

Greater Manchester Combined Authority

Date: 29 November 2024

Subject: Greater Manchester Investment Zone

Report of: Councillor Bev Craig, Leader of Manchester City Council & Portfolio Lead for Economy, Business & Inclusive Growth

Purpose of Report

The Investment Zones programme provides Greater Manchester with £80 million in grant funding for Advanced Manufacturing & Materials over the five years between 2024/25 and 2028/29. The programme also permits Greater Manchester to retain the growth in Business Rates with no reset over 25 years on two sites totalling 600 ha.

In April 2024, MHCLG transferred £8.96 million to the Greater Manchester Combined Authority (GMCA) to invest in projects in 2024/25: the GMCA has since been working to distribute this funding to partners in Greater Manchester. The GMCA is now preparing a profile for the £17.76 million of grant funding available for the second year of the programme, in anticipation of this being signed off by government between January and April 2025. This paper sets out these project allocations for 2025/26 in detail.

Recommendations:

The GMCA is requested to:

1. Note the proposed approach
2. Delegate authority to the GMCA Chief Executive Officer in consultation with the Treasurer and the Economy Portfolio Chief Executive and Leader, to negotiate with Government and agree project allocations in each financial year to 2028/29. An annual programme update will then be provided to the GMCA setting out project progress, risks, and the impact of the funded interventions.

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Equalities Impact, Carbon and Sustainability Assessment:




Recommendation - Key points for decision-makers			
Insert text			
Impacts Questionnaire			
Impact Indicator	Result	Justification/Mitigation	
Equality and Inclusion	G	<p>The IZ projects will be open to all participants regardless of their characteristics. There are no specific provisions to target disadvantaged people or groups, though this may happen through the course of the programme.</p> <p>A highways improvement project in the outline package would improve access to transport in northern areas of the city region.</p> <p>Large infrastructure projects within the IZ will interact with and consult local communities, providing an opportunity to influence the approach to redevelopment. EIAs and other consultations will be carried out at the local level by local authorities. None of the projects in the programme is likely to have an effect on community cohesion.</p>	
Health			
Resilience and Adaptation	A	<p>Major development projects in the IZ package will cause a short term increase in emissions and a public safety risk to be managed. The developments will follow best-practice in sustainability and health and safety to mitigate these risks.</p> <p>IZ programmes support firms to innovate, develop new technologies and use these for their commercialise commercial benefit.</p> <p>Several programmes focus on the development of advanced materials and machines for climate adaptation / carbon abatement.</p> <p>There is no specific focus on tackling crime or ASB within the IZ programme.</p> <p>Several of the large development projects in the package will involve an increase in the quality of green and blue infrastructure and investment in green spaces.</p>	
Housing			
Economy	G	<p>The Investment Zone programme will invest £80 million in projects to generate growth and innovation in advanced materials and manufacturing. They have been selected for the likelihood of achieving economic benefits, based on a detailed evidence base for the sector in Greater Manchester.</p> <p>Investment Zone projects focus on private sector growth, supporting businesses to start and scale up, and through this creating new employment opportunities. Skills programmes within the package will support local people to access employment in the advanced materials and manufacturing sector.</p> <p>The Investment Zone focuses on business innovation, aiming to make Greater Manchester a more competitive economy. This specialised and technical activity requires skilled workers, and will create demand for good jobs across the city region.</p> <p>Investment Zone projects focus on Greater Manchester economic specialisms.</p> <p>The Investment Zone programme focuses on innovation in advanced materials and manufacturing, an area of existing strength in Greater Manchester. Working closely with Greater Manchester's universities, the programme will invest in deepening existing areas of expertise and translating findings into commercial improvements for businesses.</p> <p>A combination of interventions through the investment zone supports firms to develop complex and valuable products and services, making viable businesses from useful ideas, and helping businesses to turn already new ideas into viable commercial products. This will attract FDI interest.</p> <p>There is a skills scheme set out in the outline package that will invest in targeted skills programmes for groups of all ages, helping them to access positions in the advanced materials and manufacturing sector.</p> <p>Two investment zone projects focus on redevelopment / development of large scale employment sites.</p>	
Mobility and Connectivity	G	<p>No projects in the programme directly address digital connectivity. It is unclear at this stage of the programme whether existing infrastructure will be digitally-enabled through IZ investments.</p> <p>The IZ will invest in new transport infrastructure to major employment sites.</p> <p>IZ projects will help to reduce congestion around high-traffic motorway junctions.</p> <p>IZ investment connects future employment sites to public transport routes, increasing access for affordable transport methods.</p> <p>It is unclear at this stage of the programme whether the IZ programme will affect local availability of shared transport.</p> <p>IZ investment connects future employment sites to public transport routes, increasing access for multiple transport modes from major population centres.</p> <p>The IZ will target investment at highways infrastructure for multi-modal use. Bus availability / access will increase.</p> <p>The IZ will invest in new road infrastructure where none currently exists.</p> <p>No projects in the programme specifically address digital connectivity. Investment in road infrastructure could increase traffic.</p>	
Carbon, Nature and Environment	A	<p>During building of key infrastructure projects phase local air quality could worsen. Developments will follow best practice and look to mitigate air quality effects where possible.</p> <p>No water quality issues are apparent at this stage.</p> <p>New developments in the IZ package could have some impact on light pollution.</p> <p>Development activity will increase levels of noise pollution, as would an increase in manufacturing activity in Greater Manchester. Manufacturing innovation funded via the IZ may contribute to noise management improvements.</p> <p>No woodland / peatland impact is apparent at this stage.</p> <p>IZ invests in improvement in currently underused or derelict sites.</p> <p>Plans for development aim for biodiversity net gain.</p> <p>Developments in the IZ package should enhance community access to greenspace.</p> <p>The IZ invests in research and innovation programmes in decarbonisation and sustainable materials. Advanced materials and manufacturing is an integral part of energy transition and decarbonisation throughout multiple value chains.</p>	
Consumption and Production	A	<p>Developments and innovation programmes will produce waste, though project leads will look to mitigate this where possible.</p> <p>Battery recycling and circular economy activity anticipated in several projects.</p> <p>Multiple projects and programmes focus on the circular economy.</p> <p>Advanced materials projects innovation is likely to have a knock-on impact on single-use plastic and packaging use.</p> <p>Innovation in advanced materials is likely to have a knock-on impact on construction waste.</p>	
Contribution to achieving the GM Carbon Neutral 2038 target		<p>Manufacturing and materials innovation is a central element of Greater Manchester meeting its climate ambitions. The R&D activity and local innovation capacity that the IZ will support will likely have many local applications that can be trialled and scaled up here.</p>	
Further Assessment(s):	Carbon Assessment		
G	Positive impacts overall, whether long or short term.	A	Mix of positive and negative impacts. Trade-offs to consider.
R	Mostly negative, with at least one positive aspect. Trade-offs to consider.	RR	Negative impacts overall.

