
Report to: Leeds City Region Enterprise Partnership Board (LEP Board)

Date: 13 June 2023

Subject: Investment Zones

Led By: Mark Roberts, Interim Chair

Lead Officer: Liz Hunter, Director of Policing, Place and Environment

1. Purpose of this Report

- 1.1. To update the Board on proposals relating to Investment Zones and seek feedback on interventions that can drive forward business growth and innovation.

2. Information

Overview of Investment Zones

- 2.1. In the Spring Budget the Chancellor of the Exchequer announced that the Government would introduce Investment Zones – a new policy instrument that is designed to help areas level-up, increase the rates of innovation and secure additional private sector investment.
- 2.2. Government have aligned Investment Zone's with the objectives set out in the Levelling Up White Paper. Therefore, Investment Zones have been established in places with significant unmet productivity potential, and where existing strengths and assets aligned to priority sectors can be leveraged to increase opportunities for local communities¹.
- 2.3. West Yorkshire was selected as one of the Mayoral Combined Authorities to progress proposals for hosting an Investment Zone and is now progressing the development of a proposal in collaboration with Local Authorities, universities and the Department for Levelling Up, Housing & Communities (DLUHC). Investment Zones are not a competitive funding process, and the Combined Authority will not be bidding against other areas for funding.

¹ [Investment Zone Policy Prospectus.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

- 2.4. The Investment Zones Policy Prospectus identified five sectors which selected areas must align their proposals to. These are: health and life sciences; digital and tech; advanced manufacturing; creative industries; and green industries.
- 2.5. The policy programmes are designed to be delivered over five years (2024-2029) and each place will receive £80 million which can be spent on a combination of:
- **Tax Sites:** the creation of new tax-zones that will provide businesses with exemptions from the likes of employer National Insurance Contributions and Stamp Duty (to name a few). Each region can create up to three tax sites (altogether totalling no more than 600 hectares).
 - **Business Rates Retention:** 100% relief from business rates on newly occupied business premises, and certain existing businesses where they expand in Investment Zone tax sites. This can be agreed over a baseline of 25 years.
 - **Flexible Spend:** an opportunity to introduce new revenue or capital programmes which can operate on a regional geography. This can include developing business support, innovation, skills and inward investment programmes to the targeted sectors. In addition, any capital infrastructure projects aligned to the objectives in the Investment Zone Policy Prospectus.

Current Progress

- 2.6. Since the Chancellor's announcement, the Combined Authority, with local authorities and Yorkshire Universities, has held inception meetings with DLUHC to discuss next steps and the process for developing the region's proposals. This includes agreeing:
- A chosen geography and sector.
 - Appropriate governance mechanisms to oversee the Investment Zone proposal.
 - Any tax-incentive sites, spatial planning or business rate interventions.
 - Flexible spend interventions (revenue and capital projects such as business support programmes).
- 2.7. The Combined Authority submitted a sector and geography proposal in late May. This proposal focuses on our strengths in health innovation (life-sciences), digital/tech – and critically the overlapping specialism of digital health. Our focus will be to drive innovation (including levelling up and business investment) via a focus on startups/spin outs, scale-ups and inward investment.
- 2.8. Our diverse economic structure means we are poised to be a test bed of innovation and new ways of working. An Investment Zone opportunity provides West Yorkshire with the chance to be bolder and ambitious in developing the relationship between our universities and business.
- 2.9. Our vision for a West Yorkshire Investment Zone reflects the diversity of our local economy and our nationally significant strengths in the accordant sectors of

Digital and Health/life sciences. It also provides an opportunity for the region to capitalise on the strong global connections that have been built over the last decade and address the varied levels of innovation maturity across the region.

