

## International Strategy Board Update: February 2016

### 1. Overview

The International Campaign is approaching the 3<sup>rd</sup> year of a 3 year programme. The ultimate objective is to make Nottingham the destination of choice for investors and visitors and to help Nottinghamshire business grow through international trade, thereby creating jobs for local people. To support this, it seeks to develop academic, civic, business and cultural collaborations to help position Nottingham as a global city.

The campaign began in Jan 2014 and, to date, has focused on building trade and investment links through a series of events in 'partner' cities in 3 key markets – India (principally Chandigarh), China (principally Ningbo) and Germany (principally Karlsruhe). It has drawn on time and expertise of senior officers, business, Government and academic partners throughout the City and overseas. The campaign has been held up as a model of good practice (e.g. we have just been awarded Top 10 for our FDI Strategy among EU mid-sized cities by the Financial Times. But we will only achieve success if we surface the right opportunities and exploit them effectively. Appendix A sets out progress to date.

### 2. Opportunities arising from the campaign

Within an overarching approach we have tailored our campaigns according to the market and different opportunities are arising. Below we set out the nature of each market and the opportunities in our sights:

- a) **China** – Despite a recent slowdown, China is the world's second largest economy by volume (on some measures) and its enterprises (state and private) have embarked on a massive programme of internationalisation. We have successfully expanded Nottingham University's relationship to form a strong city-to-city bond and are considered a trusted place to do business.

The table below sets out the opportunities which exist and a priority rating.

Opportunity	Status	Beneficiaries	Value to Nottingham's economy	Priority for NCC
1. Financial investment into Nottingham-based venture funds	Brokering preliminary discussions between BioCity and Standard Chartered, Shanghai	Initially, companies on BioCity's 'books'; once this fund established, may be able to expand	<b>High</b> - BioCity seeking £20-30m – which will be difficult to find from UK investors. Clear additionality	<b>High</b> – to get relationship established; thereafter step back and focus on expansion of other funds
2. M&A of Nottingham-based companies	Discussions underway with NMB to act as a broker between Chinese investors and Nottingham companies	Nottingham companies looking for investment, entry to China market or to cash-out	<b>Uncertain</b> - At most positive, a Chineseco engaging in JV with Nottinghamco could massively increase that companies' growth potential; at most negative Chineseco could strip out IP and export jobs. Additionality exists but need to work carefully	<b>Med</b> – to get NMB set up in brokering role
3. 'Traditional' Foreign Direct Investment	Managing a limited pipeline of investors who may be interested in traditional FDI (i.e. establishing a UK/EU base to access market or capabilities)	Nottingham's economy – jobseekers and business services companies	<b>Med</b> – the benefits of 2 above, without the risks. Clear additionality	<b>Med</b> – important if we can secure; but not the preferred model of Chineseco. UoN successful in securing R&D-based investment

<b>Opportunity</b>	<b>Status</b>	<b>Beneficiaries</b>	<b>Value to Nottingham's economy</b>	<b>Priority for NCC</b>
4. Increased export opportunities	Led first trade mission in November. Good feedback	Nottingham companies looking for export opportunities	<b>Med</b> – China a tough market which requires consistent effort. Even largest companies work through local partners. Additionality from NCC efforts – but delivery requires resources	<b>Med</b> – NCC efforts should be focused on brokering relationships; encouraging NCC companies to take advantage and ensuring that UKTI/CBBC run effective export programmes for the East Midlands
5. Regeneration investment	Some interest in larger scale regen opportunities – but we have a limited number which are of the scale and status to attract Chinese funds	NCC and private landowners looking for commercial investment in specific sites	<b>High</b> – capturing large-scale regen investment could unlock key developments; but not clear that there is currently a requirement for capital in Nottingham that cannot be met by domestic investors	<b>Med/low</b> – unless we have specific, large-scale commercial opportunities that are market ready, efforts will be nugatory

b) **India** – the economy is still growing and Modi's desire to invest in infrastructure is starting to translate into reality. Indian companies are looking for expansion opportunities in UK – although more often they want contracts before they will expand operations. India remains a difficult market for UK companies to crack; the rupee does not go very far when buying Western products. Our big brands will operate through distribution partners on the basis of market analysis. As a City, Nottingham's brand is well established and we have a solid basis of relationships in city-to-city, business and academic spheres.

