

Overview and Scrutiny Committee

Date: 22 November 2023

Subject: GM Investment Plan, Frontier Sector Development and Business Rates update

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

Purpose of Report

As agreed by Leaders in September 2023, work has begun to develop a GM Investment Plan relating to how the growth tools set out in the Devolution Deal would be utilised to support Growth across Greater Manchester, including the things we need to do to drive growth in our key sectors and Growth Locations over the next 10-15 years. The Investment Plan comprises three key components:

- I. A clear set of Investment Milestones where investment decisions will be expected to be made. This will include the actions and related milestones that are required in order to ensure the appropriate methodologies for making these decisions are in place.
- II. A framework of principles that can be applied to funding and investment decisions that are made at a GM level such that funding can be appropriately invested to drive these improved outcomes.
- III. The identification of the pipeline of activity to which those principles will be applied. The pipeline is being developed from the Spatial Framework (Places for Everyone plan and the emerging Stockport Local Plan) and the associated Growth Locations, and supporting transport infrastructure requirements, and a set of Frontier Sector Plans.

This report sets out the framework for the Frontier Sector Development Plans that will sit within the Investment Plan and identify the requirements of each sector for maximising the opportunities for innovation-led growth. In addition, this report outlines the future business rates landscape and the principles for new business rates arrangements across different geographical areas in GM.

Recommendations:

1. The committee is requested to review and comment on:
 - a. The overall approach to developing Frontier Sector Development Plans that will sit alongside the GM Investment Plan to direct investment in growth of our frontier sectors and growth locations.
 - b. How the Sector Development Plans should be most effectively brought into the Growth Locations.

Contact Officers

Andrew McIntosh: andrew.mcintosh@greatermanchester-ca.gov.uk

John Wrathmell: John.Wrathmell@greatermanchester-ca.gov.uk

Risk Management

The proposed Investment plan and frontier sector development work and any associated risks will be overseen and managed through the governance structure as set out within this report.

Legal Considerations

The work programme does not currently have requirements for legal input. Should future legal input be required it will be managed through the proposed governance structure.

Financial Consequences – Revenue

The proposed work plan is likely to result in further requests for revenue funding through the Evergreen Surplus Funding and Housing Surpluses.

Financial Consequences – Capital

Approval would be sought for any specific requests for investment from GMCA.

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.

GM Transport Committee

N/A

1. Introduction/Background

- 1.1. It was agreed with Leaders at their September 2023 meeting that work would commence to develop a GM Investment Plan relating to how GM will drive growth across the Growth Locations and key sectors over the next 10 to 15 years and how the growth tools set out in the Devolution Deal would be utilised to support this ambition across Greater Manchester.
- 1.2. The GMCA have previously agreed priorities set out in the Greater Manchester Strategy and the Local Industrial Strategy which set the headline economic strategy that GM is trying to deliver. This includes the required ambition to develop good job growth, including within the Frontier Sectors, and the commitment to develop the Growth Locations.
- 1.3. The six Growth Locations represent opportunities for the whole city-region, to bring forward development at a scale that can drive transformational growth across GM. The six Growth Locations are:
 - North East Growth Corridor
 - Eastern Growth Cluster
 - Airport & Southern Growth Corridor
 - Central Growth Cluster
 - Western Gateway
 - Wigan & Bolton Growth Corridor
- 1.4. As set out in the Greater Manchester Strategy (GMS), through Growth Locations, GM can use more effective prioritisation and targeting of resources to capitalise on the opportunity to reshape its future, levelling up with greater inclusivity and equity, for all communities, driving prosperity in neighbourhoods, towns and cities across the region. Each Growth Location possesses unique opportunities and assets to respond to the variety of needs and challenges present in different parts of the conurbation. The Growth Locations will provide the platform for a levelling up approach by creating value through new development and in turn ensuring that the resultant benefits and outcomes are experienced across wider GM communities.
- 1.5. The Devolution Deal, and announcements alongside, have subsequently given a new set of powers and resources to deliver those priorities and the Investment Plan is, in the first instance, seeking to set out how those resources relating to growth will be deployed to support the delivery of the priorities in the GMS and Local Industrial Strategy.

