

South Ayrshire Council

**Report by Director of Strategic Change and Communities
to Cabinet
of 31 October 2023**

Subject: Strategic Approach to Inward Investment

1. Purpose

1.1 The purpose of this report is to seek Members' support for a strategic approach to inward investment.

2. Recommendation

2.1 It is recommended that the Cabinet:

2.1.1 approves the proposal set out in paragraph 4.1 and commission a refresh of the Council's Strategic Economic Plan with a clear focus on sector development and Inward Investment;

2.1.2 endorses the proposed approach to Inward Investment and request an Inward Investment/ Sectoral Development Strategy, including associated operational structure for consideration in April 2024; and

2.1.3 notes and approves the role of the Economy and Regeneration Team in facilitating inward investment activities.

3. Background

3.1 Inward investment makes a significantly disproportionate and positive contribution to our economy. Global exposure spurs innovation and improves productivity. Local businesses can learn new ways of operating. Managed well, this brings opportunities across our supply chains and ensures our skills system and management match global standards. It allows us to leverage our key sectors and technologies, and to build internationally competitive businesses across South Ayrshire which are equipped to tackle global challenges.

3.2 Inward investment should be regarded as a means to an end and not an end in itself. Therefore it is crucial that inward investment activities are embedded in long term strategic and sectoral plans. Inward investment has the added advantage of bringing in not only funding, but also providing access to global networks, markets, technology and talent.

3.3 The 'Invest South Ayrshire' (ISA) service was approved by the Council Leadership Panel in 2015 to establish a function within the Council to manage all inward investment enquiries for the region and target investors to promote South Ayrshire

as an investment destination. ISA has been in operation since January 2016. The service adopted a pro-active, rather than a re-active, approach and focussed on the strengths of South Ayrshire. One of the successes of this approach has been that Scottish Development International (SDI) now recognises South Ayrshire as an attractive inward investment location. Additional information about our approach has been provided in Appendix 1.

- 3.4 Our Invest South Ayrshire activity is undertaken by a professional team working with local stakeholders and the national SDI team [[Scotland is Now](#)] to promote South Ayrshire as a modern, connected and viable location for 21st century businesses, focusing in particular (but not exclusively) on those sectors where we have a world class offering, namely: aerospace and associated advanced manufacturing/ engineering, food and drink, and the potentially emerging space sector and agri-tech.
- 3.5 The service is reactive to enquiries from businesses from other sectors which offer growth potential. Key to the outbound messaging will be the continued positioning of South Ayrshire as one that is synonymous with quality and innovation.
- 3.6 The ultimate aim of Invest South Ayrshire is to create and safeguard jobs in the region, through securing existing investment and attracting new investments. Invest South Ayrshire works with a wide range of stakeholders and existing investors to develop targeted investment propositions, along with creating the right business environment to secure new and secondary investments for South Ayrshire.
- 3.7 SDI is the trade and investment arm of the Scottish Government and its agencies. SDI works closely with Invest South Ayrshire and partner organisations to secure new inward investment in South Ayrshire, support existing inward investors and help Scottish companies to target new international markets.

4. Proposals

- 4.1 The work of Invest South Ayrshire has been guided by the Strategic Economic Plan of the Council. This has been very successful, but a specific Inward Investment Strategy for the Council would ensure better alignment of resources and performance management. It is crucial that such a strategy delivers on the new Council Plan priorities and is evidenced based. Therefore, a number of delivery actions are proposed to inform the Council's Inward Investment Strategy and a complete refresh of the Council's Strategic Economic Plan. These are set out in Appendix 2.
- 4.2 The proposal is to report back on actions in paragraph 4.1 by April 2024 and propose a new inward investment action plan and a refreshed economic strategy.
- 4.3 Inward Investment forms an integral part of delivering a Thriving Economy and Thriving Businesses. It is proposed that the Economy and Regeneration service operational structure should reflect the elements that are at the core of economic development. A future report and proposals on a new operational structure will be brought before Members by the end of the year.

5. Legal and Procurement Implications

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable

7. Human Resources Implications

7.1 Not applicable

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 There are no risks associated with the rejection of the recommendations.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 3.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Priority 2 of the Council Plan: Live, Work, Learn.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report

13.2 Consultation has taken place with Councillor Bob Pollock, Portfolio Holder for Economic Development, and the contents of this report reflect any feedback provided.

