

Item 7

8th August 2023



Glasgow City Region Cabinet

Report by: Director for Regional Economic Growth

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Investment Zone Update

Purpose of Report:

This report provides the Glasgow City Region (GCR) Cabinet with an update on developments following the UK and Scottish Governments' announcement of Glasgow City Region as one of two Investment Zones in Scotland.

Recommendation:

The GCR Cabinet is asked to note the report.

1 Purpose of the Report

- 1.1 This report provides the Glasgow City Region (GCR) Cabinet with an update on developments following the UK and Scottish Governments' announcement of Glasgow City Region as one of two Investment Zones in Scotland.

2 Background

- 2.1 On Friday 30 June 2023, the Secretary of State for Levelling Up, Housing and Communities, announced Glasgow City Region and North East of Scotland would be the first two Investment Zones in Scotland.
- 2.2 In total there are 12 Investment Zones across the UK. Eight in England, two in Scotland and one each in Wales and Northern Ireland. A summary of public information available in relation to the Investment Zones in England are contained within Appendix 1.
- 2.3 It should be noted, this report has been developed from reviewing the UK Government guidance published in March '23, relating to English Investment Zones. As a result, the principles and parameters may alter with input from Scottish Government.

3 Investment Zone Principles

- 3.1 Investment Zones aim to boost the economy, stimulate business growth and create high-quality, well-paid jobs. The two Scottish Regions will each be supported by up to £80 million in targeted investment, tax reliefs and other incentives over five years following a joint selection process by the UK and Scottish Governments.
- 3.2 Investment Zones will consist of a 'core' of existing clusters and firms, surrounded by a larger travel to work area which may contain areas of high deprivation and low productivity jobs. A research institution will provide R&D support and business support to the core, and this development will be supported by the £80m funding package and UK / Scottish Government policy, development, and planning advice provided to each place hosting an Investment Zone
- 3.3 Located within this core, there may be either a single maximum-size 600-hectare tax site or divided across maximum 3x 200-hectare tax sites; each of these sites must be located on underdeveloped land.
- 3.4 Zones are required to focus on developing one or more of the UK Government's five priority sectors:
- Digital & Tech
 - Green Industries
 - Life Sciences
 - Advanced Manufacturing
 - Creative Industries

3.5 Both UK and Scottish Governments have indicated Investment Zones proposals should align and supplement existing development initiatives where possible. For the Glasgow City Region, this will include:

- Regional Economic Strategy
- City Deal
- UKSPF Investment Plan
- Innovation Accelerator
- Clyde Mission

3.6 To aid in creating place-based growth clusters governments expect effective collaboration between: Regions; Local Authorities; research institutions; local industry; planning authorities and wider stakeholders.

4 Funding

4.1 The UK and Scottish Governments will provide a maximum of £80m funding over a five-year period for each Investment Zone. Within that, each Investment Zone may use the funding flexibly according to the below criteria:

- £35m to be split 40:60 between revenue and capital investment
- Remaining funding is intended to cover the tax sites. Where a place does not opt for either the sole 600ha tax site, or the 3 x 200ha site, then tax incentives can be exchanged for a greater amount of capital expenditure

4.2 Tax incentives within the designated sites can comprise of the following:

- Stamp Duty Land Tax Relief – full relief for land and building bought for commercial use or development for commercial purposes
- Business Rates – 100% relief on newly occupied business premises and certain existing business where they expand in a tax site
- Enhanced Capital Allowances – 100% first year allowances for companies' qualifying expenditure for use in tax sites
- Enhanced Structures and Buildings Allowances – Businesses can reduce their taxable profits by 10% of the cost of qualifying non-residential investment per year
- Secondary Class 1 National Insurance contributions (NICS) relief – Zero rate NICS for eligible employers on the earnings of eligible employees (up to £25,000 per annum)

4.3 In addition, there is a single tax incentive which outlasts the five-year limit for the rest of the initial Investment Zone infrastructure:

- Business Rates Retention - Certain Investment Zones may retain 100% of the business rates growth from the tax sites above an agreed baseline over a period of 25 years. Authorities will need to demonstrate in their proposal how this retained funding will provide for local economic growth, support the priority sector within the Investment Zone and represent value for money for the government.

5 GCR Proposal

- 5.1 GCR will be expected to develop a proposal for the Investment Zone which will be structured around a set of thematic gateways:
- Vision setting;
 - Sector and economic geography;
 - Governance structure and assurance processes;
 - Agreeing the specific mix of interventions and levers;
 - Agreeing the delivery model or models.
- 5.2 To prepare for these thematic gateways, GCR will utilise the recent Intelligence Hub analysis of clusters within the region. This takes account of:
- current businesses;
 - employment;
 - links to innovation assets (Universities);
 - skills pipelines;
 - recent investment; and
 - future growth opportunities for these sectors.
- 5.3 It is anticipated GCR will then prioritise a short-list of sectors which will be used to shape the next phase of the proposal.
- 5.4 Similar to the successful Innovation Accelerator, both governments have indicated the proposal for the Investment Zone will be developed in partnership between the GCR and national governments.
- 5.5 GCR has established links with both Greater Manchester Combined Authority and Liverpool City Region and will utilise this to understand Investment Zone development in these comparable regions.