1.6. The purpose of the Investment Plan is to set out the principles for investing funding available at a GM level for driving growth, and the different priority activities that will support this across GM. It seeks to provide a cohesive joined up approach and thereby drive better outcomes than achievable through funding streams seeking to deliver single departmental programme outcomes. The Investment Plan comprises three components:

1. A clear set of investment Milestones where investment decisions will be expected to be made. This will include the actions and related milestones that are required in order to ensure the appropriate methodologies for making these decisions are in place.
2. A set of Investment Principles that will be incorporated into decision making methodologies and applied to funding and investment decisions that are made at a GM level such that funding can be appropriately invested to drive these improved outcomes.
3. The identification and development of the Investment Pipeline, being the projects and activity that will be seeking GM investment at the appropriate Investment Milestones. The pipeline is being developed building from the Spatial Framework (Places for Everyone plan and the emerging Stockport Local Plan), the associated Growth Locations plus supporting transport infrastructure requirements, and a set of Frontier Sector Development Plans that will identify the requirements of each sector for maximising the opportunities for innovation-led growth.

1.7. This report:

1. Summarises the approach to the GM Investment Plan being developed
2. Sets out the framework for the Frontier Sector Development Plans and the timetable for their development.

1.8. Due to the changing nature of the investment landscape and the approach to delivering GM ambitions, the Investment Plan will need to be revisited at appropriate intervals to ensure that it accurately reflects the current national and local position – including when the Single Settlement is agreed. There will also need

to be a process for reviewing the Frontier Sector Development Plans at periodic intervals, including as the impacts of the investments can be identified.

2. The Greater Manchester Investment Plan

- 2.1. The purpose of the Investment Plan is to provide a cohesive joined up approach to investing in activity that drives inclusive economic growth across Greater Manchester. This approach will drive better outcomes for all of Greater Manchester and greater efficiencies through delivery. The Investment Plan will be updated as the outcomes are agreed and defined within the Outcomes Framework which will need to be developed for the Single Settlement.
- 2.2. The focus will be on delivering projects supporting economic growth and good jobs, including within the frontier sectors. The Investment Plan will consider the activity undertaken in relation to Growth Locations, the 2040 Transport plan and subsequent Local Transport Plans, alongside sector growth through the Frontier Sector Development Plans – although the Investment Plan’s scope will exclude wider business and skills support. It will also consider any priorities identified in the Housing Delivery Plan once developed.
- 2.3. It will cover both capital and revenue investment and any activity that relates to the up-front development of enabling infrastructure or specific developments, as well as supporting development of assets that align with the GMS objectives such as net zero development, appropriate housing tenure mix and age-friendly accommodation.
- 2.4. The approach will be to enable projects to be supported through their development and delivery phases, by ensuring that revenue and capital is aligned to ensure delivery of outcomes. This approach should create a stable platform so that priority projects can proceed with greater certainty of alignment of funds, and that revenue can be deployed in the confidence that capital is likely to be available to build the assets once the development phase has been completed.
- 2.5. One of the key principles of the Investment Plan will be to identify and prioritise investment decisions at certain ‘milestones’ as and when access to funding is provided. It will therefore identify Investment Milestones where specific investment decisions will be taken. Priority projects should be worked up into investible propositions to be considered for investment at these Investment Milestones.

Appropriate appraisal methodologies will be developed and agreed in advance of the Investment Milestones, creating a framework for decision making. As the detail of the Devolution Deal is worked through, these Investment Milestones will need to be revisited. As identified earlier in the report, there is a need to develop the project pipeline and the investment principles that will be adopted. The approach to these elements will be agreed through the Investment Plan process but are not considered critical to the development of the Sector Plans. Some indicative milestones are as follows:

- **Brownfield Housing Funding:** Funding allocations for FY24/25 and FY25/26 are expected to be made in the January 2024 with funding allocation for FY26/27 onwards expected to be made post the agreement of the Single Settlement, with current expectation for Investment Milestone in December 2025.
- **CRSTS:** Indicative allocations have been announced for CRSTS 2 with an expectation that projects will be prioritised in FY 25/26 (indicatively September 2025).

2.6. As identified earlier in the report, there is a need to develop the project pipeline and the investment principles that will be adopted. The approach to these elements will be agreed through the Investment Plan process but are not considered critical to the development of the Sector Plans.

