

Greater Manchester Combined Authority

Date: 12 July 2024

Subject: Greater Manchester Investment Zone

Report of: Councillor Bev Craig, Portfolio Lead for Economy & Business

Purpose of Report

Greater Manchester was invited to submit a proposal for an Investment Zone in the March 2023 Budget, alongside the 10-year retention of growth in Business Rates growth and Growth Zones. The Investment Zone programme will provide the city region with an initial £80m over 5 years to invest in growing advanced materials and manufacturing; the government has since announced that this will be extended to £160m over 10 years.

Since then, GMCA has been working with government and partners across the city region to prepare proposals for the Investment Zone. This has aligned with the overall Greater Manchester Investment Plan, which will deploy the range of new tools in a strategic and integrated way to deliver agreed priorities in the Greater Manchester Strategy – such as the Growth Locations – and the Frontier Sectors in the Local Industrial Strategy.

GMCA has successfully progressed through five ‘gateways’ set by government to articulate and justify the proposals for the Investment Zone. At the GMCA meeting on 23rd February, authority was delegated to the GMCA Chief Executive Officer and Treasurer, in consultation with the Economy Portfolio Chief Executive and Leader, to negotiate project funding allocations in 2024-25. It was also agreed that a further update would then be provided to the GMCA, following Ministerial approval, confirming the project allocations in 2024-25, and overall indicative allocations across the programme as a whole.

In April, government signed a Memorandum of Understanding with GMCA to formally agree the funding proposals and transferred the funding allocation for 2024/25 to GMCA. This paper sets out the indicative project allocations for the overall Investment Zone programme alongside the allocations for 2024-25.

Recommendations:

The GMCA is requested to:

BOLTON
BURY

MANCHESTER
OLDHAM

ROCHDALE
SALFORD

STOCKPORT
TAMESIDE

TRAFFORD
WIGAN

1. Note the update, following Ministerial approval, confirming the project allocations in 2024-25, and overall indicative allocations across the programme as a whole.

Contact Officers

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Equalities Impact, Carbon and Sustainability Assessment:

Pending

Risk Management

Pending

Legal Considerations

Pending

Financial Consequences – Revenue

The proposed revenue investments in the Investment Zone programme will be funded by the Department for Levelling Up, Housing and Communities. This will be drawn down each year from the department subject to its agreement.

Financial Consequences – Capital

The proposed capital investments in the Investment Zone programme will be funded by the Department for Levelling Up, Housing and Communities. This will be drawn down each year from the department subject to its agreement.

Number of attachments to the report:

None

Comments/recommendations from Overview & Scrutiny Committee

None

Background Papers

None

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

Yes

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

Bee Network Committee

N/A

Overview and Scrutiny Committee

N/A

1. The Investment Zone process

- 1.1. The March 2023 budget announced the Trailblazer Devolution Deal and Investment Zones policy, giving Greater Manchester a range of new tools to support economic growth. These included Growth Zones, an Investment Zone, and the retention of 100 per cent of the growth in Business Rates for 10 years. Greater Manchester chose to use the Investment Zone to support growth and innovation in the Advanced Materials and Manufacturing sector.
- 1.2. Following the announcement it was agreed that an Investment Plan would be developed for Greater Manchester, so that those new resources could be deployed in a strategic and integrated way to deliver agreed priorities in the Greater Manchester Strategy – such as the Growth Locations – and the Frontier Sectors in the Local Industrial Strategy. The development of the Investment Zone proposal for the Government is part of the overall Investment Plan, focused on Greater Manchester's priorities.
- 1.3. The developing Investment Plan will set out investments in physical assets to meet Greater Manchester's economic priorities, identifying projects, and funding gaps that prevent these opportunities from advancing. The Investment Zone has accelerated this process for Advanced Materials and Manufacturing in Greater Manchester and will continue through the Investment Planning process.
- 1.4. Investment Zones are intended to catalyse a small number of high-potential clusters in areas in need of levelling up to boost productivity and growth. The government has been working with places via a structured conversation to co-develop and iterate proposals, with Mayoral Combined Authorities (MCAs) leading proposals. Proposals have been co-designed with local partners including universities, at least one of which must co-sign the final proposal.
- 1.5. GMCA is proposing to use, wherever possible, existing governance structures, so that the Investment Zone is bound into existing priorities and avoids duplication. The GMCA will be the accountable body and will take responsibility for receiving funding from government where relevant, and commissioning and procuring interventions.

