

Report to: Business, Economy and Innovation Committee

Date: 26 July 2023

Subject: **Investment Zones**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this Report

- 1.1. To provide the Committee with an update on proposals relating to Investment Zones and seek feedback on the proposed interventions.

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 Zones 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 communities.
- 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.

- 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 that 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.

Progress to Date

- 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:
 - A chosen geography and sector (which was approved in late June).
 - Appropriate governance mechanisms to oversee the Investment Zone proposals and delivery.
 - 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 sector and geography has now been signed off by. The proposal focuses on two particular sectors: health and life sciences (in particular a focus on health-tech and health innovation) and digital/tech. 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. Whilst we have not chosen creative industries or manufacturing as our sectors, these continue to be priorities for the region.

- 2.8 Outside the investment zone work, we are continuing work with government and at the local level to promote creative industries including through an emerging business and skills package, and we are progressing our work on manufacturing through the Manufacturing Advisory Board.
- 2.9. Our diverse economic structure means we are poised to be a testbed of innovation and new ways of working. An Investment Zone opportunity provides the region with the chance to be bolder and ambitious in developing the relationship between our universities and business.
- 2.10. Our vision for a West Yorkshire Investment Zone also reflects the diversity of our local economy and our nationally significant strengths in the accordant sectors of digital and health and life sciences. It also provides an opportunity for the region to capitalise on the strong global connections that have been build over the last decade and address the varied levels of innovation maturity across the region.

Driving Innovation & Next Steps

- 2.11. 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.
- 2.12. Despite successes, we know that many businesses in the region continue to underperform against their potential and an Investment Zone can unlock this for businesses in our chosen sectors.
- 2.13. 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.
- 2.14. 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.

2.15. 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.

2.16. The Investment Zone Team are currently refining both governance and intervention proposals and a verbal update of this will be provided at the meeting.

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 committee notes progress on Investment Zones and provides feedback on the programme proposals.

11. Background Documents

Investment Zones [Policy Prospectus](#)