



HM Government

HM Government Response to Lord Harrington's Review into the government's approach to attracting foreign direct investment

November 2023



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Introduction

In March 2023, the Chancellor and the Secretary of State for Business and Trade commissioned a review into the government's approach to attracting foreign direct investment.

The aim of the Review was to look at options for improving the UK's investment promotion operation in the face of increasing competition from overseas.

The Review was led by Lord Harrington of Watford and was co-sponsored by the Chancellor of the Exchequer and the Secretary of State for Business and Trade.

This is the government's response to the Review's recommendations. The Harrington Review makes six headline recommendations, with a series of sub-recommendations setting out how these might be achieved. This document responds to the headline recommendations.

The Harrington Review recognises the UK's rich advantages: our language, open and vibrant culture, our outstanding research base, our deeply embedded rule of law, the pull of London as one of the world's great financial centres, and many other assets. However, in an environment of increasing international competition for the industries of the future, the UK needs to do more to leverage its advantages.

The Harrington Review offers valuable insight into how the UK can improve its investment promotion offer. The recommendations advise where the government can go further to be more proactive, dynamic, and competitive, to attract and retain investment UK-wide. The government accepts the report's headline recommendations in principle and sets out how it proposes to implement them in practice as detailed below.

As the government's review into foreign direct investment comes to a close with the publication of the Harrington Review, the government would like to thank Lord Harrington for his leadership. The government would also like to thank the experts and officials who supported the Review, and all those who engaged with and contributed to it.

Response to recommendations

Recommendation 1 – Business Investment Strategy

The government should set out a clear Business Investment Strategy by spring 2024. This should build on existing sector visions and plans for the five key growth sectors to communicate government’s approach to investment over the medium term.

Response

1. The government accepts this recommendation in principle. The government will set out its priorities for supporting growth and attracting investment through the Autumn Statement and at the Global Investment Summit. The new Ministerial Investment Group will drive forward the government’s strategic approach for delivery, building on the government’s previous work across our five priority growth sectors: Green Industries, Advanced Manufacturing, Life Sciences, Digital Technology and Creative Industries.

Recommendation 2 – Focusing government: from reactive to proactive

Investment should be prioritised across central government with clear accountability distributed through the system. This requires a fundamental shift in the current culture to transform the way government operates.

Response

2. The government accepts this recommendation in principle. The government will establish a new Ministerial Investment Group, chaired by the Chancellor of the Exchequer with the Business and Trade Secretary as Deputy Chair. The Group will drive forward the government’s strategic approach to investment and ensure government can move more quickly to secure investment opportunities. It will be tasked with agreeing the government’s overall ambition on increasing the level of foreign investment and the approach to be taken to achieve it. The Group will be supported by senior officials from across government, responsible for implementing decisions and ensuring accountability across departments.
3. Under the direction of the Ministerial Investment Group, the government’s investment promotion operation will become more disciplined, targeted, and coherent – better placed to secure new investment and retain and grow existing investment. Investors will have clearer contact points across government, with personalised account management for the most strategically important investors. Investment promotion will focus on the UK’s key sectors including the key growth sectors identified by the Chancellor.

Recommendation 3 – Driving regional growth

Government should build on the success of Metro Mayors and best practice in the devolved administrations to expand its place-based offer to investors.

Response

4. The government accepts this recommendation in principle. The government recognises the opportunity to work more closely with local and regional stakeholders, and those in the nations, to improve the UK's investment offer and commits to exploring the development of a framework for how national and sub-national investment promotion bodies will work together to deliver a more coordinated and effective UK investment promotion offer.
5. The government agrees with the need for central government to work collaboratively with local government and public and private stakeholders to develop 'investment-ready' propositions to actively promote to major investors and support investment into strategic sectors and areas that reflect demand, such as large manufacturing sites, data centres, and offshore wind infrastructure. To support this ambition, the government will build its capacity to identify, shape, and promote these major investment opportunities in partnership with the Office for Investment and other departments.
6. Finally, as announced in the Autumn Statement, the government is extending the Investment Zones Programme from five to ten years, doubling the envelope available, and announcing details on three additional Investment Zones, on top of the Investment Zone in West Yorkshire announced on Monday 20 November, further demonstrating our commitment to making the UK's regions and nations the most attractive in Europe for inward investment.