Each Investment Zone is receiving a funding envelope of £80 million for the first five years, which Greater Manchester will distribute as flexible grant funding. Areas can also designate up to two Business Rates Retention sites, where they can retain growth of Business Rates with no reset for 25 years to reinvest into the programme.

- 1.6. The government set out a Gateway process through which areas' proposals would be co-developed and iterated. GMCA has successfully progressed through five 'gateways' set by DLUHC to articulate and justify the proposals. In March, after a final review of the plans, Government signed a Memorandum of Understanding with GMCA to formally agree the funding proposals. DLUHC transferred the funding allocation for 2024/25 to GMCA in early April.

- 1.7. It is important to note that it is not a requirement to deploy the Flexible Spend portion of the Investment Zone policy offer in any specific bordered geographical areas of the city-region: as long as interventions can be proven to drive growth in the Priority Sector and support the cluster, interventions can be deployed anywhere in the conurbation.

Development of the package:

- 1.8. Working with universities and private sector partners, interventions have been developed to increase the scale and competitiveness of the city region's materials and manufacturing sector. The Investment Zone package is based on an evidence base that GM has developed over several years: the Local Industrial Strategy identified advanced materials and manufacturing as a local strength, and further analysis in the Greater Manchester Independent Prosperity Review set out the areas of specialism and economic complexity in different parts of the city region. In 2021, the city region's Graphene and Advanced Materials & Manufacturing Alliance (GAMMA) commissioned a review of specialist clusters in GM, their interactions with the wider economy, and their specific obstacles to growth and innovation. In November 2022, Innovation GM published its Innovation Plan, identifying sustainable advanced materials as a priority for investment, and setting out measures to strengthen connections between the R&D base and industry.

- 1.9. Analysis of the sector shows longstanding constraints to growth, from a shortage of specialist premises for advanced manufacturing and room for scaling businesses to grow, to a lack of seed finance, to limited management capabilities in small

businesses. Greater Manchester will invest in a range of interventions to lessen each of these sector-specific constraints.

1.10. The projects within the Greater Manchester package, though run by individual organisations, are complementary and interact to support different parts of the sector. The projects will:

- Address the need for existing businesses to adopt new technology with translational research programmes, skills programmes to build a pipeline of talent, and the preparation of large sites to support growing firms to scale-up.
- Support academics, spinouts, and entrepreneurs to commercialise Intellectual Property with targeted support and specialist Research & Development (R&D)-focused developments. Subsidised finance from GMCA and in-kind support from universities and business experts will help incubate innovative firms to grow within GM, addressing the low R&D intensity of business.

1.2. To develop a package of measures that aligns with Government's criteria and GM strategic priorities, GMCA officers worked with Districts, Universities and other partners to prepare proposals. The projects were assessed to make sure that they met the Minimum Requirements set out in the Government's guidance. Officers also worked with the Districts, Universities, Innovation Greater Manchester, GAMMA, and other partners to identify opportunities to join up proposals, where there are potential links, overlaps or duplication over the subsequent months. These plans were then finalised and agreed with government in Spring 2024. A full description of the Investment Zone process was set out in the paper brought to the GMCA meeting on 23rd February 2024.

2. The GM Investment Zone package

2.1. The set of projects in the package covers each category of interventions from the Investment Zone 'menu' set out in the Government's policy prospectus. However, it should be noted that the Advanced Materials and Manufacturing sector in GM is complex, and the range of interventions being put forward will target different areas of need across the city region. Subject to final agreement from the Government, the programme will invest in:

