

Mayoral Combined Authority Board

31 July 2023

South Yorkshire Investment Zone Proposal

Is the paper exempt from the press and public?	No
Reason why exempt:	Not applicable
Purpose of this report:	Policy Decision
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

Director Approving Submission of the Report:

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Executive Summary:

This paper updates the MCA Board on the development of a South Yorkshire Investment Zone. The Mayor and Leaders are asked to consider proposals relating to the sector focus; the proposed sites included in the Zone; the focus for the £80m of additional resources made available through the IZ programme, and how we intend to ensure effective governance of the 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 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:

1. Endorse the recommended Lead Sector for the South Yorkshire Investment Zone, as advanced manufacturing defined expansively to include linked sub-sectors such as digital and health.
2. Endorse the proposed geographical focus for the South Yorkshire Investment Zone.
3. Endorse the suggested governance models for the South Yorkshire Investment Zone.
4. Note the progress and direction of travel on the Investment Zone interventions.

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

N/A

1. Background

1.1 At Spring Budget 2023, the Chancellor announced that eight Mayoral Combined Authorities (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.

1.2 The Prospectus set out that successful places could receive £80m of funding over five years beginning in 2024/25, which can be used flexibly between spending and tax incentives. Submissions must identify a lead sector and a spatial core, where tax sites are expected to be located, which is built around an existing cluster with close links to research institutions.

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.

1.4 DLUHC officials have emphasised the need for proposals that are genuinely strategic, deliver benefits for business and local communities and leverage in private sector investment to support growth across the region. Progression through each stage or gateway is dependent on approval from government that all the evidence requirements have been met. Government has reserved the right not to take forward proposals if agreement cannot be reached. Proposals will only be formally signed off in full at the conclusion of the process.

1.5 There are four 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; iii) setting out the appropriate governance structures; and, iv) identifying key sites and proposed interventions that can support growth in the lead sector, associated clusters and the region more broadly. Due to short timescales outlined by DULHC, work has been taken forward concurrently and delegated authority to progress through the gateway stages was approved at the MCA Board on the 5th of June 2023.

2. Key Issues

- 2.1 **Lead Sector:** Government set out that applicants are required to focus on at least one of the government's five priority sectors: digital and tech, green industries, life sciences, advanced manufacturing, and creative industries. DLUHC has indicated that the lead sector can be broad and include intersecting 'sub-sectors' provided there is a clear underpinning economic rationale.
- 2.2 SYMCA has proposed advanced manufacturing as our lead sector. It is our intention 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, food production, forming & forging, 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.
- 2.3 **Geography:** Our proposed spatial core of the IZ is based on the region's leading innovation assets, which 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. We have taken this approach as we believe this reflects the strength of our research base, but also the economic challenge we have in making manufacturing jobs 'sticky' aggregating around that research, as well as improving supply chains across the region.
- 2.4 SYMCA officers pressed DLUHC to accept the notion of 'Opportunity Sites' – places with permission, available land, where research intensive companies can scale-up their activity and develop supply chains. Hybrid Air Vehicles is an example of such a company and approach. Doncaster opportunity sites identified are the City Centre corridor (comprising Waterfront, Station Gateway, the NCATI site, Marshgate and Balby Carr Bank), Doncaster Thorne North, Unity and the Gateway East sites. Carcroft East has also been referenced in public facing documentation, but not put forward as a company had been identified to occupy the site. In Barnsley we have identified sites at Junction 36 and 37, the SEAM campus and Goldthorpe. Detailed maps of the spatial core and opportunity sites are included in the annex.
- 2.5 **Governance:** It is proposed that the new MCA governance arrangements are utilised to form our approach to the ongoing engagement and governance of the IZ programme of activity. This will ensure fair representation from relevant stakeholders across the region whilst not adding any additional layers of bureaucracy.
- 2.6 It should be noted that whilst the governance structure sits within the MCA decision-making process, the fundamental purpose of the IZ is to focus on propelling advanced manufacturing and its sub sectors by enhancing the region's world-leading manufacturing assets, which will be linked to supply chains across the region. Decisions will need to be made within this context to ensure the purpose of the IZ is not lost.
- 2.7 Over the coming weeks SYMCA will work with stakeholders to develop IZ specific operational arrangements. These will be presented to the MCA Board for endorsement at a future meeting.