Recommendation 4 – Improving the business environment

The new Investment Committee should work across government to propose further improvements to the UK business environment, informed by the investor feedback provided to the Review.

Response

7. The government notes this valuable investor feedback, which will be considered by the Ministerial Investment Group. The Group's remit will include improving the UK business environment for investors – an objective the government is already actively pursuing, as demonstrated by the Autumn Statement announcements on grids and planning.

Recommendation 5 – A globally competitive Office for Investment

Government should build on the success of the Office for Investment, and ensure it has access to the right tools from across government to compete internationally. To that

end, it should have a more targeted and proactive approach to investors, a clearly communicated toolkit, and the flexibility to negotiate strategic partnerships to secure the most strategically important investments.

Response

8. The government accepts this recommendation in principle. The government recognises the importance of ensuring that the Office for Investment (OfI) has the cross-government support and mandate to target and secure the most strategically valuable investments for the UK.
9. The government is therefore committed to empowering the OfI to make rapid, upfront, and internationally competitive pitches to set out the UK's offer and opportunities to investors. The new Ministerial Investment Group will drive forward a programme of work across departments to ensure that all HMG levers can be accessed and utilised by the OfI in a timely way, in support of securing high-priority investments.
10. To facilitate this, the government is increasing resourcing for the OfI and the Department for Business and Trade teams which provide direct support to investors. This will strengthen the OfI's deal-making capability, including through the recruitment of additional commercial specialists to unblock barriers faced by strategically important investment projects.
11. The government is already taking steps to improve and clarify its policy offer to investors through measures announced alongside this response at the Autumn Statement, which supports the development of an enhanced OfI toolkit:
 - Alongside the measures in the Connections Action Plan which aims to reduce the average delay a project faces to connect to the transmission network from five years to six months, the Department for Energy Security and Net Zero will work with the OfI to manage a triage process to ensure that the most strategically important projects receive the strongest possible government support to facilitate timely connection times, without detriment to other viable customers in the connections queue.
 - The creation of a £150 million flexible Investment Opportunity Fund to support Investment Zones and Freeports to secure specific business investment opportunities across the UK.
 - Further targeted support for the growth sectors of the future. This includes making available £4.5 billion to unlock investment in strategic manufacturing sectors – auto, aerospace, life sciences and clean energy – which are developing cutting edge technology and driving our transition to net zero. Together with existing manufacturing support and decarbonisation plans, this funding will level up communities across the country with higher-paid jobs, improve our energy security, and help grow the sectors of the future.
 - The Department for Levelling Up, Communities and Housing will bring forward plans for local authorities to offer guaranteed accelerated decision dates for major developments in England in exchange for a fee, ensuring refunds are given where deadlines are not met and limiting use of extension of time agreements. This will

also include measures to improve transparency and reporting of planning authorities' records in delivering timely decision-making.

- The Department for Education will work with the OfI to develop a range of skills-based options that can be used to secure the most strategically valuable investments. For example, supporting investors to build and develop strategic partnerships with local education and training providers. This will complement wider support for investors to navigate the UK skills systems and fully utilise the services and programmes on offer.

Recommendation 6 – Strategically targeted incentives

Recognising the success of its existing funds such as the Automotive Transformation Fund and the Aerospace Technology Institute programme, the government should ensure that the Office for Investment has access to a Business Investment Facility that would support it to initiate proactive discussions with potential investors. The Facility should clearly communicate the kind of investment propositions that will attract capital support.

Response

12. The government accepts the Review's findings, noting the feedback from investors on the clarity and speed of HMG's financial incentive offer and alignment with business cycles.
13. In addition to supporting Investment Zones, Freeports and strategic manufacturing sectors, the government is committed to strengthening the UK's financial incentives approach, particularly grants, to help secure major, strategic investment deals. As an immediate step, the government will reform the existing exceptional Regional Growth Fund (eRGF) mechanism so that it can be used as part of a more proactive strategy for attracting new, strategically important, and mobile investments. These reforms and the collective work of HMG will give the Department for Business and Trade the capacity to provide offers in principle within 60 days of the most strategically important investments on provision of complete applications for grants.
14. More broadly, the Department for Business and Trade will work with HM Treasury and other departments to rapidly take stock of the suite of UK government financial incentives, their coverage, how they are structured and delivered to investors, with a view to simplifying and improving this landscape to be more business friendly. This work will be completed, with a detailed response brought forward, by spring 2024.



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