<b>Opportunity</b>	<b>Status</b>	<b>Beneficiaries</b>	<b>Value to Nottingham's economy</b>	<b>Priority for NCC</b>
1. Smart City consultancy (see appendix B)	Discussions at initial stage with Chandigarh and Jaipur. Ludhiana offers a 3 <sup>rd</sup> city to city opportunity.	NCC (direct financial contribution); Nottingham's 'Smart City' companies	<b>Potentially high</b> – if we can secure roles in transforming India's cities, then the services and goods export opportunities are significant	<b>High/med</b> – this will take considerable effort, but it could secure an income stream for the Council and opportunities for our businesses
2. 'Traditional' Foreign Direct Investment	Managing a pipeline of investors who may be interested in traditional FDI (i.e. establishing a UK/EU base to access market or capabilities)	Nottingham's economy – jobseekers and business services companies	<b>Med</b> – clear benefits and clear additionality	<b>High/Med</b> – important if we can secure; Indian companies do invest in this way, but is critical to distinguish between those simply looking for contracts operated remotely and those seeking to put down roots.

<b>Opportunity</b>	<b>Status</b>	<b>Beneficiaries</b>	<b>Value to Nottingham's economy</b>	<b>Priority for NCC</b>
3. Increased export opportunities	Have found it very difficult to attract companies to trade mission despite significant efforts; our value added difficult to establish	Nottingham companies looking for export opportunities	<b>Med/Low</b> – India a tough/low cost market which requires consistent effort. Even largest companies work through local partners. Additionality from NCC efforts – but we must focus	<b>Med</b> – NCC efforts should be focused on brokering relationships; encouraging NCC companies to take advantage and ensuring that UKTI/UKIBC run effective export programmes for the East Midlands
4. Regeneration investment	Interest to date has been in small-mid scale housing schemes – and buy-to-let	Estate agents and house/landowners	<b>Low</b> – limited additionality from bringing Indian capital into this market	<b>Low</b> – not sure what market failure or benefit to economy would be
5. Financial investment	Some interest to date in investing in a 'fund-of-funds'	Companies seeking external investment	<b>Low</b> – not clear that Indian investors are willing to put their funding into higher risk projects (which is where market gap exists). Generally looking for lower risk investments outside India	<b>Low</b> – not clear that the supply of funds meets any market gap

For the India campaign we are seeking funding from commercial opportunities with Chandigarh and Jaipur which are funded a) from the Indian Government and b) from commercial opportunities we open up for Nottingham's partners

- c) **Germany** – our twinning relationship with Karlsruhe has led to a number of businesses visiting Nottingham to explore opportunities for investment; mainly in the creative sector. We have submitted joint bids for EU R&D funding. And we will sign a co-operation agreement between our respective authorities in order to continue our relationship. The Leader has been invited to Karlsruhe to sign a cooperation agreement in April. However, given the proximity of the two cities and co-existence within the EU, we do not believe that there are huge opportunities for trade and/or investment which we need to need to pursue pro-actively.

### 3. Recommended focus, organisation and resources

This campaign is focused – on City to City relationships in China, India and Germany. However, within this focus, the range of opportunities and the effort it takes to service them across the globe requires further prioritisation, a well-structured operation and the right level of resources.