14/

14. Next Steps for Decision Tracking Purposes

- 14.1 If the recommendations above are approved by Members, the Director of Strategic Change and Communities will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

<i>Implementation</i>	<i>Due date</i>	<i>Managed by</i>
Develop Refresh of the Strategic Economic Plan and Inward Investment Strategy	30 April 2024	Assistant Director - Communities

Background Papers **Report to Leadership Panel of 17 March 2015 – [AMBITION Programme: Extension to Establish an 'Invest South Ayrshire' Operation](#)**

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Date: 18 October 2023



Invest South Ayrshire

Invest South Ayrshire works closely with the teams tasked with delivering the Ayrshire Growth Deal and particularly securing secondary investment in Prestwick Aerospace to help maximise economic benefit for South Ayrshire.

INVEST SOUTH AYRSHIRE

“our ultimate aim is to create and safeguard jobs in the region, through securing existing and attracting new mobile investment”

WHAT DOES 'INWARD INVESTMENT' IN SOUTH AYRSHIRE MEAN?

Inward investment

An investment made by a company headquartered outside of South Ayrshire that creates jobs, economic opportunities and any associated capital investment.

Mobile investment

Mobile investments are investments that, by their nature, do not have to happen within the region. For example, a company looking to establish a new manufacturing base may have options not only in a number of regions, but across a number of countries.

Mobile investment may also relate to where work is placed, for example Spirit AeroSystems may place work orders in a number of its international operations. Spirit Prestwick must therefore compete with Spirit US, Spirit Malaysia and so on, to win work from its head office. Our aim is to work with companies like Spirit to ensure that the South Ayrshire environment supports their competitiveness.

Types of mobile investment

Mobile investment encompasses a broad range of inward investment activities. To manage these most effectively, Invest South Ayrshire (ISA) categorises mobile investments into 4 types:

- Targeted Inward Investment (national and international)
- Secondary Investment (existing FDI)
- Safeguard Investment (existing FDI)
- Reactive

Processes have been developed to support each of these 4 types of mobile investment.

WHY IS INWARD INVESTMENT IMPORTANT TO SOUTH AYRSHIRE?