- £4.8 million for Atom Valley research and innovation programmes to be delivered through Sustainable Manufacturing & Materials Centre (SMMC), and the infrastructure needed to make Atom Valley work: £10 million for enabling infrastructure for key employment sites, and £5.2 million to complete the Atom Valley Innovation Centre.
- ID Manchester as the largest private sector investment in this sector in Greater Manchester, £15 million to accelerate the redevelopment of the site and £5 million to drive research and innovation through the ID Manchester Advanced Manufacturing & Materials Cluster programme.
- £15 million towards investments in the wider supporting innovation ecosystem. Other significant assets in the city region which are not in the geographical areas above that have the potential to make a significant contribution to developing Greater Manchester's Advanced Manufacturing & Materials cluster. This includes:
 - The Acoustics Innovation Institute (University of Salford).
 - AMMIC – the Centre for Advanced Manufacturing and Sustainable Materials Innovation (Manchester Metropolitan University).
 - NERIC – the North of England Robotics Innovation Centre (University of Salford).
 - Further development of employment sites in Ashton Moss / Future St Petersfield (Tameside) for Advanced Materials and Manufacturing.
- Four projects to provide the pipeline of skills and project development, and direct support for businesses, developing an ecosystem at a scale which can have a national impact:
 - £10 million for a Revolving Investment Fund to directly invest in businesses in the Advanced Manufacturing & Materials sector.

- £5 million for programmes to support businesses, building on the success of Made Smarter, developing supply chains, and to support international investment into the sector.
- £5 million for skills development, including with the University of Bolton.
- £2 million for a Planning & Development fund, which Districts can draw from to develop Advanced Manufacturing & Materials projects.
- The remaining £3 million of funding, will be used for the administration and delivery of the programme, in line with Government requirements.

2.2. Alongside the flexible funding, GMCA can nominate two sites of up to 600 hectares in total where Greater Manchester can retain the growth of business rates for 25 years. Under DLUHC guidance, any retained business rates must be spent on measures that provide for local economic growth within the region, support the priority sector within the Investment Zone, and represent value for money for the government. In the GM proposal, these are:

- The Manchester-Salford 'Smile': a site connecting the ID-Manchester development to the Salford Crescent regeneration area.
- The Northern Gateway: a portion of the Atom Valley site.

The boundaries for these Investment Zones were agreed at the GMCA meeting on 26th January 2024.

2024/25 allocations:

2.3. The Flexible Funding for the Investment Zone is released in annual tranches over the first 5-year period. In year 1 (2024-25) there is £4.8 million capital funding and £4.1 million revenue funding available for allocation.

2.4. The total fund, as well as each year's allocation, is split between a 60% capital allocation and a 40% revenue. Revenue allocations can be converted to capital, but not vice versa.

2.5. In February, GMCA delegated authority to the GMCA Chief Executive Officer and Treasurer, in consultation with the Economy Portfolio Chief Executive and Leader, to negotiate project funding allocations in 2024-25 with government.

2.6. Projects have been prioritised according to preparedness, need, and their implications for generating future Business Rates revenues. Delivering the full potential of the Investment Zone interventions to grow Advanced Manufacturing & Materials will require some projects to be accelerated, investment to take place in way which maximises the leverage of matched funding by partners, and for early development funding to be provided where investments will be realised over a longer timescale.

2.7. For example, acceleration of the ID Manchester re-development can increase the benefits for the sector and increase Business Rates revenues which can then be re-invested in projects. Other projects, such as the investments in the Acoustics Centre at the University of Salford and the Atom Valley Innovation Centre need to be at fixed times to leverage other sources of investment.

2.8. However, there is very limited flexibility in the grant allocations from the Department for Levelling Up.

2.9. GMCA officers are therefore working with project leads to ensure that capital projects receive funding when it can have most impact, rather than when it is made available from the Department for Levelling Up. Work is underway to agree options for cash-flowing the £15m of investment into ID Manchester for re-development so that it takes place in the first two years of the programme to accelerate the growth of Business Rates revenues – releasing further resources for the Investment Zone programme in later years – and mean that other time-specific capital allocations can be made.

Addressing Funding Gaps

2.10. While the £80m of initial funding for Investment Zone projects is welcome, it is not sufficient to deliver the full opportunities of all the projects. For example, funding gaps remain on both the acceleration of ID Manchester and the infrastructure for the development of Atom Valley. Other programmes could also be scaled up if the resource was available.

2.11. The Government announced in the Autumn Statement that the Investment Zone programme would be extended from 5 to 10 years, along with an additional £80m of

funding. However, the guidance for this funding has not yet been published. The growth in revenues in the Investment Zone Business Rates retention areas agreed with the Department for Levelling Up, will also have to be reinvested into Advanced Manufacturing & Materials through the Investment Zone programme.

