we held around 20 interviews with DIT and the Office for Investment (OFI). Most interviews were conducted online with a few face-to-face interviews. They covered:

- DIT's overall investment strategy, the wider investment environment and policy for inward investment;
- the OFI's role in supporting investment into the UK;
- identification of opportunities and development of investment propositions;
- the investment transformation programme;
- investor relations;
- the work of English regional teams;
- the Investment Services Team;
- the work of sector teams, particularly life sciences and renewable energy;
- investment screening, DIT's work related to identifying sanctioned investors and DIT's input into the Department for Business, Energy & Industrial Strategy (BEIS) National Security and Investment regime;

- the work of overseas posts;
- the work of UK trade and investment hubs in Edinburgh, Belfast and Cardiff; and
- investment performance and analysis.

4 We visited two English regional teams for a series of face-to-face interviews in Leeds and Guildford to understand the role of those teams in building relationships locally, and in identifying and supporting opportunities for inward investment. To decide which regional team to meet we considered size, geography, levels of investment and activity that contributes to wider government objectives. We discussed those criteria with DIT and after consultation we chose to meet the teams that covered the Yorkshire & Humber and South East regions of England. During those visits we interviewed DIT staff, their local partners (including representatives of local authorities, investment promotion agencies and a university) and Investment Services Team staff.

5 To understand the role of the overseas posts in identifying and supporting potential investment opportunities, we conducted online and in-person interviews with officials from three HM Trade Commissioner regions: China and Hong Kong; Europe; and North America. Criteria we used to select regions included the value of investment coming from those regions, performance data and expenditure.

6 To understand the progress DIT has made on the investment transformation programme and the OFI's risks and governance arrangements, we met with the Government Internal Audit Agency (GIAA). We also reviewed GIAA reports relating to DIT's transformation programme and a GIAA management letter with advisory actions to support the development of the OFI.

7 We conducted interviews online with officials from other government departments covering areas such as their support for inward investment in their policy areas and coordination of inward investment work with DIT. We interviewed officials from:

- BEIS;
- the Department for Levelling Up, Housing & Communities;
- the Department for Transport;
- UK Export Finance; and
- the Office for National Statistics.

We also interviewed officials from BEIS' Investment Security Unit to understand its role, and how it works with DIT.

8 We conducted interviews online with officials from the devolved administrations or their investment promotion agencies to understand how devolved administrations support inward investment and their engagement with DIT. We interviewed:

- the Welsh Government; and
- Scottish Development International.

9 To examine DIT's performance in supporting inward investment and its contribution to achieving net zero, levelling up and innovation, we focused on two specific sectors: life sciences and renewable energy. Looking through the lens of specific sectors provided us with a more in-depth understanding of key issues DIT faces with attracting inward investment. We conducted interviews with respective policy departments and external stakeholders. We covered investment-related challenges and government's approach towards supporting inward investment in these sectors. We interviewed representatives from:

- the renewable energy team in BEIS;
- the Office for Life Sciences;
- the BioIndustry Association;
- RenewableUK;
- the Green Alliance; and
- the Local Government Association.

10 To understand more about the types of support DIT provides to investors and the impact of its support, we spoke to investors who had received support for their investment projects from DIT. These interviews were not intended to be representative of investor views but to build our understanding of DIT's investor client survey evidence (paragraph 14) by providing illustrative examples of investors who received support for their UK investment from DIT. We asked DIT to select investors or other companies involved in investment projects, covering different types of investment projects, a range of investment values, and a focus on life sciences and renewable energy sectors. We met with:

- Mubadala Investment Company;
- a UK representative of Meridiam; and
- Rolls-Royce plc.

11 While scoping our work, we engaged with academic experts to develop our understanding of the context for foreign inward investment and potential risks in this policy area.

12 We organised interview notes thematically to identify the full range of views. We analysed the data, reviewing the notes against the themes in our evaluative framework, and considered new themes emerging from the interviews. We used the analysis to:

- inform further lines of enquiry to follow up with DIT; and
- triangulate evidence from other sources, including our document review.

