

Mayoral Combined Authority Board

Tuesday, 10 September 2024

South Yorkshire 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

Portfolio: Economic Growth

Portfolio Holder: Mayor Oliver Coppard

Lead Chief Executive: Martin Swales

Director Approving Submission of the Report:

Tom Bousfield, Executive Director Growth, Business and Skills

Report Author:

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Executive Summary

The report is presented for information on the progress of the South Yorkshire Investment Zone. The report highlights year one progress and outlines forthcoming activity.

The intervention areas included have previously been approved by the Board and proposals under development will be brought before the Board.

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

A successful Investment Zone will unlock public and private investment in South Yorkshire, alongside raising the region's profile. The flexible funding offer of £160m, 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 jobs, higher wages and higher living standards in South Yorkshire.

Recommendations

That the Board:

1. Note the update on year one activity of the South Yorkshire Investment Zone.
 2. Indicate if additional detail is required on any specific element of the Investment Zone.
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1. Background

- 1.1 The South Yorkshire Investment Zone (IZ) proposal was announced as the UK's first Investment Zone on July 13, 2023. Alongside the announcement, the government indicated that successful places would receive £80m of funding over five years, beginning in 2024/25. This was later increased to £160m over ten years.
- 1.2 Consultation and development work have taken place collaboratively between the MCA and local authority officers, university partners, planning teams, and business representatives to complete the submission of each of the required gateway documents, which cover vision, sector/geography, governance, interventions, and delivery. A Memorandum of Understanding (MOU) covering the initial five-year programme was finalised in April '24, with the initial tranche of year one funding received in May '24.
- 1.3 Funding for the Investment Zone will be released annually, subject to South Yorkshire meeting its delivery and spending targets. To ensure successful delivery in the first year, activity has been profiled to increase during the final six months of the financial year, 24/25.
- 1.4 The Investment Zone funding profile is outlined below:

IZ Flexi Spend Annual Expenditure – Total £80,000									
2024/25		2025/26		2026/27		2027/28		2028/29	
£11.64m		£16.89m		£17.35m		£17.06m		£17.06m	
IZ Flexi Spend Capital/Revenue Split (£)									
Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue
24/25	24/25	25/26	25/26	26/27	26/27	27/28	27/28	28/29	28/29
£7.6m	£4.04m	£10.10m	£6.79m	£10.10m	£7.25m	£10.10m	£6.96m	£10.10m	£6.69m

1.5 It should be noted that SYMCA has entered an MOU for the initial five-year period. The new government has begun a Spending Review to examine funding beyond the current financial year.

2. Intervention areas of the Investment Zone

2.1 SYMCA consulted with stakeholders (local authority officers, university partners) to develop the intervention priorities. Subsequent engagement sessions with partners, including business representatives, the public sector, and academia, concentrated on identifying the types of interventions that would deliver growth across South Yorkshire, focusing specifically on increasing the size and breadth of the tradable sector. These interventions were submitted to the MCA for approval in February '24.

2.2 The interventions aim to advance the region's technological and economic frontiers in decarbonised power, digital technology, robotics, AI, and advanced manufacturing. These efforts focus on increasing university spinouts, boosting business innovation, enhancing commercially focused research, and expanding the local skills pipeline.

2.3 The package of interventions has three distinct elements:

- **Demand Drivers:** These include marketing and promotion, enhanced skill pipelines, additional capacity for planning/investment enquiries and other complementary promotional activities. Note: Demand-stimulating activity is not restricted by Investment Zone geography and will be deployed across the region.
- **Horizontal Programme of Interventions:** This includes programmes for scaling up businesses, increasing cross-sector collaboration, commercialising IP, encouraging student-driven start-ups, and supporting catalytic businesses through targeted infrastructure funding.
- **Responsive Capital Infrastructure and Feasibility Fund:** Capital investment to facilitate business starts, scales, and relocations within the IZ geography by removing viability gaps that restrict investment. Note: This fund is only available within the IZ geography.

3. Eligibility for Support

3.1 The government mandated that IZs must focus on at least one of the government's five priority sectors: digital and tech, green industries, life sciences, advanced manufacturing, and creative industries. The South Yorkshire IZ lead sector is advanced manufacturing, including intersecting 'sub-sectors' where there is a clear underlying economic rationale.