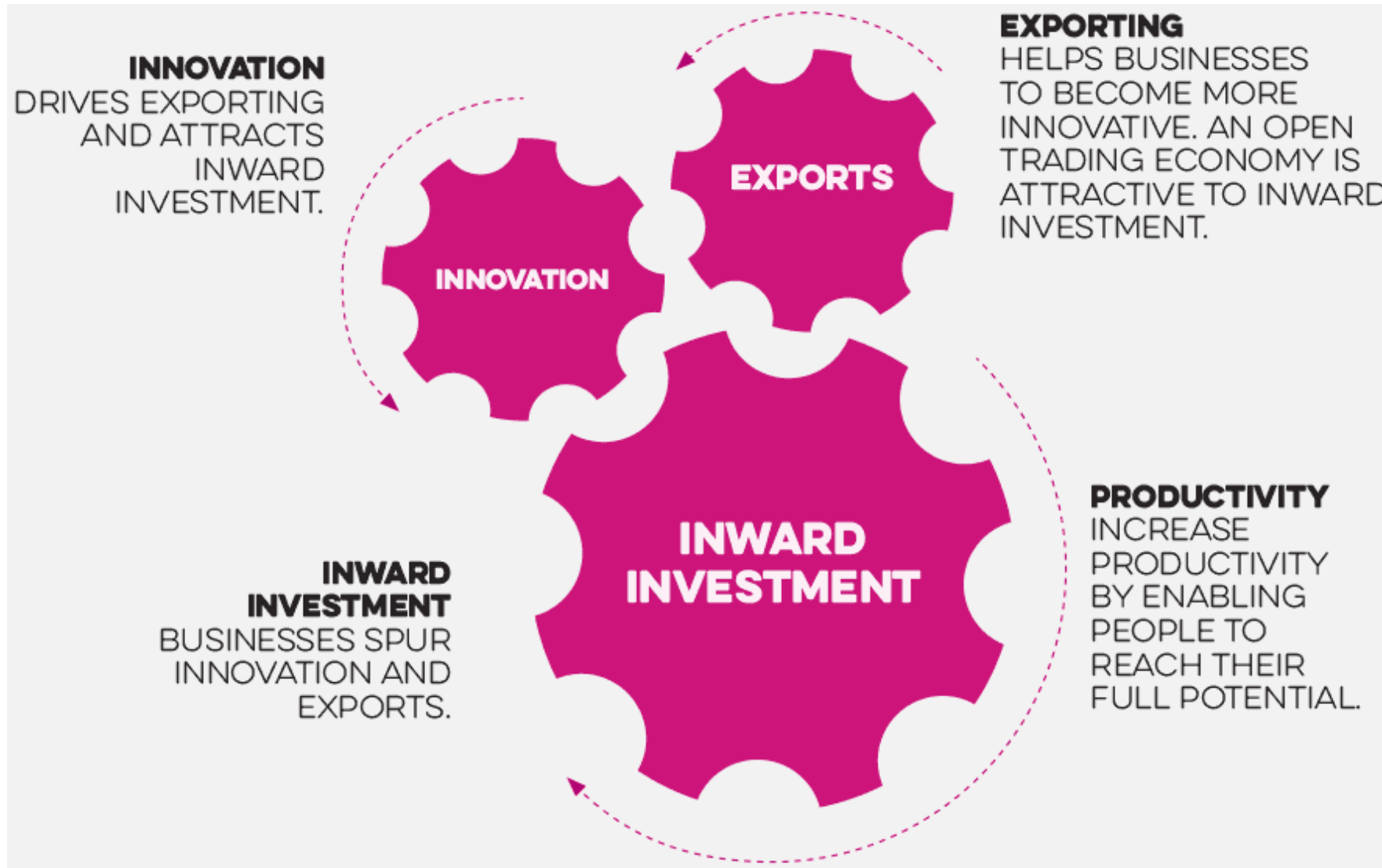
- Attracting businesses to invest in South Ayrshire is a key driver of our long-term economic wellbeing and prosperity.
- Inward investment ensures the **creation and retention of jobs, opportunities for our young people and wealth for the region.**
- Inward investors make a significant contribution in generating local wealth, with Foreign Owned businesses tending to pay higher than average salaries and generating significant spend in local supply chains.

“According to Office of the Chief Economic Adviser, gross wages and salaries per head in Ayrshire are £10,373 higher for Foreign Owned businesses as compared to Scottish Owned”

WIDER OR “SPILL OVER” BENEFITS OF INWARD INVESTMENT

- Higher than average salaries **increase local wealth**, leading to increased spend within the local area, improving long term business outcomes for retailers and organisations in tourism and hospitality.
- Increased career opportunities with diverse routes to employment **raises the aspirations** of our young people from all socio-economic backgrounds.
- Higher than average salaries have **positive health outcomes** for individuals, with less incidence of poor health reported in higher earners.
- Increased numbers of jobs helps **retain our young people** and, long term, could help reverse the current decline in the trend of South Ayrshire having an ageing population.
- Additional benefits can be new supply chain opportunities, improvements in productivity and additional/new spend in R&D.
- Local, existing businesses can benefit by engaging with new investors to learn new ways of operating/new manufacturing techniques which can improve their productivity.
- Links between new investors and the local business base can increase supply chain opportunities and support the development of our local workforce to ensure the correct skills pipeline is created to support future growth for all businesses in South Ayrshire.

LINKS BETWEEN INWARD INVESTMENT, INNOVATION, PRODUCTIVITY & EXPORTS





OUR APPROACH

TYPES OF INWARD INVESTMENT

SECTOR DEVELOPMENT & CLUSTER BUILDING

SHAPING THE RIGHT ENVIRONMENT

TYPES OF INWARD INVESTMENT - SAFEGUARDING

SAFEGUARDING occurs when an existing investor seeks to close or significantly rationalise its operations in the region. The nature of these situations varies widely given the underlying drivers can differ significantly.

When such a situation occurs, the Invest South Ayrshire (ISA) team will work closely with relevant partners, which will usually include Scottish Enterprise (Account Manager, SMAS, Sector Team and Infrastructure Team) and may also include other local

authorities and skills providers, to identify if there are any opportunities to mitigate the situation and in so doing, safeguard jobs in the region.