- In terms of prioritisation – based on the analysis in section 2, we recommend:
  - An intensive campaign (6 months) to pursue the Smart City opportunities in India – and a decision to step away from this if it can't be made to work commercially for the City Council (see appendix B)
  - An on-going campaign to attract FDI to Nottingham from India – reviewed before 17/18 financial year to assess whether it merits further investment
  - Supporting the creation of investment funding vehicles to finance Nottingham businesses
  - Support the creation of a brokerage service to match Chinese investment with Nottingham companies seeking investment – a 6 month project to get operational

- Seek out Chinese regeneration investment as major opportunities become market-ready – a long-term but light-touch investment in relationships
  - Support for our Universities and businesses should they require it in forging relationships
  - Maintaining high-level political relationships between Nottingham and Ningbo to facilitate operation in China – long-term, requiring significant commitment – based on a Five Year Plan about to be agreed
  - Request Marketing Nottingham to put to us proposals for other international campaigns they would like to run on the basis of a clear analysis of costs and benefits for either inward investment or visitor economy. US is most obvious example.
- In terms of organisation, we recommend:
    - China campaign is led by Ian Curryer and Cllr Collins – with officer support from Rob Avery-Phipps/Jason Yu; additional resource to be located in Ningbo (funded through Ningbo government)
    - India campaign is led by David Bishop and Cllr McDonald – with officer support from Sam Hopwell and in market support
    - Cllr Chapman will act as deputy to the Leader at a Member level and Chris Henning at Officer level. A new Head of Service for Business Growth, Robert Dixon will provide line/contract management for the delivery team
    - German campaign will be led by Sam Hopwell and will focus on running the German Interest Group and supporting partnership trade events.
    - Marketing Nottingham will own the inward investment pipeline – the opportunities which have been generated by the international campaign (as with other opportunities) will be dealt with by them
- In terms of resources
    - In 2015/16 our estimated spend on overseas campaigns is £160,000 (from Good to Great funding), which covers 3 dedicated staff, market visits and inward missions - Senior officer time is not accounted for as part of this. We propose that this is the base budget for 2016/17
    - The bulk of funding (and time) is spent on supporting China and India campaigns
    - We receive significant support in kind from our University and business partners
    - Realising our ambitions will require additional funds. We are currently seeking these from a number of sources:
      - ESIF International Programme support – results imminent; will provide £140k from April 2016 for nearly 3 years, matched to NCC funding
      - Nottingham-Ningbo 5 year plan – seeking funding from Ningbo government to support joint activity - £50k p.a. secured
      - Midlands Engine Promotion theme – a share in £5m to support inward investment and trade missions to India and China.

**Chris Henning**  
**Director, Economic Development**  
**Nottingham City Council**

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**APPENDIX A: PROGRESS TO END FEBRUARY 2016**

Theme	KPI	Progress To date	+ / -	Comments
Outbound Visits	No specific target	Total: 13 India x 7 China x 4 Germany x 2	N/A	
Inbound Visits	No specific target	Total: 15 India x 7 China x 5 Germany x 3	N/A	Mix of civic, trade, investment and academic visits
Inward Investment Enquiries	No specific target	Total: 21 India x 16 China x 4 Germany x 1	N/A	Active pipeline from India
Inward Investment Successes	5 by Nov 2016 (2 x India, 2 x China, 1 Germany)	India x 2 (8 jobs + expansion in process)	-3	Rockpecker and Antier Solutions.
Trade	Deliver 6 trade missions by 2016 (2 per country)	India x 0 China x 1 Germany x 1	-4	3 trade missions for 2016 at planning stage (1 per country)
Capital Investment	No specific target	China		
University Collaborations (support)	Total 6 2 x India 2 x China 2 x Germany	Total 2 India x 2 China x 1 Germany	-3	India: UoN & NTU collaboration with Panjab University  China: UoN & NCC collaboration with National Palaeozoological Museum, of China to bring Feathered Dinosaurs exhibition to Nottingham
School Collaborations	5 x China	1 x China	-4	8 further collaborations expected

Current spend to date = £240k / 9 jobs = £30k per output. Taking into consideration jobs forecast from current enquiries (a further 305 from 3 enquiries at advanced stage) will equate to £11.4k per job. A benchmark for job creation from economic development activity is £10k per job.