

Mayoral Combined Authority Board

13 February 2023

South Yorkshire Investment Zone Update

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

Director Approving Submission of the Report:

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Executive Summary:

This report provides an update on the development of South Yorkshire Investment Zone and outlines the programme of activity and delivery framework.

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 profile of the region. 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 employment, higher pay and higher living standards in South Yorkshire.

Recommendations:

That the Board:

1. Supports the governance arrangements and the interventions outlined in Section 2 of this report.

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

1. Background

- 1.1 South Yorkshire was announced as the UK's first Investment Zone (IZ) on the 13th of July 2023. The programme was associated with £80m of funding over five years beginning in 2024/25.
- 1.2 In November 2023's Autumn Statement, the Government announced that the term and funding allocation for the approved IZs would increase, from an initial £80 million over five years, to £160 million over ten years. Government have set the expectation that current IZ proposals should remain largely unchanged in response to the extended funding offer.
- 1.3 In response to the challenging timescales outlined by DLUHC, work has been taken forward to meet these timescales in collaboration with our Local Authorities and partners. Delegated authority to progress through the gateway stages was received at the MCA Board on the 5th of June 2023. Further approval was received for the lead sector, geographical focus, governance, and the broad areas of intervention at the MCA Board in July 2023.
- 1.4 Extensive development work has taken place collaboratively between the MCA and Local Authority officers, University partners, Planning teams and meetings of the Finance Directors. We have now completed the submission of each of the required gateway documents covering, Vision, Sector and Geography, Governance, Interventions, and Delivery. Final feedback on the last of the Gateway documents is expected to be received by the 22nd of January.
- 1.5 Once the gateway process is finalised and any delivery arrangements agreed, we will receive a Memorandum of Understanding to sign. This will reflect what has been agreed during the gateway process and delivery planning phase. It will constitute our agreement with DLUHC and will be brought forward to the MCA for agreement. This will be the final step before the release of year 1 funding, which will be confirmed via a grant determination letter.

2. Key Issues

- 2.1 **Governance:** In the proposal to Government, existing MCA Governance processes have been recommended as the decision-making vehicle for the Investment Zone and its associated funding. This will ensure fair representation from relevant stakeholders across the region whilst not adding any additional layers of bureaucracy.
- 2.2 In addition to MCA Governance, Government has requested the presence of a sector-specific advisory group.
- 2.3 **IZ Advisory Group:** To meet the Government request, the MCA will establish an Advisory Group, which will include representation from the MCA, all four Local Authorities, the two Universities and sector-specific businesses. The Advisory

Group will make recommendations to the MCA Board. Other responsibilities of the group will include:

- Development of yearly delivery plans for deployment of the IZ resources and powers that will accelerate economic growth, secure additional investment, commercialise R&D and support the development of the lead and sub sectors. This will be subject to MCA board approval.
- Development and on-going management of IZ risks and issues.
- Development of specifications for commissioned activity.
- Provide guidance on proposals for investment.

The group will meet initially on a bi-weekly basis and will be required to undertake specific actions for endorsement through the existing governance structure.

- 2.4 It should be noted that under these arrangements South Yorkshire Mayoral Combined Authority will remain accountable for the use of public funds. The Advisory Group does not have any decision-making powers: all recommendations will require approval or endorsement from the MCA Board.
- 2.5 **Interventions:** IZ interventions will be mission driven, focusing on producing clean, green, heat, power and flight; tackling ill-health; and harnessing robotics, AI and frontier technology to create more good jobs and fulfilling careers in South Yorkshire.
- 2.6 The interventions set out below should be seen as interchangeable and designed to be packaged to meet the specific needs of each individual company we engage with to unlock significant additional private investment. This additional investment will be critical to delivering enhanced employment opportunities for our local communities.
- 2.7 Our approach to IZ intervention package has four distinct elements:
- **Capital, Infrastructure and Feasibility Fund:** This element of the South Yorkshire IZ will deliver capital investment to facilitate business starts, scales and relocations within the IZ geography by removing viability gaps that are restricting investment. This could support: infrastructure improvements; capital contributions, where there is high private sector match investment; incubation and grow-on space.
 - **Skills and employability support:** This element could support: sector specific training through the expansion of the SY Skills Bank; increasing entrepreneurship through training and mentoring schemes; and, addressing economic inactivity through the implementation of forthcoming recommendations from the Pathways to Work Commission.
 - **Business Ecosystem development:** This element could support: scale-up support to fast growing businesses; driving innovation diffusion and adoption; supply chain diversification and development; increasing SY commercial IP development through greater spin out activity; and, promoting student entrepreneurship.
 - **Planning System Capacity Fund.** The IZ policy prospectus dictates the requirement for provision of a supportive and business-minded planning