3. Sector Development Plans for GM's Frontier Sectors

3.1. The 'Independent Prosperity Review' and Greater Manchester and Cheshire East 'Science and Innovation Audit' identified key economic strengths and opportunities for Greater Manchester's economy in and around the four sectors of:

- Advanced Manufacturing & Advanced Materials
- Health Innovation & Life Sciences
- Digital, Creative & Media, and
- Clean Growth and low carbon goods and services.

3.2. The GM Local Industrial Strategy (2019) confirmed these as GM's 'frontier sectors' – meaning they are parts of our economy with concentrations of world or nationally-leading R&D assets, with complementary industrial capacity, and opportunities to drive

uplifts in productivity and growth via commercialising innovation and adopting key technologies.

3.3. Subsequently, the GM Innovation Plan (2022) set out three key technology families with potential to drive innovation-led growth across GM because they are linked to our 'frontiers' and can be used in multiple sectors, which creates the potential for new industries to emerge across different sectors (e.g. fintech) and a competitive advantage for GM. These technologies are:

- Sustainable Advanced Materials.
- Artificial Intelligence, Data and Advanced Computing.
- Diagnostics and genomics.

3.4. GM's economic sectors, supply chains and innovation activity take place in different sites and zones across the city-region's geography, and its current spread is the result of historical decisions taken over many decades about where to put development activity or where businesses have chosen to cluster together. This distribution affects the productivity of businesses and the ability of innovation to spread between different organisations and places. The future geography of economic activity in GM was addressed in the Greater Manchester Strategy, which identified a set of 6 Growth Locations which can drive transformational change for Greater Manchester, providing the platform for GM's levelling up approach, creating value through new development and in turn ensuring that the benefits and outcomes are experienced across wider communities. Growth Locations are underpinned by core themes which inform plans and investment frameworks: Employment & Supply Chain; Education & Skills; Innovation; Housing; Transport, and Low Carbon.

3.5. It is proposed that the approach to driving growth across GM should be focussed on both growing existing frontier sectors, and developing the technologies and innovations that lead to new industries and specialisations and embedding both in key opportunities in the Growth Locations.

- 3.6. Furthermore, the Sector Development Plans should work as a package so that:
- What is done to support one sector (e.g. life sciences) is linked to another (e.g. digital and cyber).
 - Interventions to drive our frontiers also supports the benefits of this growth to circulate to our foundational economy or increase the value of the business, financial and professional services industries in GM.
- 3.7. The work already underway around the GM Investment Zone package focused on Advanced Manufacturing & Materials needs to be considered in the development of the framework for the Frontier Sector Development Plans, to ensure a reasonable level of consistency in the approach to each sector. For example, the process has required us to:
- Review the relative size, specialisms and employment in the sector.
 - Identify the places in GM where there are existing strengths and longer-term opportunities.
 - Set out priorities for its growth and identify a series of actions – or ‘interventions’ - aimed at increasing innovation and entrepreneurship, effective infrastructure, a strong supply of skills, and a pipeline of developments that create high quality facilities and sufficient floor space.
- 3.8. Government has specified a logic model for the Investment Zone programme, which sets out how these interventions should hang together in a place as well as out a selection of outputs, outcomes and impacts from which GM will need to select. There should subsequently be some read across to these in the Frontier Sector Development Plans.
- 3.9. The work should also reflect best practice in sector development. Local Authorities in GM already have a range of Economic Plans in development or complete, which include elements of sector development. This work needs to draw on and complement those plans, providing additionality.
- 3.10. Also, as part of reviewing the implementation of the GM Local Industrial Strategy, an independent assessment of best practice in sector and cluster development has been carried out, including via interviews with experts and other regions, and reviewing the

status of existing sector and cluster development activity in GM against the frontier sectors in the GM Local Industrial Strategy.

3.11. The research identified some weaknesses in GM's current approach to sector development that the Frontier Sector Development Plans can help to address. This included:

- Greater Manchester's existing narratives and accounts of its frontier sectors are too high level and need more detail regarding: precise sector specialisms, the business landscape, and what the development of different sectors looks like. This would, in turn, enable us to be more precise about the opportunities for and constraints on growth.
- Some of Greater Manchester's frontier sectors have clear business leadership, champions and coordination, which helps bring businesses and innovators together around new ideas and investment opportunities. But others do not.
- Some of GM's frontier sectors lack the depth of partnerships and collaboration needed to develop without the public sector playing a coordinating role.