Through the Client Management process, the ISA team should have visibility of potential risks facing an operating unit in the region and work with them and other partners proactively to address these. It is, however, inevitable that in some cases there will be little or no advance warning of rationalisation and the team will be reactive in these situations.

TYPES OF INWARD INVESTMENT - TARGETED

TARGETED refers to situations where a specific inward investment opportunity has been identified by the Invest South Ayrshire team (ISA). This could be the result of sector development work, i.e. supply chain gap analysis, or driven by an asset, i.e. a vacant building or development land. In both of these situations, a small number of highly targeted companies, identified through either in-house research or a specialist third party, will be approached with a view to securing investment.

Targeted Inward Investment is a central function of the ISA team. We seek to identify opportunities within the region, provided by a variety of strategic assets such as large vacant commercial units and development

land, opportunities identified within the local supply chain or other synergies including cluster strengths, workforce strengths, ties to academia etc. In addition, the team maintains and develops relations with a wide network of intermediaries, such as Scottish Development International, commercial agents and sector bodies, to ensure early awareness of companies seeking expansion or relocation.

TYPES OF INWARD INVESTMENT - REACTIVE

REACTIVE these are enquiries that are presented to Invest South Ayrshire (ISA), coming from either direct contact by an interested party or through our network of partners.

Enquiries made by interested parties will be largely driven by Invest South Ayrshire advertising and promotion (events, exhibitions, ads, PR, web presence) which is an important tool to drive awareness and raise the region's profile in a very competitive environment.

Our network of local and national partners is also an important source of direct enquiries and we work with the SE infrastructure team, SDI national and international offices and commercial property agents to maximise the potential investments we are presented.

TYPES OF INWARD INVESTMENT - SECONDARY

SECONDARY investments by existing Foreign Owned Investors (FOI), make up more than half of all FDI in Scotland. South Ayrshire has a significant presence of FOI. Through the new Invest South Ayrshire (ISA) Client Management Process, the ISA team is able to understand the environment these organisations require to support growth. This could relate to labour market and skills, the physical infrastructure, local supply chain content, access to local and national support programmes and so on. For example, the ISA team may work with an aerospace company, alongside other partners, on medium/long term

infrastructure and skills development projects, to create an environment that enables the company to compete with other inter-company operating units, which in this example, will likely include locations in Malaysia, China and India.

Working with our FO organisations in this way helps both to secure further investment and to anchor the existing investment in the region. In addition, this allows the identification of gaps within their supply chains and the opportunity to target inward investment.

SECTOR DEVELOPMENT (CLUSTER BUILDING)

- Sector Development is central to our inward investment approach, working both with mature sectors, such as Food & Drink, and emerging sectors, such as Space and Agri-tech.
- The following sectors have been identified as providing the best opportunities for South Ayrshire to develop **competitive and comparative advantages over other areas, and as such form the basis of a targeted approach to our inward investment strategy:**

Mature sectors

Aerospace

Engineering & Advanced Manufacturing

Food & Drink

Tourism

Emerging sectors

Space

Agri-tech

CLUSTER BUILDING

- One of South Ayrshire's key regional strengths is cluster building.
- Clusters are defined as 'regional concentrations of expertise, activities and business in one sector or related industries'.
- Clusters grow by building on their foundation of a specialised/skilled workforce, local supply chain and a knowledge pool.
- Clusters have a 'snowball effect' – the bigger the cluster becomes, the more it attracts, the more the environment shapes itself to support it.
- As a cluster develops in South Ayrshire, this leads to changes in education provision eg Ayrshire College.
- Two key companies is sufficient scale to attract supply chain interest and to alter education provision locally.
- Work is well underway to develop the space cluster at Prestwick: Mangata has been secured as the anchor tenant; ongoing engagement with potential investor for second tenant.

WHAT CRITERIA DO INWARD INVESTORS CONSIDER IN IDENTIFYING CANDIDATE REGIONS FOR INVESTMENT?

Cost Factors

- Workforce
- Transport and logistics
- Effective supply chains
- Where their customers are
- How much is energy/utilities?
- How much is the building/land?

Other Key Factors

- Availability of workforce + skills
- Access to innovation and support
- Digital connectivity
- Good quality of life for employees
- Welcoming environment
- Incentive schemes
- Ongoing support

- Inward investors consider all these factors in deciding which region offers them the most cost effective deal over a 15-20 year period.
- It is estimated over 15 – 20 years, expenditure for a company with 100 employees is between £100-£120 million.