Carbon Assessment


Overall Score 

Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenance	N/A	
New build non-residential (including public) buildings		<p>Detailed plans on the energy performance of IZ projects are pending. Detailed plans on the energy efficiency of IZ projects are pending. Detailed plans on energy usage of IZ projects are pending. Detailed plans on the building management of IZ projects are pending. Detail on cost of fabric efficiency does not exist at this stage of the programme. IZ developments respond to GM councils' aims of achieving net zero-carbon, and includes a commitment to being a world leader in tackling climate and ecological emergencies. They plan for net zero carbon and reductions in resource use and waste. An increase of at least 10% in Biodiversity net gain is anticipated following delivery of the schemes.</p> <p>Manchester developments support the City Council's Climate Change Framework and City Centre Transport Strategy. E.g., ID-Manchester's team does not envisage there being many car parking spaces within ID Manchester. They expect this will be largely limited to providing accessible parking only. All buildings and public spaces will be fully accessible, whether travelling by foot or wheel, and comply with required accessibility regulations.</p> <p>ID Manchester is close to Piccadilly and Oxford Road railway stations, the Metrolink and bus networks, and the Beeline cycle network. The area is well connected to all forms of public transport, minimising the need for car journeys to and from the area, and pedestrian and cycle routes will be prioritised.</p> <p>There will be a number of electric vehicle charging points at development site, notably at the SMMC building in Rochdale.</p> <p>Provision of cycling facilities is unclear at this stage of the programme.</p> <p>The energy strategy for IZ developments should seek to supply energy so far as possible by on-site renewables.</p>


Transport


Active travel and public transport		<p>IZ development projects will include active travel improvements. No existing active travel routes will be removed or reduced as part of the programme. The IZ investment will create new active travel infrastructure. New amenities are part of IZ developments and will be open to the public. The IZ will invest in multi-modal transport infrastructure. It is unclear at this stage of the programme whether new public transport facilities will be constructed. No disruption envisaged.</p>
Roads, Parking and Vehicle Access		<p>The IZ will invest in multi-modal transport infrastructure. No reduction in access for cyclists or pedestrians envisaged. Access to major employment sites will be improved through transport improvements. Road improvements funded through the IZ will increase personal vehicle travel in targeted areas. No increase in parking spaces envisaged in city centre developments. No increase in parking spaces envisaged in city centre developments.</p>
Access to amenities		<p>The IZ will invest in new public amenities and will improve access via walking cycling. City centre investments fund new public amenities and is in close proximity to bus, tram and train stops. Developments in the IZ will not require car access to reach.</p>
Vehicle procurement	N/A	