3.12. The framework for Frontier Sector Development Plans is an opportunity to merge the useful elements of the Investment Zone Logic Model and the best practice to create the best chance of successful outcomes.

3.13. The proposal for this framework is set out in full in Annex 1, and includes a fuller picture of the sector and its specialisms, opportunities and constraints; a clear set of development ambitions, a set of actions or interventions – similar to those being specified for the Advanced Materials and Manufacturing via the Investment Zone process; clarification of the different resources needed and inputs into developing the sector and how wider value is created, and finally the outputs, outcomes and impacts associated with developing the sector – although their final form will be determined by the investment that can be deployed against each sector plan.

4. Business Rates Update

4.1. Greater Manchester, in common with other Mayoral Combined Authorities in England, has benefited from a pilot scheme which allows GM to retain 100% (rather than the standard 50%) of the growth in business rates since 2017.

- 4.2. This pilot is due to come to an end at the end of the 2023/24 financial year, having been the subject of several one-year extensions of the past few years.
- 4.3. The Trailblazer Devolution Deal (TDD) confirmed that the current pilot scheme will be replaced by a new 10-year scheme commencing in 2024/25. In addition, the TDD MOU confirmed there would be 3 geographical areas within GM, totalling 600 hectares in total, which would benefit from an extended 25-year business rates retention scheme. These three areas are called “Growth Zones” and would be exempt from any reset of business rates growth, that would apply elsewhere.
- 4.4. As well as the changes to the business rates arrangements set out for GM and the West Midlands in the trailblazer devolution deal, the Investment Zone Policy also allows the creation of two geographical areas within GM, again totalling 600 hectares, which will also have a 25-year retention scheme without a reset.
- 4.5. **Business Rates Landscape from 2024/25**
- 4.5.1. The changes, whilst they represent a welcome opportunity for GM to keep more of the funding generated by business rates growth locally, create a complex overall landscape.
- 4.5.2. Four specific business rates initiatives will be in place from next year:
- 1) Devolution Trailblazer Deal – 10 Year Deal** (*Standard Business Rates Area*)
 - All of GM benefits from 10-year 100% growth retention deal
 - No reset until 25/26 (GM partial reset will apply)
 - 2) Devolution Trailblazer Deal – Growth Zones** (*Growth Zones Enhanced Business Rates Sites*)
 - Three Growth Zones in GM will have 25-year 100% retention with no reset
 - Total of 600 hectares
 - 3) Investment Zone – Enhanced Business Rates Sites** (*Investment Zone Enhanced Business Rates Sites*)
 - Up to two Investment Zone Enhanced Rate Retention sites in GM will have 25-year 100% retention with no reset
 - Use of funding must be focused on Advanced Manufacturing & Materials
 - Total area 600 hectares
 - 4) Enterprise Zones**

- The existing Enterprise Zones in Manchester will continue unaffected by these new arrangements.
- 4.5.3. Detailed final agreements for the operation of the new business rates landscape will be confirmed with government in due course.
- 4.5.4. In addition to the work with Government we will need to develop local agreements for how the funding generated by these new initiatives will be deployed across GM including to individual authorities and the combined authority.
- 4.5.5. A key principle for the approach to the five new geographic “zones” will be that no District will be better or worse off as a result of hosting an Enhanced Business Rates site (either GZ or IZ).
- 4.5.6. The difference between what is earned as an enhanced site and what would be earned as a standard site is described as the **Growth Zone Premium** and **Investment Zone Premium** and this will be pooled at GM Level and investment will be subject to GMCA approval Identification of Potential Enhanced Sites

4.6. Identification of Potential Enhanced Sites

4.6.1. Following discussions with GM Directors of Place, Chief Executives and Leaders, and in consultation with DLUHC, the following five sites have been proposed to receive enhanced status through the new business rates initiatives (Maps of the proposed locations can be found in the annexes).