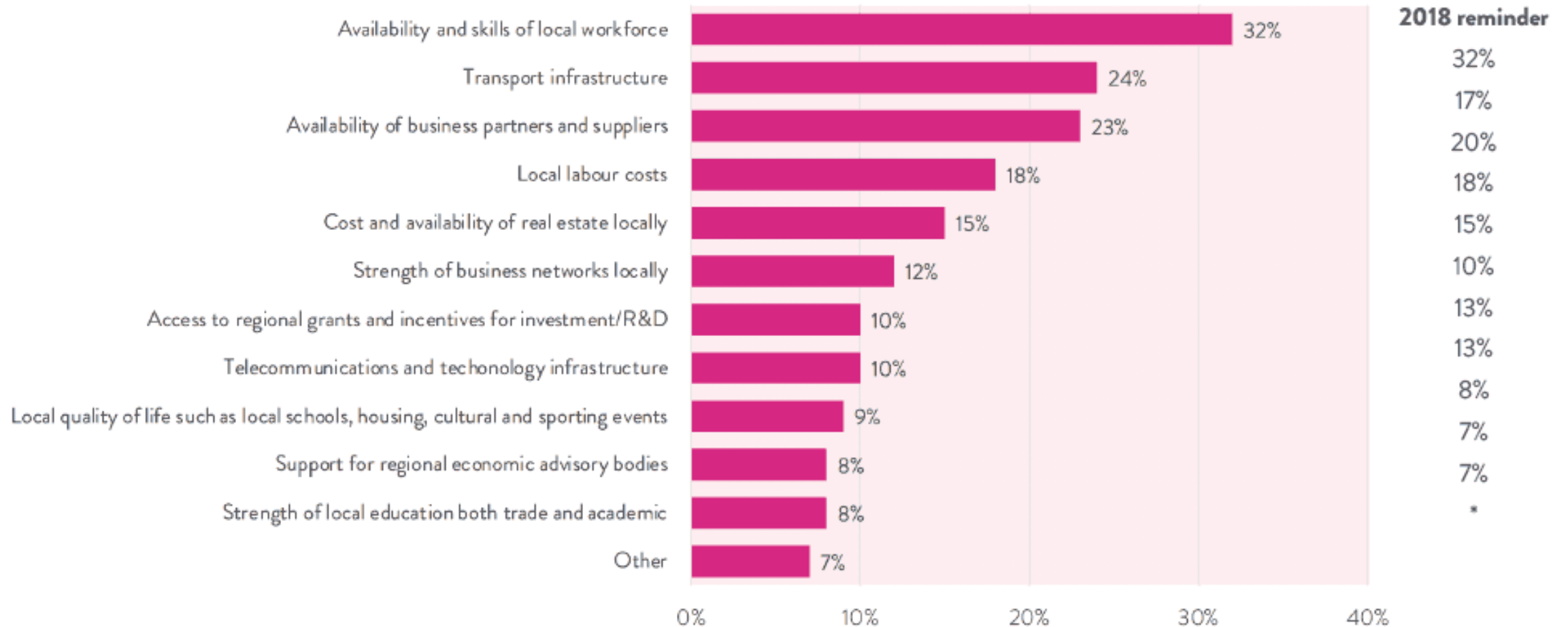
THE COMPETITION FOR INWARD INVESTMENT – SHAPING THE RIGHT ENVIRONMENT

- Attracting and securing inward investment to a region is a competitive process with countries - and regions within nations - pursuing investment opportunities.
- Our role in Invest South Ayrshire is to **create the right environment for inward investment so our strategic sectors can thrive.**
- By shaping the environment to enable businesses to be more competitive and achieve higher production rates than they would in any other area, we are **positioning South Ayrshire as the location of choice for our secondary and targeted investors.**

CAPITALISING ON OUR STRENGTHS

- We are one of Scotland's smaller local authorities in terms of both population (19th out of 32) and geography (15th out of 32).
- However, **we are unique:**
 - No other Scottish region has an aerospace cluster and there is only a small number of aerospace clusters across the whole of the UK.
 - We are developing the only horizontal spaceport in Scotland, and only one of two in the UK.
 - The region combines a strong advanced manufacturing base and emerging space sector with a strong agriculture based economy, giving the region a solid base from which to develop strengths in agri-tech.
 - With 3 open championship golf courses, beautiful coastal scenery and a well established food & drink sector, the region is in a strong position to develop and attract investment in both the visitor economy and food & drink manufacturing sectors.
 - Each of our inward investment targets relates to synergy with our area ie is aligned with our regional and sectorial strengths.