Land Use


Land use		<p>Green space within IZ development projects will be improved. Minimum 10% biodiversity improvement envisaged on IZ developments. It is unclear whether new natural habitat above net gain criteria will be created through the IZ projects at this stage of the programme. It is unclear whether there will be an impact on a protected species through the IZ projects at this stage of the programme.</p>
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No associated carbon impacts expected.

 High standard in terms of practice and awareness on carbon.

 Mostly best practice with a good level of awareness on carbon.

 Partially meets best practice/ awareness, significant room to improve.

 Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management

The Investment Zone and any associated risks will be overseen and managed through the Investment Zone governance structure. A risk register has been compiled with the GMCA corporate risk manager and the Head of Internal Audit.

Legal Considerations

The work programme is supported by with dedicated resource from the Combined Authority's legal advisors. There are no legal implications arising directly from this Report, which updates on progress with the Investment Zone Process. The arrangements for the Investment Zone funding are contained in the Memorandum of Understanding signed with the Government.

Financial Consequences – Revenue

The proposed revenue investments in the Investment Zone programme will be funded by the Ministry of Housing, Communities and Local Government. This will be drawn down each year from the ministry subject to its agreement.

Financial Consequences – Capital

The proposed capital investments in the Investment Zone programme will be funded by the Ministry of Housing, Communities and Local Government. This will be drawn down each year from the ministry 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. This will form a key element of the GM Growth & Prevention Plan which is being developed, to deliver on the re-written Greater Manchester Strategy, and the Local Growth Plan that government has asked GMCA to work up
- 1.3. 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. 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.
- 1.4. From March 2023 to April 2024, the government worked with places via a structured conversation to co-develop and iterate proposals with Mayoral Combined Authorities (MCAs). The government set out a Gateway process through which areas' proposals would be co-developed and iterated. GMCA successfully progressed through five 'gateways' set by MHCLG to articulate and justify the proposals. These were co-designed with local partners including universities, at least one of which needed to co-sign the final proposal. Greater Manchester's proposals were agreed and signed off by the University of Manchester, the University of Bolton, Manchester Metropolitan University, and the University of Salford.

Development of the package:

- 1.5. GMCA worked with universities and private sector partners to develop interventions to increase the scale and competitiveness of the city region's materials and

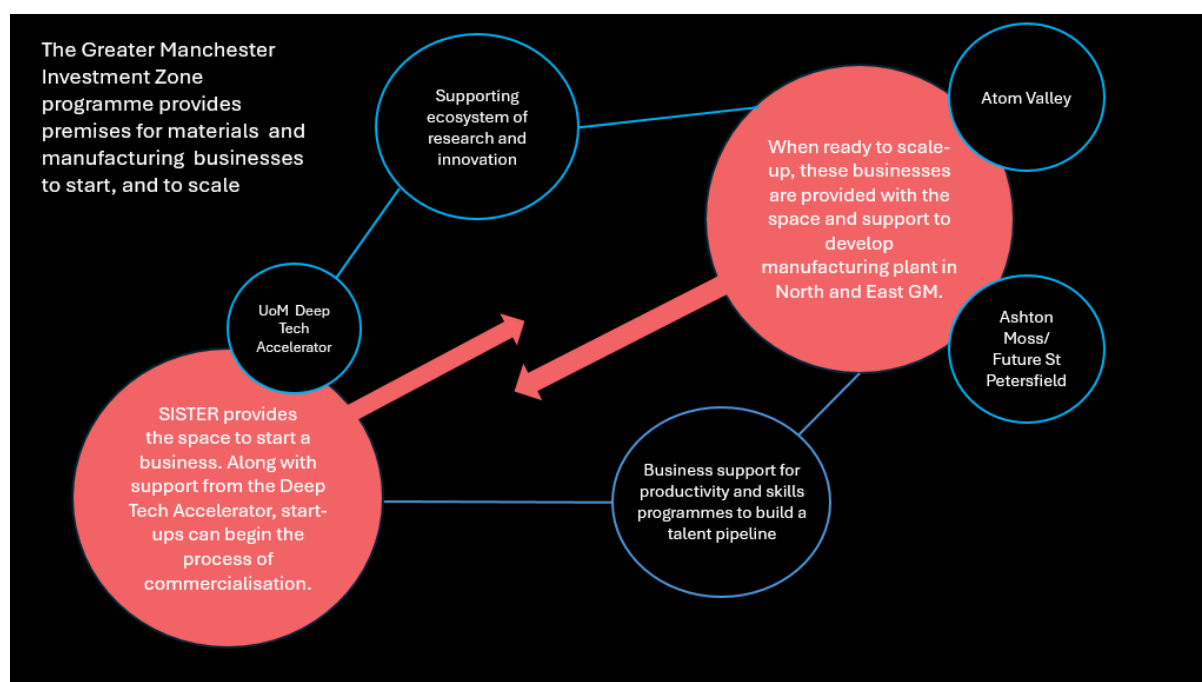
manufacturing sector. The Investment Zone package is based on an evidence base that GM has developed over several years: the Local Industrial Strategy identified advanced materials and manufacturing as a local strength, and further analysis in the Greater Manchester Independent Prosperity Review set out the areas of specialism and economic complexity in different parts of the city region. In 2021, 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.