6 Conclusion

- 6.1 The awarding of the Investment Zone to GCR provides a further opportunity to align established activity within the region with additional government investment, supporting the aspirations of the Regional Economic Strategy.
- 6.2 The Director of Regional Economic Growth attended an inception meeting with UK and Scottish Governments on 2 August 2023, together with representatives from the North East Regional Partnership. A verbal update will be provided to Cabinet after this meeting.
- 6.3 Following this, a meeting of the local authority leads on the Economic Delivery Group will be convened to review the sectoral analysis carried out by the Intelligence Hub, consider the feedback from the inception meeting, the approach to private sector engagement and possible locations for consideration.
- 6.4 A detailed update will be provided to the next meeting of the Cabinet in November.

7 Recommendation

7.1 The GCR Cabinet is asked to note the report.

Appendix 1: Summary of Investment Zones (England)

| Region | Geography (Outer Boundary) | Objectives (Decarbonisation/ Net Zero/ Jobs) | Outputs | Outcomes | Local Economic Strength | Private Investment |
|------------------------------|--|--|--|--|--|---|
| Greater Manchester | No information available in public GMCA documents for investment zones. | | | | Cluster focus for their innovation plan to be frontier sectors: advanced manufacturing, net zero, digital & creative, and health innovation & life sciences. Likely that Investment Zone may focus on one to two of these key clusters. | |
| Liverpool City Region | ‘Proposals regarding the agreed sector and geographic focus were approved by Government on 24 May 2023.’ Paper does not specify said geography. | ‘Encouraging innovation in the NHS and unlocking opportunities for commercialisation from both the NHS and LCR’s Higher Education Institutions’, | | Total investment across the Investment Zone expected to reach £500m once private and public finance accounted for. | Primary area of focus is Health & Life Sciences, but with significant links to Advanced Manufacturing and Data & Tech (Glass, pharmaceutical, biomanufacturing, computing & data analytics). | |
| South Yorkshire | Will expand region’s Advanced Manufacturing Innovation District to include Rotherham town centre and | Build on region’s existing strengths and create world’s best Advanced Manufacturing District. Drive long-term sustainable growth. Build capability and competitiveness | Compass (Composites at Speed and Scale) research project to be built as extension of | 8,000 new jobs and bring in £1.2bn private investment to match and build on UKG funding by 2030. | Cluster focus is Advanced Manufacturing and Digital & Tech. Industry trends toward aviation, rail, | ‘First investment’ has private funding of more than £80m from |

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|--------------------------|---|--|---|--|--|---|
| | Sheffield city centre. 3x 200 ha Opportunity Sites across Barnsley and Doncaster (J36, J37 and in Goldthorpe). | of suppliers to access regional, national, international growth markets. | University of Sheffield Advanced Manufacturing Research Centre's Factory 2050. | | future mobility, advanced materials. | Boeing for Compass research project on sustainable aviation. |
| Tees Valley | 'Combined Authority is in discussions with Government to co- develop proposals', but business case currently has Zone covering the Hartlepool Development Corporation area, Middlesbrough Development Corporation area and Teesside international airport. Tax sites within that TBC but likely to be 1x 200Ha site for each of those named areas. | £28m earmarked for redevelopment of town centres via Middlesbrough and Hartlepool Development Corporations, 'introduction of an Investment Zone on top of this would accelerate our plans [to redevelop and enhance growth]' | | | 'Digital sector has been identified as the priority sector for this cluster (subject to development and approval of a business case)'. Business Case will be based on digital and creative sectors | |
| West Midlands | They would prefer the Zone's Tax Sites cover greater numbers of smaller sites but have been working to identify packages of very small sites that, when combined, qualify for 'the "large | Combine large-scale commercial opportunity of the Zones with West Midlands Innovation Accelerator translational and applied research. Focus on removing barriers to growth in key sector. Maximise inclusive growth and | UKG has 'welcomed the sector focus agreed by CA Board And the rationale and outline proposal set out.' | | Regions primary sector focus is Advanced Manufacturing, and its associated intersections with green industries, health-tech and digital-tech | |

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| | <p>sites” criteria’. Their business case requests 1x 600Ha tax site for the Investment Zone, to be complemented by 5x sites for their Levelling up Zone.</p> <p>Investment Zone proposal focusses on three area hubs.</p> | levelling up opportunities relevant to the region’s economy and communities. | | | | |
| West Yorkshire | While the chosen ‘sector and geography has ... been signed off, papers available do not specify said geography. | Focus is on driving innovation, levelling up and business investment via start-ups, spinouts, scale-ups and inward investment. Any interventions must support and enhance the region’s net zero ambitions | | | Proposal will focus on strengths in life sciences and digital & tech, allowing for overlapping specialism of digital health. | |
| East Midlands (Proposed MCA; provisional timeline has MCA coming into force Spring 2024 and first mayoral election May 2024) | No information available thus far on the East Midlands MCA provisional website, or the component local authority websites. | | | | | |
| Northeast (Proposed MCA) | No information available thus far on the NECA provisional website, or the component local authority websites. | | | | | |