3.2 To be eligible, '**Advanced Manufacturing organisations**' must demonstrate at least one of the following characteristics:

- Manufacturing that entails rapid transfer of science and technology into manufacturing products and processes.
- The use of recently developed techniques and equipment to produce commodities generally considered to be high-tech, complex or difficult to make; and/or,
- Companies seeking to differentiate their business and move up the value chain through R&D or advanced applied technology.

3.3 Related activities, based on a demonstrable link to Advanced Manufacturing, which we would expect to be eligible for support include:

- **Healthcare Technologies:** This includes all aspects of the supply chain of pharmaceutical, life science and medical device sectors that have a significant technology component. Examples include biomedical devices, imaging, sports, and child healthcare innovations.
- **Low-Carbon and Environmental Goods and Services:** A range of rapidly growing renewable energy technologies, including in the nuclear, sustainable fuel, hydrogen, energy management, carbon capture and storage sectors.
- **Creative and Digital Industries:** This will include companies that use digital technology to develop, design, or produce a digitally delivered product or service. It will also include hardware and computer services but excludes the normal application of administrative software. Enabling services, including Data and AI, will be considered case-by-case.
- **Service sector organisations** must demonstrate that the primary purpose of the business/investment is to provide support to the target sectors outlined above. This may include financial and insurance activities, legal and accounting services, and management and consultancy activities.

4. Supportive Activity

4.4.1 **Additional Resources:** Additional resources required for the ongoing management of the IZ have been identified, and recruitment is underway.

4.4.2 **Made Smarter and Growth Hub:** To ensure these programmes continue to add maximum value, we are reviewing the models to ensure they complement the broader support ecosystem.

4.4.3 Operational Group: All parties have agreed to terms of reference, and a Non-Disclosure Agreement is now in place for the group. This group continues to meet fortnightly.

5. Options Considered and Recommended Proposal

5.1 The government has designated the MCA as the lead body for South Yorkshire's Investment Zone. This paper is to update, inform and identify any areas where the MCA board may require additional information.

6. Consultation on Proposal

6.1 SYMCA officers have formed a steering group with our Local Authority and University representatives that meets fortnightly to guide the development process, provide checks and challenges, and receive timely updates on discussions with the government. This operational group acts as a channel to inform MCA Board members and Chief Executives. MEAC and the Business Advisory Board are also provided with updates and opportunity to contribute to development planning.

7. Timetable and Accountability for Implementing this Decision

7.1 This report outlines the progress of the first year of the Investment Zone proposal.

8. Financial and Procurement Implications and Advice

8.1 The South Yorkshire Investment Zone proposal has met the specified requirements, for release of year one funding. Additional MCA capacity will be funded via the 4% administration allowance. This is in line with the model used during the development of UKSPF.

9. Legal Implications and Advice

9.1 As this report is for noting, it does not raise any specific legal implications. Consultation with legal was undertaken during the development of the IZ proposal. Additional consultation on each investment will be taken forward on a case-by-case basis.

10. Human Resources Implications and Advice

10.1 The MCA has budgeted for the recruitment of a programme team to focus on delivering the significant outputs required for the IZ proposal between 2024/25 – 2034/35.

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. All proposals will be assessed to understand their impact on groups with protected characteristics and how they contribute to reducing spatial inequalities.

12. Climate Change Implications and Advice

12.1 The IZ will support removing carbon from power, propulsion, and production manufacturing and processes. This research, development, and commercialisation will drive the UK's transition towards a net zero future. All future proposals will be required to outline the implications and mitigation of the activity on the climate.

13. Information and Communication Technology Implications and Advice

13.1 There are no Information and Communication Technology implications currently.

14. Communications and Marketing Implications and Advice

14.1 Consideration to be given to the required communication resource for the effective promotion of the IZ in consultation with the Assistant Director for Communications and Marketing.

14.2 Communications colleagues to review existing frameworks before tender released to determine feasibility of delivery and time management with a procured supplier.

List of Appendices Included:

N/A

Background Papers:

N/A