4.6.2. Two proposed **Investment Zone Enhanced Business Rates Areas**:

1. Manchester “Smile” (Annex 2):

- Boundary covers sites in Manchester and Salford
- Total Hectares: 209.1
- Includes Mayfield site
- Includes ID Manchester site
- Western tip to Salford University

2. Northern Gateway (Annex 3):

- Boundary covers sites in Rochdale and Bury
- Total Hectares: 388.27

4.6.3. Three proposed ***Growth Zones Enhanced Business Rates Areas***:

1. Manchester CC North & East (Annex 4):

- Boundary covers sites in Manchester and Salford
- Total Hectares: 143.86
- Includes Etihad and Co-op Live development sites

2. Salford Quays and Trafford Wharfside (Annex 5):

- Boundary covers sites in Salford and Trafford
- Total Hectares: 223.9

3. Trafford Park (Annex 6):

- Boundary covers sites exclusively in Trafford
- Total Hectares: 231.23

5. Next Steps and Timeline

5.1. The staging points for finalising the GM Investment Plan and Frontier Sector Development Plans are as follows:

Nov-Dec:

- Investment Plan Principles sign off by Chief Execs Investment Group
- Finalise Investment Plan
- Finalise Frontier Sector Development Plan framework and process
- Complete Plan for Advanced Materials and Manufacturing
- Start Plans for other Sectors

Jan-Feb:

- GMCA Approval of Investment Plan
- Complete Health Innovation and Life Sciences Plan
- Complete Clean Growth and Low Carbon Goods and Services Plan

- Complete Digital, Creative and Media Plan

Apr-Jun:

- Integrate plans and ensure plans are linked into relevant milestones in GM Investment Plan implementation.

Annex 1: Frontier Sector Development Framework

Overarching Economic Strategy

Greater Manchester Strategy + Local Industrial Strategy + GM Innovation Plan

Current state of sector and cluster(s)	Updated narrative in sector and its development, covering: <ul style="list-style-type: none">• Sector's current size and features: businesses, employment and geography• Key technologies and specialisation: specific business clusters, R&I assets or technological capabilities.• Leadership sector bodies, champions, collaborations and partnerships.• Opportunities for growth.• Constraints on growth.
Ambitions for Growth	Ambitions: specific development priorities: <ul style="list-style-type: none">• Growth in jobs and businesses• Improvements in productivity• Types of jobs and corresponding education and skills needed• Investment in innovation• International trade and exports• Types of industrial and other spaces needed• Levels of public and private investment needed

What we need to do to achieve growth	Actions needed to achieve the ambitions for growth – including per each Growth Location: <ul style="list-style-type: none">• Sector leadership• Research and innovation• Skills• Local infrastructure• Local Enterprise and Business Support• Planning and development
How we're going to work	Resources and support needed to deliver the actions: <ul style="list-style-type: none">• Government• GMCA• Non-Government eg. universities, further education colleges, sector bodies, businesses, developers, investor community. Ensuring wider benefits from investing in the sector including: <ul style="list-style-type: none">• Inequalities• Decarbonisation• Links to other sector development plans• Links to BFPS• Links to development of GM's 'essential' or foundational economy

How we will measure success

Outputs e.g.

- Businesses supported
- People being trained
- Number of high value jobs created
- Planning applications/development pipeline
- Innovation funding

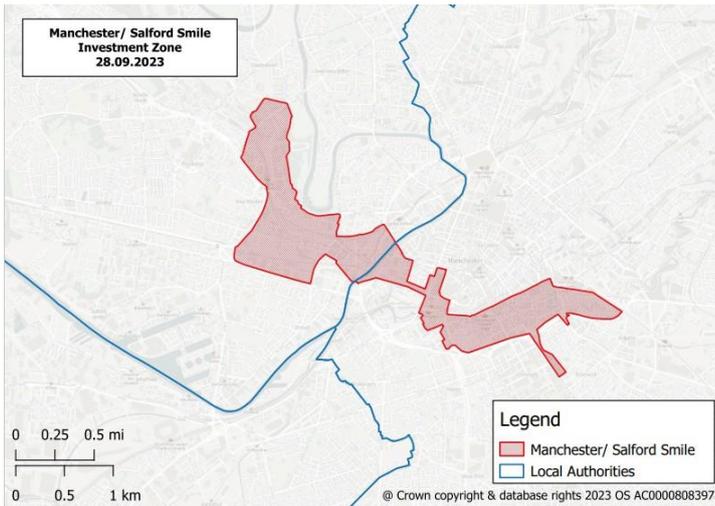
Outcomes e.g.