REGIONAL INWARD INVESTMENT CRITERIA

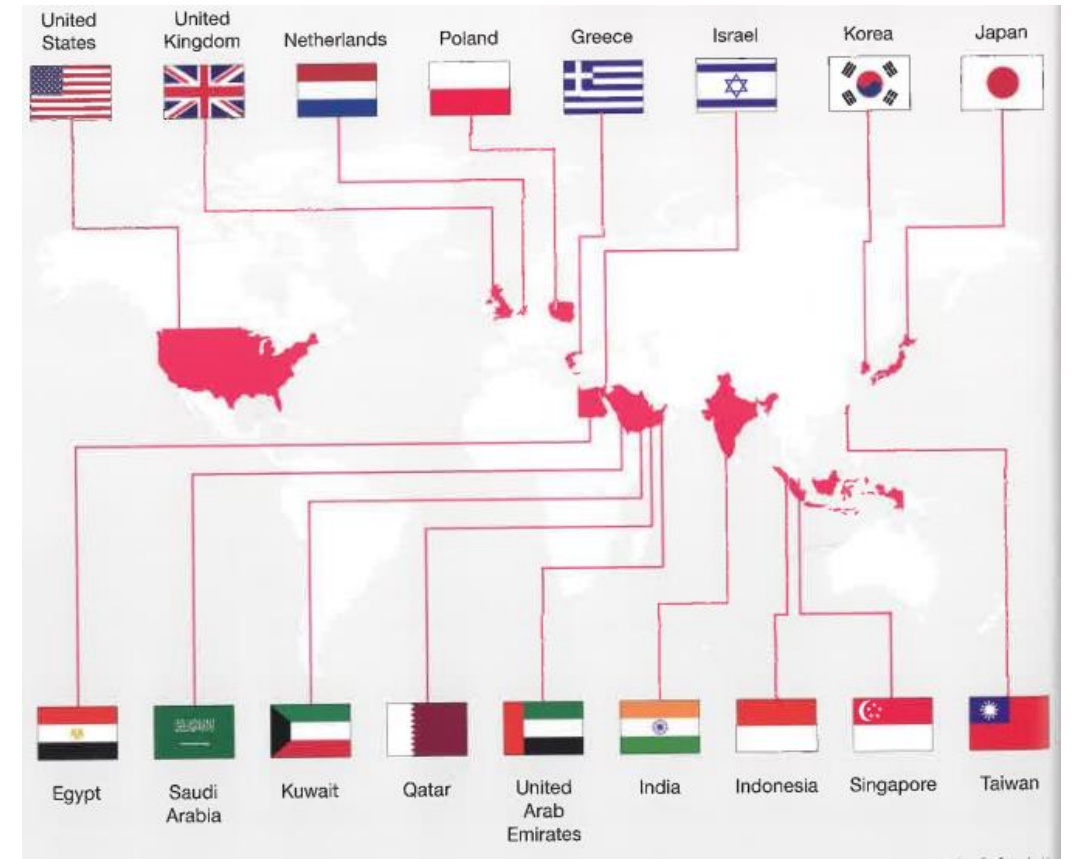


Source: EY UK Attractiveness Survey 2019

WHAT IS SOUTH AYRSHIRE DOING TO OFFER THE BEST DEAL?

- We **shape and improve the environment** to make companies more competitive and capable of achieving higher production than they would in an other area.
- Work packages for some of the existing aerospace cluster could go to multiple countries - by creating the right environment for companies, they can **create the narrative** for their HQs that South Ayrshire is the best place for their expansion/new products.
- Each of the projects ISA has been working on aligns with key considerations for inward investors.

GE Aerospace's locations:





Invest

South Ayrshire

What do we propose to do?

