

## Overview and Scrutiny Committee

22 June 2023

### South Yorkshire Investment Zone Proposal

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<b>Is the paper exempt from the press and public?</b>	No
<b>Reason why exempt:</b>	Not applicable
<b>Purpose of this report:</b>	Discussion Paper
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not applicable

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#### Executive Summary:

This paper sets out progress and process towards the development of a South Yorkshire Investment Zone.

#### What does this mean for businesses, people and places in South Yorkshire?

A successful Investment Zone submission could unlock public and private investment in South Yorkshire, alongside raising the profile of the region. The Investment Zone Prospectus, published in March 2023, set out an ambition to grow strengths in national priority sectors and to address persistent economic disparities. A flexible funding offer of £80m, which is deployable across a range of interventions (R&D, skills, infrastructure, business support, planning and development), can drive innovation-led growth that will lead to more employment, higher pay and higher living standards in South Yorkshire.

#### Recommendations:

That the Board:

- Note the progress and process towards the development of the South Yorkshire Investment Zone proposition.

**Consideration by any other Board, Committee, Assurance or Advisory Panel**

## 1. Background

- 1.1 At Spring Budget 2023, the Chancellor announced that eight MCAs (in England) and their constituent local authorities had been invited to co-design Investment Zone (IZ) proposals with government, of which South Yorkshire was one. The programme aims to grow high-potential innovation and industrial strengths in areas with significant scope for catch up economic growth that will drive national productivity.
- 1.2 If successful, South Yorkshire will receive £80m of funding over five years beginning in 2024/25, which can be used flexibly between spending and tax incentives. IZ submissions to Government must identify a lead sector and a spatial core, where tax sites are expected to be located. A clear expectation was set in the IZ Prospectus that the geography of the IZ be closely linked to research assets.
- 1.3 The Department for Levelling Up, Housing and Communities (DLUHC) have indicated that regional propositions should be based on existing strategies and evidence, as opposed to expecting combined authorities to undertake extensive new work. As such, our primary sector and geographic rationale builds firmly from the work undertaken by the Advanced Manufacturing Innovation District (AMID) group, the Strategic Economic Plan and the associated underpinning evidence bases.

## 2. Progress to date

- 2.1 There are three key components to our Investment Zone proposition: i) identifying a region's lead sector; ii) identifying a geography that captures industrial strengths, research assets and clusters, and growth opportunities; and, iii) identifying key sites and proposed interventions that can support growth in the lead sector, associated clusters and the region more broadly.
- 2.2 DLUHC has engaged with South Yorkshire Mayoral Combined Authority (SYMCA) to set out the proposed process and timeline as follows:
- | Thematic Gateways         | Completion date |
|---------------------------|-----------------|
| Vision statement          | April 23        |
| Lead sector and geography | May 23          |
| Intervention design       | June 23         |
| IZ announcement           | July 23         |
| IZ implementation         | April 24        |
- We have now completed the first two thematic gateways.
- 2.3 Lead Sector: DLUHC has indicated that the lead sector can be broad and include intersecting 'sub-sectors' provided there is a clear underpinning economic rationale. We have proposed advanced manufacturing and intend to define this in an expansive way. It is about regional 'know-how' to manufacture technical

solutions to difficult problems, which applies to numerous sectors, including those where we have competitive advantages and growth opportunities, such as clean energy, sustainable mobility and flight, defence, life sciences and med tech. This approach will enable a broad range of regional growth clusters to coalesce within the IZ geography to generate the greatest breadth of economic growth opportunities.

- 2.4 Geographic focus: our proposed spatial core of the IZ will span across Rotherham Town Centre and Sheffield City Centre, including four innovation campuses and two city/town centre growth areas. In addition to the spatial core, we have identified key opportunity sites for the scale-up of advanced manufacturing in Barnsley and Doncaster. This reflects the strength of our research base, but also the economic challenge we have in making manufacturing jobs 'sticky' where we are leading the research.

### **3. Future Activity**

- 3.1 Over the coming weeks we will be working at pace with key officers from Local Authorities and Universities to outline in more detail the nature of the economic geography, key interventions and the sites that could contribute to the regional IZ proposition. At this stage we are not proposing to pursue any tax incentive sites, as we think the £80m flexible spend is more valuable. Evidence suggests geographically concentrated tax incentives can lead to displacement of activity rather than new activity.

- 3.2 We will look to explore the use of the capital and revenue funding in similar ways to the tax incentives but in the form of bespoke soft landing packages (this may include infrastructure interventions, skills, recruitment support and/or grant/loans to bridge viability gaps) and other key horizontal interventions to drive local economic growth.

### **4. Decision making**

- 4.1 The timeline described in section 2.2 is challenging but achievable with strong collaboration across stakeholders. Following the model successfully used for the development of UKSPF proposals, SYMCA officers have formed a steering group with Executive Directors and University representatives that meets on a weekly basis to guide the development process, provide check and challenge, and to receive timely updates on discussions with government.

- 4.2 Terms of Reference set out that all key information and gateway submissions will be provided to the steering group in a timely fashion, acting as a channel to inform Leaders and Chief Executives. In addition, direct on-going communication to both Leaders and Chief Executives will be undertaken throughout the development process. All final decisions will be ratified by the MCA board.

### **5. Options Considered and Recommended Proposal**

- 5.1 Government has designated the MCA as the lead body for South Yorkshire's Investment Zone. This paper is to update and to inform.

**6. Consultation on Proposal**

6.1 N/A

**7. Timetable and Accountability for Implementing this Decision:**

7.1 N/A

**8. Financial and Procurement Implications and Advice**

8.1 Subject to proposals meeting specified requirements, government will offer SYMCA £80m over five years for its IZ, which can be used flexibly between spending and a single five-year tax offer, scalable based on the number of sites.

**9. Legal Implications and Advice**

9.1 N/A

**10. Human Resources Implications and Advice**

10.1 The MCA has pulled together an internal team from across the organisation to focus on delivering the significant outputs required for the IZ proposal between now and July.

**11. Equality and Diversity Implications and Advice**

11.1 The IZ prospectus requires leveraging the bottom-up energy of local talent, knowledge, and networks to deliver sustainable growth that benefits local communities. This will be a priority and the MCA will ensure the proposal benefits communities across South Yorkshire.

**12. Climate Change Implications and Advice**

12.1 No implications currently.

**13. Information and Communication Technology Implications and Advice**

13.1 No implications currently.

**14. Communications and Marketing Implications and Advice**

14.1 No implications currently.

**List of Appendices Included**

None

**Background Papers**

None