

Audit, Standards and Risk Committee

Wednesday, 20 September 2023

Investment Zone Update

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

Director Approving Submission of the Report:

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Executive Summary

This paper updates the Audit Standards and Risk Committee (ASRC) on the development of the South Yorkshire Investment Zone. The ASRC are requested to note the proposals relating to the sector focus; the geography of the Investment Zone; the focus for the £80m of additional resources made available through the Investment Zone programme, and how SYMCA intends to ensure effective governance of the Investment Zone.

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

The South Yorkshire Investment Zone (SYIZ) announcement on the 13th of July 2023 was a significant vote of confidence in the capacity and capability of SYMCA and its partners. A successful Investment Zone will unlock public and private investment in South Yorkshire, alongside raising the profile of the region. A flexible funding offer of £80m, which is deployable across a range of interventions (R&D, skills, infrastructure, business support, planning and development) will 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 Lead Sector for the South Yorkshire Investment Zone, as advanced manufacturing defined expansively to include linked sub-sectors such as digital and health.
- Note the geographical focus for the South Yorkshire Investment Zone.
- Note the governance model for the South Yorkshire Investment Zone.
- Note the direction of travel on the Investment Zone interventions and operational arrangements.

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

Mayoral Combined Authority Board

31 July 2023

1. Background

- 1.1 Once fully approved by Government, the South Yorkshire Investment Zone will receive £80m of funding over five years beginning in 2024/25, which can be used flexibly between spending and tax incentives. This funding is deployable across a range of interventions (R&D, skills, infrastructure, business support, planning and development). SYMCA is not proposing to pursue any tax incentive sites, as the risks of displacement of activity – rather than the generation of additional activity – were considered too large, as were the complications of administering tax sites. The flexibility of £80m funding was considered more valuable, therefore, and this position was approved by the Working Group, including all partners and the two universities, in line with delegated authority from the Board.
- 1.2 In line with the Government's programme, there are four key components to the South Yorkshire IZ proposition: i) identifying a region's lead sector; ii) identifying a geography that captures industrial strengths, research assets and clusters, and growth opportunities, including a 'spatial core' and broader IZ geography; 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 Department for Levelling Up, Housing & Communities (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 required South Yorkshire to focus on 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 identified advanced manufacturing as our lead sector, conditional upon an expansive definition. SY's competence 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 **Interventions:** We are in the process of exploring key interventions. As above, the main decision taken on interventions to date is not to pursue tax sites. 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.
- 2.5 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:
- Capital, Infrastructure and Feasibility gap fund
 - Supply Chain development
 - Skills Support
 - Ecosystem Development
 - Planning System Capacity

The detail of the interventions and the eligibility criteria will be established throughout September and October 2023.

- 2.6 **Governance:** It is proposed that the current MCA governance arrangements will be 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. However, a final decision has not been taken on this. That decision will be taken in the round, alongside the decision on interventions.
- 2.7 **Operational Arrangements:** Whilst the governance structure sits within the MCA decision-making process, the fundamental purpose of the South Yorkshire 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. To ensure sufficient focus on these aims we are in the process of considering additional day to day operational arrangements. These arrangements will be finalised throughout September and October 2023. At a minimum, these arrangements will build on the good work undertaken to date and ensure adequate representation of our public, private, and academic partners.

3. Risks and Mitigations

- 3.1 Due to the timescales and volume of work required to be ready for delivery of SYIZ from April 2024, there is a risk that SYMCA is unable to effectively target its

interventions resulting in a reduced impact, reputational damage and/or impact on future devolution conversations.

- 3.2 To mitigate against this risk SYMCA has formed a cross Local Authority and University Working Group to review evidence and inform planning for activity. In addition, we are undertaking active engagement with the business community. And have a hiring plan to create a team that will deliver the Investment Zone from the first flow of funding in April 2024.

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 fortnightly 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 frequently 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 IZ, 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 N/A

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. The future resource requirements will be considered as we establish the operating model for the SYIZ. 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 SYIZ 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 SYIZ 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 towards a go-live date of April 24 the Information and Technology service will assess the impact and resource implications.

12. Communications and Marketing Implications and Advice

- 12.1 A detailed communications and marketing plan was in place to support the launch of the SYIZ, this plan was developed with LA partners and the Universities to achieve shared key messages and creative assets.

A new landing page is in place for the SYIZ featuring the investor prospectus, our new SYIZ film and our GIS 3D mapping tool with a new SYIZ filter. Alongside this we are also working on a long-term plan for all marketing activities to promote the IZ during the 5 year term.