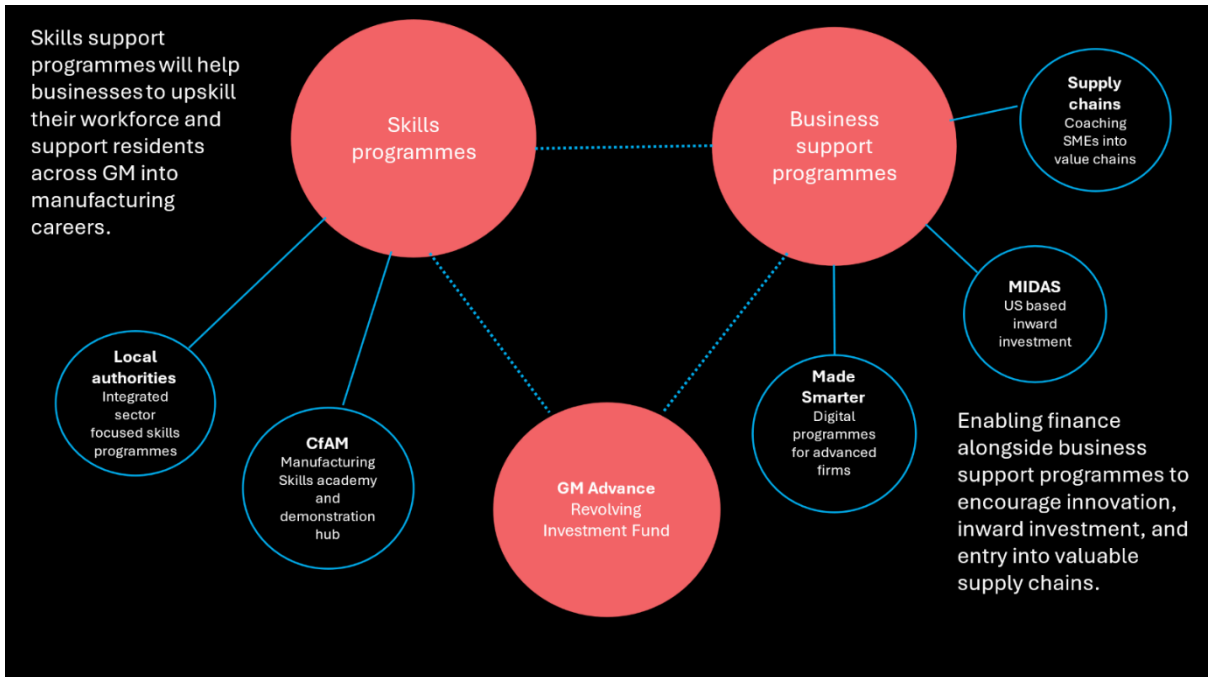
- 1.6. Analysis of the sector shows longstanding constraints to growth, from a shortage of specialist premises for advanced manufacturing and room for scaling businesses to grow, to a lack of seed finance, to limited management capabilities in small businesses. The Greater Manchester Investment Zone will invest in a range of interventions to lessen each of these sector-specific constraints.
- 1.7. To develop a package of measures that aligns with Government's criteria and GM strategic priorities, GMCA officers worked with Local Authorities, 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 Local Authorities, 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 formally 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.
- 1.8. The GM Investment Zone projects will support researchers and to commercialise new ideas and existing manufacturers to adopt productive technologies. The package of projects is varied and covers each intervention theme offered by government, but these combine to address the barriers to growth for the range of organisations that make up the sector:
 - Accelerating the development of start-up and scale-up employment sites, and setting up the support programmes that help firms to move between them

- Funding for new translational research facilities and university-led programmes to support businesses to adopt new technologies
- Subsidised seed finance for materials and manufacturing businesses
- Funding for business support and skills programmes, preparing firms for advanced activity and people for manufacturing careers
- Funding for planning capacity across the region, supporting local planning authorities to progress major manufacturing developments at speed

A full outline of the Investment Zone interventions was set out in the paper brought to the GMCA meeting on 16th July 2024 and are included in Annex A.