environment that accelerates decision making, unlocks barriers, and provides investor certainty. Provision will be made for a dedicated team of IZ planning officers to provide one-to-one support throughout the planning process (funding for an additional officer in each planning authority).

- 2.8 **Tax incentives:** Given the high rates of displacement experienced in the use of these instruments, flexible spend was favoured over the submission of tax incentives.
- 2.9 **The Prioritisation of Investment Zone Funding:** Interventions above will be provided subject to clear, consistent criteria. Funding will be provided subject to the following conditions being met:
- i. **Strategic fit:** Does the proposal meet the vision set out in the IZ document? Is there a clear market failure case for investment?
 - ii. **Value for money:** What are the benefits compared to the costs?
 - iii. **Match funding:** (IZ Prospectus stipulation) – Does it cross the threshold of at least 60% match funding from the private sector? Note: 20% is acceptable in exceptional circumstances for horizontal intervention.
 - iv. **Deliverability:** Will the project, and the private sector investment it is predicated on, be delivered over a five-year window? Are appropriate resources in place to secure delivery?
 - v. **Productivity growth:** Will the proposal deliver productivity growth?
 - vi. **Affordability** – Scale of the funding ask.
 - vii. **Innovation:** How innovative is the proposal and how does it differ and learn from previous attempts to intervene?
- 2.10 **Additional support:** To support the on-going operation of the Investment Zone the following additional provision will be put in place.
- **Comprehensive Marketing and engagement:** Commissioned to provide communication and marketing of inward investment propositions and for wider engagement and trade activity. This would follow regional branding and narrative to ensure we do not diverge and create multiple narratives across SY. This will result in a comprehensive communication and engagement strategy and delivery plan.
 - **Intelligent Website:** Specific funding will be ringfenced for the commissioning of a new South Yorkshire platform that will provide a single platform for activity across the region. This will include support to dynamically deliver the right content to users at the right time, quickly and accurately – ensuring the provision and services which are more likely to be of relevance to them are accessed quickly.
- 3 **Options Considered and Recommended Proposal**
- 3.1 Government has designated the MCA as the lead body for South Yorkshire's Investment Zone. This paper is to update, inform and seek endorsement from the MCA Board for the recommended arrangements and the additional detail provided regarding the Investment Zone interventions.

4. Consultation on Proposal

- 4.1 SYMCA officers have formed a steering group with Local Authority 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 acts as a channel to inform the Mayor, Leaders and Chief Executives.
- 4.2 Further engagement and consultation are taking place with businesses across the region including with the Business Advisory Board to soft test proposals throughout development.

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 £160m over ten years for its Investment Zone. Increased capacity will be funded via the 4% administration allowance. This is in line with the model used during the development of UKSPF.

7. Legal Implications and Advice

- 7.1 The report is seeking MCA Board support and does not raise any direct legal implications. As the MCA has approved the application for funding previously, the Finance Director has delegated authority under the constitution to approve and sign the MOU to be received from DLUHC.

8. Human Resources Implications and Advice

- 8.1 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.
- 8.2 Additional resource requirements for planning support has been allocated to Local Authority partners.

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 South Yorkshire.

10. Climate Change Implications and Advice

- 10.1 The IZ will support removing carbon from power, propulsion and production (manufacturing). This research, development and commercialisation will ultimately drive UK's and the world'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.

11. Information and Communication Technology Implications and Advice

11.1 Initial engagement has been undertaken to discuss IZ related technology requirements. Following approval support will be provided to support development of website specifications.

12. Communications and Marketing Implications and Advice

12.1 Funding provision for communication and marketing has been allocated to the IZ intervention package. Following formal approval, the communication and marketing team will provide advice and guidance on support arrangements.

12.2 Initial engagement has been undertaken to discuss IZ related technology requirements. Following approval support will be provided to support development of website specifications.

List of Appendices Included

None