Document review

13 We reviewed departmental documents to understand DIT's strategic approach, how it is organised to deliver its support for investment, its plans for the investment transformation programme, and how DIT monitors and evaluates its investment support activities. This included a review of documents relating to:

- strategy and planning;
- governance, oversight and performance reporting;
- the investment transformation programme, including plans and business cases;
- monitoring and evaluation;
- risk assessments;
- internal audit reports; and
- financial reporting and resourcing.

14 We also reviewed the findings from DIT's annual client survey for 2020-21 and 2021-22. This survey includes investors who have received support from DIT and whose UK investment project has started. It does not include investors who choose not to invest in the UK. The survey findings are unlikely to be representative of all surveyed investors as only 18% of eligible investors responded to the survey in 2020-21 and 11% responded in 2021-22. The response rate for some individual questions is lower where some respondents did not provide a response.

15 Our review was carried out between May and October 2022. Documents reviewed mostly covered the period between November 2019 and October 2022.

16 We reviewed each document against our overarching audit questions.

International comparisons

17 For contextual information on how DIT's international counterparts support inward investment, we conducted desk research. We researched DIT's most direct competitors (as identified by its 2021-22 client survey) in Ireland (Industrial Development Agency Ireland), France (Business France), Germany (Germany Trade & Invest) and the USA (SelectUSA).

18 Using publicly available information from the investment promotion agencies' (IPAs') websites for each of these countries, we examined these countries' priorities for investment, the types of support they offered investors, their expenditure on inward investment and their performance. Budget data came from a 2017 Organisation for Economic Co-operation and Development and Inter-American Development Bank (OECD-IDB) survey and were republished in a 2018 OECD document mapping various IPAs within the OECD.[50]

19 We note that it is not always possible to make a direct comparison between the IPAs due to the different contexts they are operating in. Some IPAs are stand-alone entities while others are part of larger entities also encompassing, for example, export support. Similarly, some IPAs focus more on facilitating investment by individual companies while others focus more on promotion and image-building, which, for example, may require a different number of staff and a different approach. Countries operate in different political, legal, regulatory and fiscal set-ups, which may mean that approaches used by one country are not feasible for another. Similarly, different countries will take different approaches to defining and measuring inward investment and these differences may mean that it is not possible to directly compare.

Quantitative analysis

20 We performed a range of quantitative analysis, including assessing data on Foreign Direct Investment (FDI) performance and resourcing.

21 We analysed DIT Inward Investment Results from 2016-17 to 2021-22 and its internal performance data for 2019-20 to 2020-21, to present:

- changes in DIT investment performance, including number of FDI projects supported by DIT, Gross Value Added, number of new and safeguarded jobs, and value of venture and large capital;
- the number of FDI projects supported by DIT in its strategic priority areas (net zero, levelling up and innovation) and the number of supported FDI projects by UK nations and English regions; and
- the proportion of FDI projects with and without DIT support.

50 Organisation for Economic Co-operation and Development, *Mapping of Investment Promotion Agencies in OECD countries*, October 2018 (accessed on 6 December 2022).

22 We analysed data from the United Nations Conference on Trade and Development (UNCTAD) World Investment Report on FDI inflows, by region and economy, from 1991 to 2021 to compare global and UK inward investment inflows and to present inflow trends between 2012 and 2021. The original source of the UK data is the Office for National Statistics (ONS). There can be differences between UNCTAD and ONS data due to various factors, including the timing of publication of their datasets and whether later revisions are included in updates. UNCTAD also reports FDI figures in US dollars for international comparability purposes. Limitations with the underlying data, including asymmetries between investment figures from different countries, mean that these figures should be treated as estimates.

23 We also analysed DIT expenditure and resourcing data.

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National Audit Office

£10.00

ISBN 978-1-78604-469-3

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Design and Production by NAO Communications Team
DP Ref: 011078-001