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- 2.8 **Interventions:** We are in the process of exploring key interventions that will support the South Yorkshire IZ proposal. At this stage we are not proposing to pursue any tax incentive sites, as the £80m spend offers greater flexibility and is therefore more valuable. This position is drawn from evidence that suggests geographically concentrated tax incentives can lead to displacement of activity rather than new activity. SYMCA had to push Government on this. A strong case, based on robust economic evidence, was successful in securing more flexible interventions.
- 2.9 During this process we have explored the use of the capital and revenue funding in similar ways to the tax incentives. We are proposing the following broad areas of focus:
- 2.10 **Capital, Infrastructure and Feasibility**
This funding will support land remediation, small scale infrastructure improvements and co-investment in productivity, equipment, and resource efficiency measures. This will also support the expansion of incubation and wet lab space and support investors seeking time-limited specialist resource. The feasibility element will support future sector development around SY strengths, such as Small Modular Reactors, and build the case for transport, grid and digital connectivity.
- 2.11 **Supply Chain development**
To build the capability and competitiveness of suppliers to access regional, national and global growth markets and OEM supply chains by delivering a regionally intensive, multi-sector programme. Activity will bring SMEs together with businesses looking to diversify their supply base.
- 2.12 **Skills Support**
Skills funding, support and provision to attract, train and retain the right people and skills to develop our target sectors.
- 2.13 **Ecosystem Development**
This will support a more entrepreneurial environment, focussing R&D activity and innovation support to meet the needs of high growth start-up and scaling businesses.
- 2.14 **Planning System Capacity**
The SY IZ will offer a supportive and business-minded planning environment that accelerates decision making, unlocks barriers, and provides investor certainty by providing additional resource into planning functions in our Local Authorities.
- 2.15 To support the on-going operation of the IZ, SYMCA will consult with our partners to establish the additional capacity requirements across the region. These requirements will be brought to the MCA Board for ratification at a later date.
- 3. Options Considered and Recommended Proposal**
- 3.1 Government has designated the MCA as the lead body for South Yorkshire's IZ. The only alternative option would have been to do nothing and miss out on £80m of investment to help transform the region's economy. This paper is to update, inform and seek endorsement from the MCA board for the recommended Lead

Sector, proposed geographical focus, suggested governance models and progress and direction of travel on the IZ interventions.

4. Consultation on Proposal

4.1 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. This steering group act as a channel to inform Leaders and Chief Executives. In addition, there is an operational group of officers that has also been meeting weekly to progress the development of the proposal at pace.

4.2 Further engagement and consultation are taking place with businesses across the region to soft test proposals as they are developed.

5. Timetable and Accountability for Implementing this Decision:

5.1 N/A

6. Financial and Procurement Implications and Advice

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

7. Legal Implications and Advice

7.1 The MCA has relevant economic development functions to take forward a future IZ.

8. Human Resources Implications and Advice

8.1 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.

8.2 The future resource requirements will be considered as we establish the operating model for the future IZ. These proposals will be brought to the MCA Board to seek endorsement.

9. Equality and Diversity Implications and Advice

9.1 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 SY.

10. Climate Change Implications and Advice

- 10.1 Whilst the IZ is not aimed directly at reducing the regions carbon emissions, there is significant potential to drive the regions ambitions through attracting both “Green Tech” and “Low Impact” businesses. The IZ geography lends itself to the densification of economic activity, and through shortening of supply chains and adoptions of circular principles reducing the environmental impact whilst stimulating growth.

11. Information and Communication Technology Implications and Advice

- 11.1 There are no implications at this time, as we progress the submission the Information and Technology service will assess the impact and resource implications.

12. Communications and Marketing Implications and Advice

- 12.1 A detailed comms and marketing plan is underway to support the launch of the investment zone, working with LA partners and the universities to achieve shared key messages and creative assets.
- We are working on a high-profile visit for the launch date, announcing it alongside the COMPASS project and including media opportunities with all key stakeholders.
- A new landing page is being created for the investment zone which will feature the investor prospectus, our new IZ film and our GIS 3D mapping tool with a new IZ filter. Alongside this we are also working on a digital campaign to support the launch, which will be followed by a long-term plan for all marketing activities to promote the IZ during the five-year term.

List of Appendices Included

1. Detailed maps of the spatial core and opportunity sites

Background Papers

None