Driving Business Growth & Innovation

- 2.10. Delivery of our Investment Zone proposition will support our regional West Yorkshire Innovation Framework that sets out our priorities to drive up business innovation – through a focus on both R&D intensive innovation through to innovation diffusion and the adoption of new technologies and business practices.
- 2.11. Despite successes, we know that many businesses in the region continue to underperform against their potential' but an Investment Zone can unlock this for businesses in our chosen sectors.
- 2.12. Businesses in West Yorkshire consistently report the following barriers to innovation, reflected in both the UK Innovation Strategy and local research: high innovation costs for SMEs; finance costs and availability; economic risks; lack of market and technology information and lack of qualified personnel. In addition to this, at a regional level, we know that:
 - Only 42.5% of businesses in West Yorkshire define themselves as innovation active (this is behind South Yorkshire, the West Midlands and Greater Manchester).
 - The region also has the lowest levels of investment in R&D per £1 million of GVA of any English region outside of London.
 - Only 23% of businesses participate in knowledge transfer and only 21% invest in R&D.
 - Businesses are most likely to collaborate with other businesses (42%) with only 18% engaging with a university.
- 2.13. Taking our regional performance on innovation into account, revenue interventions in an Investment Zone proposal could drive forward business growth and innovation and can support a mix of both start-up and scale-up businesses.
- 2.14. In particular, there is an opportunity to use revenue funding, in addition to capital and other potential measures) to deliver regional programmes that:
 - Provide equity finance support to innovative businesses to grow and scale (through methods such as angel investment, venture capital and crowdfunding).
 - Deliver bespoke accelerator programmes across the chosen sectors to build a pipeline of investable companies and support getting ideas off the ground.
 - Create additional business incubation space across the region to support start-ups during the earliest stages of their business journey, complementary to any existing offers.
 - Provide new grant-funding or voucher schemes to support business research and development activities.

- Support a series of skills-related interventions such as support relating to PhD commercialisation, leadership and management or mentoring.
- Support to help crowd in additional private sector investment into the region from businesses specifically operating in health and digital.

Next Steps

- 2.15. Over the spring and early summer, the Combined Authority, in collaboration with local authorities, universities and the business ecosystem will refine proposals.
- 2.16. In particular, work will begin on identifying the appropriate interventions that the Investment Zone will deliver across the region. This includes business engagement and university workshops which will be scheduled in June or July. Members of the LEP Board would be welcome to attend any engagement sessions that are being planned with businesses over the coming month and help shape the proposals.
- 2.17. Alongside this, the Combined Authority and local authorities will begin to explore any capital interventions that will comprise of the Investment Zone proposals and the scope for any particular tax or business rate retention sites.
- 2.17. The Combined Authority will submit a final proposal in Autumn 2023, with an anticipated commencement date for the Investment Zone to begin 'delivery' in Q1 2024.

3. Tackling the Climate Emergency Implications

- 3.1. Any interventions will be designed to ensure that there is no adverse impact on the region's ambitions to secure net-zero by 2038. Part of our proposal has the opportunity to support the green-tech / green-finance sector across the region which could support the transition to a low-carbon economy across West Yorkshire.

4. Inclusive Growth Implications

- 4.1. Inclusive growth is a cross cutting theme across the Combined Authority's portfolio of business support programmes and these principles will be applied to any interventions which make up the Investment Zone proposal.

5. Equality and Diversity Implications

- 5.1. Any interventions (in particular any revenue funding) under the Investment Zone proposal will take into consideration EDI implications. This will include the likes of programme targets to ensure geographical representation across the region and to reach and support underrepresented members of the business community of the chosen sectors.

6. Financial Implications

6.1. Funding will be drawn from the £80 million as part of the Investment Zone offer. There is also the opportunity to leverage additional funding through the private sector.

7. Legal Implications

7.1. There are no legal implications directly arising from this report.

8. Staffing Implications

8.1. There are no staffing implications directly arising from this report.

9. External Consultees

9.1. No external consultations have been undertaken.

10. Recommendations

10.1. That the LEP Board notes progress on Investment Zones.

10.2. That the LEP Board provides feedback on revenue-focused interventions which will support businesses in the chosen sectors to grow and scale.

11. Background Documents

Investment Zones [Policy Prospectus](#)