- Qualified people, upskilled works
- Floor space unlocked
- Investment in machinery and technology
- R&D activity undertaken
- Exports

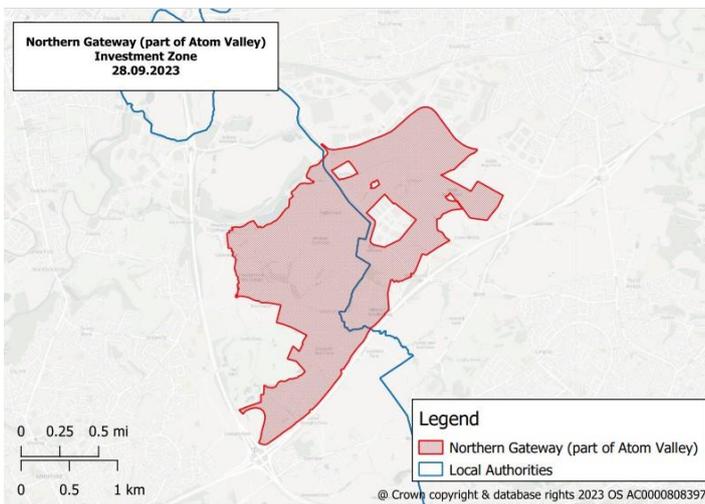
Impacts e.g.

- Increase in productivity and growth
- Increased earnings and good employment
- Increased investment in R&D (public and private)
- Reductions in carbon

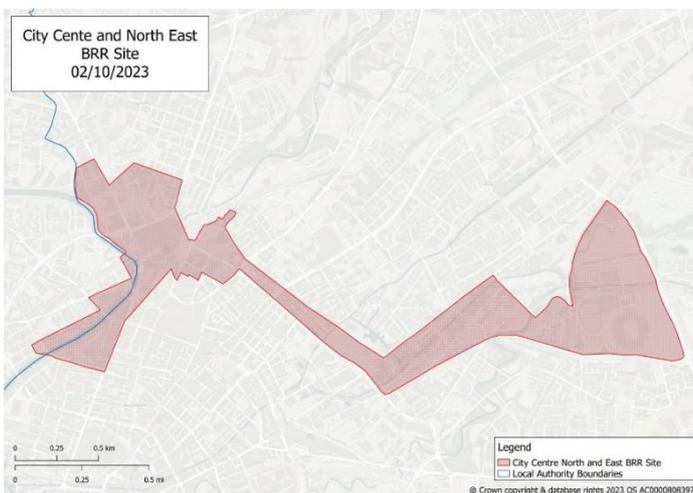
Annex 2: Manchester “Smile”



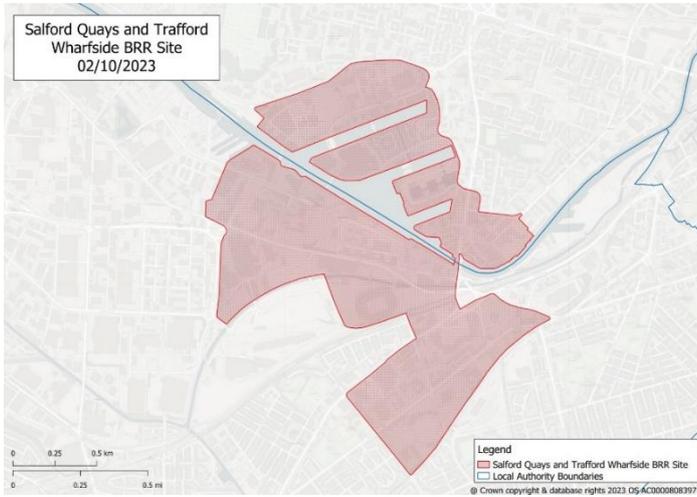
Annex 3: Northern Gateway



Annex 4: Manchester City Centre North and East:



Annex 5: Salford Quays and Trafford Wharfside



Annex 6: Trafford Park