2.12. Officers are working with project leads to address funding gaps as part of the overall Investment Plan process, considering all the available funding sources and bringing together priorities for developing the Growth Locations and Frontier Sectors.

Capital – Year 1 Allocations (2024-25)

2.13. The initial allocations will accelerate early development and support project leads to plan and prepare programmes for the remaining years of the programme:

- **Around £2.0m capital will be drawn down from Government as the initial payment for ID Manchester infrastructure** which will fund early development of the site and bring forward completion dates.
- **Around £0.02m capital will be allocated to the ID-Manchester cluster programme.** An incubation programme for small businesses, this small amount of funding will be used for materials and equipment for the collaborative R&D projects.
- **Around £2.0m capital will be allocated for the supporting ecosystem, funding the development of the Acoustics Innovation Institute at the University of Salford.** IZ funding fills a viability gap for the University of Salford, which is contributing substantial match funding to the development. An outline planning application for the site is under review by Salford City Council, who are expected to reach a decision in March. Reserve matters for the Acoustics Institute would follow, and would be ready to begin development in late 2024. **Subject the University confirming the rest of the funding, this would be the first allocation with further funding to follow in future years up to a total value of £6m.**
- **£0.3m capital funding will be allocated to the revolving Advanced Materials & Manufacturing Investment Fund.** The revolving investment fund will provide debt and equity finance to advanced materials and manufacturing businesses throughout the city region. Capital investment to finance development and equipment costs, and revenue for staffing and other personnel costs (see revenue allocations below).

- From the Skills allocation **around £0.5m capital will be allocated to the University of Bolton to fit out the Centre for Advanced Manufacturing** with new equipment, advanced manufacturing training machines, and robotics for demonstration and skills courses. This will support the provision of T-Levels and other qualifications, while enabling the University to invite school groups to use the equipment and receive introductions to advanced manufacturing.

Revenue – Year 1 Allocations

- **Up to £0.8m revenue funding will be allocated to complete stage 1 of preliminary design work for the Western Access (Local Highways Infrastructure) project for Northern Gateway, alongside the development of the full funding package.**
- **Up to £0.75m revenue funding will be allocated to build capacity at the Sustainable Materials and Manufacturing Centre at Atom Valley, subject to a business case being approved.** This will include providing support to the GAMMA network and the development of the Advanced Machinery & Productivity Institute (AMPI).
- **Around £0.2m revenue funding will be allocated to the ID-Manchester Cluster programme,** subject to a business case being approved, supporting the onboarding of staff and the preparation of the R&D and business support services for years 2-5. This will build on existing programmes run through the University of Manchester's Bridging the Gap.
- **Up to £0.2m revenue funding will be allocated to the initial stand up costs for the Advanced Materials and Manufacturing Innovation Centre at Manchester Metropolitan University.** Funding will apply academic technological expertise combined with business capacity building to GM businesses, utilising PrintCity Network; Manchester Fuel Cell Innovation Centre, and GM Innovation Accelerator projects - the Centre for Digital Innovation and the Greater Manchester Electrochemical Hydrogen Cluster.
- **£0.8m revenue funding will be allocated to the revolving Advanced Materials & Manufacturing Investment Fund** (alongside the capital allocation above). This portion will finance staffing and other revenue costs.
- **£0.1m revenue will be allocated to support the University of Bolton to hire and onboard staff for the CfAM** (alongside the capital allocation above). A

limited amount of funding in 2024/25 will allow the University to hire an academy head and operational staff to mobilise the CfAM while the fit out is ongoing.

- **£1.0m revenue funding will be allocated for planning and development, to allow district planning to hire new staff to increase capacity for authorities working in locations where large-scale development is likely.** The capacity funding will be used to ensure that districts needing to process Investment Zone related planning applications will be able to draw on the support to ensure the necessary planning capacity during both pre-application and application stage of the process to ensure timely approvals.
- **£0.3m revenue funding will be allocated to support the administration of the funding.** This will be used to support administrative costs at GMCA and at the districts, allowing the hiring of additional staff to manage the programme and fulfil government reporting requirements.

3. Recommendations

3.1. The GMCA is requested to:

- Note the update, following Ministerial approval, confirming the project allocations in 2024-25, and overall indicative allocations across the programme as a whole.