The work of Invest South Ayrshire has been guided by the Strategic Economic Plan of the Council. This has been very successful, but a specific Inward Investment Strategy for the Council would ensure better alignment of resources and performance management. It is crucial that such a strategy delivers on the new Council Plan priorities and is evidenced based. Therefore, a number of delivery actions are proposed to inform the Council's Inward Investment Strategy and a complete refresh of the Council's Strategic Economic Plan. It is proposed that a number of actions will be carried out on each of the critical elements that together form the strategic approach to inward investment promotion acquisition:

- Refresh strategic objectives, the assumptions supporting them and their cogency.
- Carry out a 360-degree market situation analysis: SWOT¹, PESTE², competitor mapping, differentiation factors and positioning, which will inform sector strategies
- Evaluate our inward investment offer and value proposition for each of the current priority sectors (aerospace and associated advanced manufacturing/engineering, food and drink).
- Assess emerging clusters and growth opportunities (space, energy and agri-tech).
- Assess resource allocation and approach to monitoring, managing and continuously improving performance.
- Strengthen operational arrangements with SDI and Scottish Enterprise (SE) to ensure effective support, retention/growth aftercare programmes.
- Develop output and outcome measures that are robust and valid (including quantitative and qualitative performance indicators).

Why is this important?

Inward investment is a vital element in a strong, growing and sustainable South Ayrshire economy. The proposed actions will help shape a strategic approach to inward investment that directly supports the Council Plan and future proof the Council's economic strategy. The proposal is to report back on our actions by April 2024 and propose a new inward investment action plan and a refreshed economic strategy. This will effectively 'future proof' South Ayrshire Council strategy implementation and ensure:

- A single, shared strategic vision and rationale for bringing inward investment into South Ayrshire, to more effectively leverage the energy and support of our wider partners/stakeholders.
- A distinct inward investment offer that gets above the 'noise' of the competition in a crowded and fiercely contested marketplace.

¹ SWOT: Strengths, Weaknesses, Opportunities and Threats

² PESTE: Political, Economic, Social, Technological and Environmental factors

- A wider portfolio of priority sectors (and sector development) to generate inward investment projects in the near term to fill the gap that exists until the aerospace and food and drink sectors begin to fulfil their potential.
- The extension and growth of existing companies takes place in South Ayrshire (internal competition).
- South Ayrshire remains a competitive business investment destination, front of mind among SDI and Department for International Trade (DIT) officers.

Who will we work with?

A new model of partnership and collaboration along the entire value chain and with key stakeholder groups will be needed. This requires a whole systems approach, whereby several organisations are working with the same businesses to deliver value, but where organisations might have competing priorities. This requires working together consistently, rather than just consulting each other on an *ad hoc* basis. From a South Ayrshire Council perspective, this requires clarity on its role and effective engagement with regional, national and international structures. It is proposed that South Ayrshire Council Economy and Regeneration team will operate as the conduit between stakeholders to link opportunities to requirements and ensure that supply chain opportunities are realised. The lead role for realising inward investment opportunities will remain with the national agencies (SDI, SE and Skills Development Scotland - SDS).

