

# **Economic Footprint of Supported Inward Investment Companies 2023 Methodology**

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## 1. Introduction

This data shows the economic footprint of inward investment companies in Scotland, which have been supported by the Scottish Government through its delivery partners<sup>1</sup> between the financial years 2018/19 and 2020/21. It provides an indication of this cohort of inward investors' employment and turnover in Scotland, as well as the derived labour productivity (turnover per worker). It also shows the employment and turnover for their operations across the whole of the UK where available. These statistics are broken down by a variety of business characteristics, such as industry sector, region, and project type. The overview table allows for comparisons between the supported inward investors and the total Scottish business base, as well as the total number of inward investors both supported and non-supported.

## 2. Overview of methodology and sources

These estimates have been constructed using the following sources:

- The [Inter-Departmental Business Register \(IDBR\)](#) – Extract from March 2021
- Management Information Data of supported projects held by Scottish Development International (SDI)

A matching rate of 73% was achieved in linking the management information to the IDBR (206 businesses matched out of a total of 282 supported inward investment businesses).

### 2.1 Data from the IDBR

The Office for National Statistics (ONS) maintains the Inter-Departmental Business Register (IDBR). This is a database of all registered businesses operating in the UK. i.e., businesses registered for VAT and/or PAYE. It covers 99% of economic activity in the UK. It excludes small sole traders/partnerships with no employees and an annual turnover of less than the VAT threshold (currently £85,000).

The figures for turnover and employment, taken from the IDBR, relate to a snapshot of the business stock as of March 2021. The figures were first released in November 2021.

On the IDBR, turnover is for a 12-month period. For the March 2021 extract, these tend to relate to two 12-month periods, depending on the reporting pattern of the trader: either the 12 months ending in December 2019, or January/February 2020. However, turnover may relate to an earlier period. Turnover for traders who have registered more recently differs. For these, it represents the estimates made by traders at the time of registration. The turnover figures on the IDBR generally exclude VAT. But they include other taxes, such as the revenue duties on alcoholic drinks and tobacco.

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<sup>1</sup> Scottish Development International (SDI) leads on Scotland's inward investment promotion activities, supported by Scottish Enterprise (SE) and the regional development and skills agencies: Highlands and Islands Enterprise (HIE), South of Scotland Enterprise (SOSE) and Skills Development Scotland (SDS).

The estimates do not include turnover information for financial and insurance businesses as this is not available on a comparable basis. This shows as [x] where relevant. The 'Broad Sector' tables are based on the sector definitions of Standard Industrial Classification (SIC) 2007. Employee size band is based on the number of employees the company has across the whole UK. Labour productivity has been calculated by taking the average turnover per job.

For the Scottish IDBR extract, we classify business country of ownership as either UK or Abroad (outside the UK). The nationality of the ultimate parent of the business determines the country of ownership. (i.e., the institutional unit, proceeding up a business' chain of control, which is not controlled by another institutional unit). Where control of a business is shared, we look to the majority ultimate owner. Its country of residence determines the country of ownership. The IDBR uses data provided by Dun & Bradstreet to identify enterprise (business) groups with abroad ownership. For the Scottish IDBR extract, we classify businesses that do not belong to an enterprise group as UK owned. This is because these are not under the control of another institutional unit. We must next determine where UK owned businesses are registered. To do this, we use the business's VAT/PAYE registered office address. If this address is in Scotland, we classify the business as Scotland registered. If this address is elsewhere in the UK, we classify the business as RUK registered.

Due to the small sample size of inward investment companies, there are some disaggregations for which the data has been suppressed to protect against disclosure of information about individual businesses. This is shown as [c] where relevant.

### 3. Context

This work has been conducted as part of an evaluation into the support provided to inward investors by SDI and the regional and skills development agencies, on behalf of the Scottish Government. Scotland's inward investment plan: Shaping Scotland's Economy was published in October 2020. These statistics provide an overview of the economic footprint of the companies which are provided with inward investment support. It presents the employment, turnover, and labour productivity of this cohort split by various characteristics.

The overview table provides a comparison for matched supported inward investors against all private sector businesses in Scotland (split by country of ownership and employee size band).

Each table shows the business activity of the matched supported inward investors in Scotland. It also shows the employment and turnover of those businesses across the whole UK. This will not be applicable to each of the individual businesses, only those that have activity in at least one more region of the UK. These figures are all aggregated by the relevant characteristics.

## 4. Key Terms

**Inward Investment** - the Inward Investment Plan (IIP) defines inward investment as covering foreign direct investment (FDI) as well as similar investment coming from the rest of the UK.

**Supported Inward Investment Companies** – those which have been provided support by delivery partners<sup>2</sup> for any of the project types highlighted below. These companies can be from abroad or elsewhere in the UK.

### Project Type

- New – support provided to establish a new company in Scotland
- Expansion – support provided to expand the company in Scotland
- Safeguarding – support provided to prevent the company in Scotland from closing down or downsizing
- Multi – support across a number of projects of varying types

### Support Type

- Financial – this includes the offer of financial assistance in the form of grants and loans to businesses to locate or expand their operations in Scotland, including for research & development and training of staff.
- Non-financial – this includes a range of support such as:
  - supporting businesses to identify partners and suppliers.
  - connecting businesses to Scottish universities and colleges.
  - researching, identifying, and helping to recruit people with necessary skills.
  - connecting businesses to local and global business networks.
  - providing access to dedicated advisers who understand business, can help develop strategies, and signpost to the right support.

**Opportunity Areas** – the IIP (2020) identifies nine key ‘opportunity areas’ where Scotland’s strengths match global investment flows. The IIP sets out actions to align resources to these areas.

**Growth Sectors** – Scotland’s Economic Strategy (2015)<sup>3</sup> identified the sectors where Scotland had a distinct comparative advantage. This will have influenced the direction of support prior to the IIP.

## 5. Limitations

As the data from the March 2021 IDBR extract will include turnover figures from 2019 and employment figures from 2020, this will result in the figures being understated. This is due to the fact that some projects will have commenced after this point. This will primarily impact the ‘new’ projects that have set up operations in

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<sup>2</sup> These include Scottish Development International (SDI), Highlands and Islands Enterprise, South of Scotland Enterprise, and Skills Development Scotland.

<sup>3</sup> Note that [Scotland’s National Strategy for Economic Transformation](#) was published on the 1st of March 2022. In light of the new strategy, the growth sector statistics databases will be reviewed.

Scotland during the latter section of the time period being analysed (2018/19 - 2020/21).

Additionally, the turnover will be understated where financial and insurance businesses are included within a category, as the estimates from the IDBR do not include turnover information for financial and insurance businesses. This will have impacts across a variety of the tables.

## 6. Statistical Disclosure Control

The Code of Practice for Official Statistics protects the confidentiality of all data held on the IDBR. Specific legislation also provides protection. The disclosure of data relating to individual undertakings without consent is prohibited under:

- the Statistics of Trade Act 1947
- the Value Added Tax Act 1994, and
- the Finance Act 1969.

Measures are in place to ensure that no information about individual businesses or local units is disclosed. All figures in this publication have been rounded to avoid disclosure. Where necessary, extra measures have been taken to protect confidentiality. Employment figures are rounded to the nearest 10 and turnover to the nearest £million. To avoid disclosure by deduction, more cells have also now been suppressed. The dominance rule identifies and suppresses cells where a small number of businesses account for the majority of the associated employment or turnover. The overall effect of these changes is that we include more information in the tables. But we provide greater protection for businesses which dominate their respective industry or local area.

While these are not official statistics, the legislation outlined above prohibits the disclosure of data relating to individual undertakings without consent.