1.9. The diagrams below demonstrate how the different elements of the funding package work together to the benefit of the sector. 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: if interventions can be proven to drive growth in the Priority Sector and support the cluster, they can be deployed anywhere in the conurbation.





1.10. Areas can also designate up to two Business Rates Retention sites, where they can retain growth of Business Rates revenue with no reset for 25 years to reinvest into the programme. The boundaries for these Investment Zones Business Rate Retention sites were agreed at the GMCA meeting on 26th January 2024.

2. Scheduling annual allocations

- 2.1. The guidelines for the Investment Zone programme require allocations to be scheduled and managed over the financial years 2024/25 to 2028/29. Flexible Funding for the Investment Zone is released in fixed annual tranches over the first 5-year period. The total fund, as well as each year's allocation, is split between a 60% capital allocation and a 40% revenue allocation. Project allocations need to fit within the amount of capital and revenue available in each financial year, and while the revenue budget can be converted to capital, this does not apply vice versa.
- 2.2. On 23rd February 2024, 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. On agreement, MHCLG transferred the £8.96 million funding allocation for 2024/25 to GMCA in early April and that is now being allocated to projects. In the 2024 Autumn Budget the government confirmed funding for the Investment Zones programme.
- 2.3. Delivering the full potential of the Investment Zone interventions to grow Advanced Manufacturing & Materials has required projects to be accelerated and investment to take place in way which maximises the matched funding by partners, and for early development funding to be provided where investments will be realised over a longer timescale. GMCA is distributing allocations in 2024/25 according to preparedness, need, and their implications for generating future Business Rates revenues: mature capital developments and long-term programmes to maximise the benefits of the programme funding in this first year.
- 2.4. From (2025/26), the amount of funding available across the whole programme in each year doubles to £17.76 million. Given the lack of flexibility in the funding profile, GMCA officers have worked with project leads to ensure that capital projects receive funding when it can have most impact, rather than when MHCLG makes it available. Work is ongoing to agree options for cash-flowing the £15m of investment into Sister for re-development so that it takes place in the first two years of the programme. This will 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

- 2.5. 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 Sister and the infrastructure for the development of Atom Valley. Other programmes could also be scaled up if the resource was available.
- 2.6. The Government announced in the 2023 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.
- 2.7. 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.

Managing the programme

- 2.8. Officers are also working closely with partner organisations in Greater Manchester to understand project funding requirements and match these to the fixed profile of programme funding. This is an active process, working with each to understand any changes and managing this within each year's available budget.
- 2.9. While overall project allocations should remain the same throughout the programme, officers may need to reschedule the distribution of funding to fit within each year's fixed profile. The Treasurer and Chief Executive, supported by GMCA officers, are well-placed to assume responsibility for this over the programme's duration.
- 2.10. To ensure an appropriate level of oversight any proposal to change the overall funding allocations will be brought to the GMCA for decision.
- 2.11. A regular update on programme progress will be brought to the GMCA for review at the end of each financial year, covering project activity, risks and impact to date.

3. Recommendations

3.1. The GMCA is requested to:

- Note the proposed approach.
- Delegate authority to the GMCA Chief Executive Officer in consultation with the Treasurer, and the Economy Portfolio Chief Executive and Leader, to negotiate with Government and agree project allocations in each financial year to 2028/29. An annual programme update will then be provided to the GMCA setting out project progress, risks, and the impact of the funded interventions.

Annex A: The GM Investment Zone package

3.4. The set of projects in the package covers each theme of intervention 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. A full outline of the Investment Zone interventions was set out in the paper brought to the GMCA meeting on 16th July 2024. As agreed with 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 £5.2 million to complete the development of the SMMC building that this organisation will operate from. Added to this, £10 million will fund enabling infrastructure for key employment sites needed to make Atom Valley work.
- Sister (formerly known as ID Manchester) as the largest private sector investment in this sector in Greater Manchester, will receive £15 million to accelerate the redevelopment of the site and £5 million to drive research and innovation through the University of Manchester Deep Tech Innovation 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 (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 GM Advance, 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.