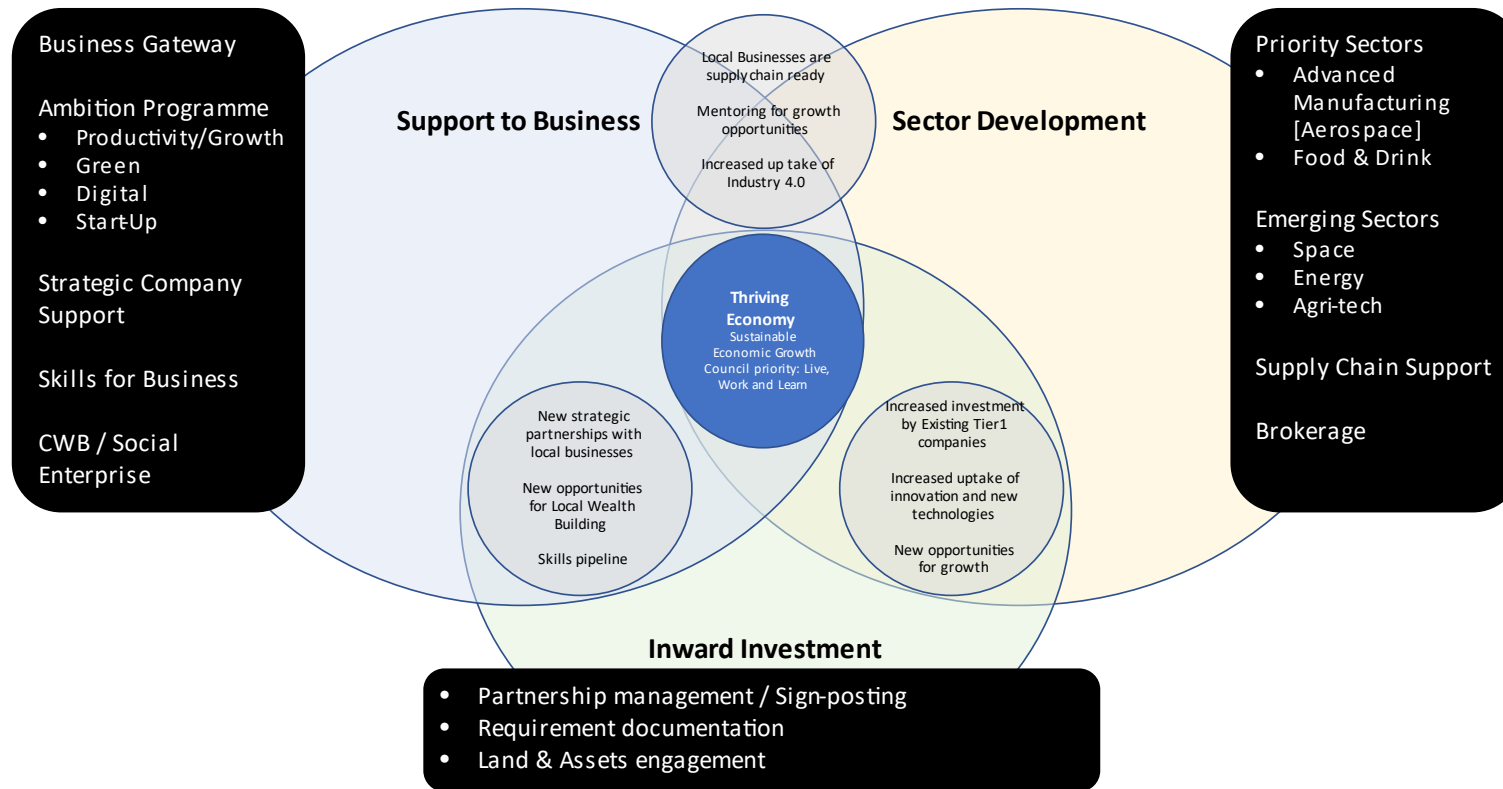
However, it is noted that SDI activities will primarily focus on their 9 ‘opportunity areas’ at national level. These opportunity areas (see below) are defined as the priorities for Scotland’s inward investment activities on which SDI resource will be concentrated. Therefore, the Invest South Ayrshire team will be a key resource in inward investment activities aligned to South Ayrshire’s regional strengths that sit out with the SDI 9 opportunity areas.

SDI Inward Investment Opportunity Areas:

- | | |
|--|---|
| 1. <i>Energy transition</i> | 6. <i>Space</i> |
| 2. <i>Decarbonisation of Transport</i> | 7. <i>Health technologies</i> |
| 3. <i>Software and IT</i> | 8. <i>Transformation of Chemical Industries</i> |
| 4. <i>Digital Financial Services</i> | 9. <i>Food and Drink Innovation</i> |
| 5. <i>Digital Business Services</i> | |

An integrated and streamlined approach

Inward Investment forms an integral part of delivering a Thriving Economy and Thriving Businesses, as demonstrated in the diagram below. It is proposed that the Economy and Regeneration service operational structure should reflect the three elements that are at the core of economic development. A future report and proposals on a new operational structure will be brought before Members by the end of the year.



**South Ayrshire Council
 Equality Impact Assessment
 Scoping Template**

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

1. Policy details

Policy Title	Strategic Approach to Inward Investment
Lead Officer (Name/Position/Email)	George Hunter

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-

Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low

Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
Rationale for decision: The report advises Cabinet on proposed approach to strengthening existing programmes. Members decision on this has no specific equality implications	
Signed :George Hunter.....Assistant Director Communities Date:21 September 2023	