

GMCA Overview and Scrutiny Committee

Date: 22 November 2023
Subject: Greater Manchester Investment Zone
Report of: Cllr Bev Craig, Portfolio Lead for Economy, Business and Inclusive Growth

Purpose of Report

The Trailblazer Devolution Deal and announcement on Investment Zones at the March 2023 Budget gave 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.

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 (see separate paper). The development of the Investment Zone proposal for the Government will then be part of the overall Investment Plan, and focused on Greater Manchester’s priorities.

This paper provides an update on the work being undertaken to develop Greater Manchester’s Investment Zone proposal. It includes a summary of the process so far and the development of a package to grow Advanced Manufacturing & Materials in line with the process and requirements that the Department for Levelling Up have set out. The final package will need to be approved by the Department and HM Treasury.

Recommendations

The committee is requested to review and comment on the overall approach to developing the Investment Zone and the places and businesses which can benefit from the focus on Advanced Manufacturing & Materials.

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1. Investment Zone Announcement and Policy Prospectus

UK Government Announcement

- 1.1. The March 2023 Budget announced the Trailblazer Devolution Deal and, alongside, a revised Government policy on Investment Zones. Greater Manchester was one of the places invited to bring forward an Investment Zone proposal. Other tools to support growth from the Devolution Deal included Growth Zones and the Retention of Business Rates revenue growth for 10 years.
- 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 (see separate paper). The development of the Investment Zone proposal for the Government will then be part of the overall Investment Plan, and focused on Greater Manchester’s priorities.
- 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. The Government said that it would work with places via a structured conversation to co-develop and iterate proposals, with Mayoral Combined Authorities (MCAs) leading proposals. They stated that proposals must be co-designed with local partners including universities and/or research institutions, at least one of which must co-sign the final proposal, and that MPs should be engaged with the clear objective of consensus.
- 1.4. The Government wants all Investment Zone proposals to be agreed by the end of the financial year, with funding expected to commence in Fiscal Year 2024/25, subject to Government approval.

Rationale

1.5. The Government's prospectus stated that Investment Zones are intended to boost productivity, providing more high-priority jobs in places and levelling up the economy. They will be aimed at supporting two key national growth priorities:

- Growing strengths in national priority sectors
- Addressing economic disparities that persist between and within regions.

1.6. The prospectus said that Investment Zones will have to focus on growing clusters in one of the identified national priority sectors. It was agreed that Advanced Manufacturing & Materials would be Greater Manchester's Priority Sector, due to the city-region's world-leading strengths in the sector, opportunities to link to the wider manufacturing base, and the opportunity it provides to invest in related strengths such as digital, health innovation, and to drive decarbonisation.

1.7. The Government's prospectus envisioned that an Investment Zone would be underpinned by four key pillars:

- *Spatial Focus 'core'* – which is expected to have a clear spatial focus across a sensible economic geography. Areas should have a credible and ambitious planning offer to accelerate necessary development.
- *University of Research Institute* – which is expected to ensure strong collaboration between industry and research institutions, in the interests of increasing the volume of innovative R&D and adoption.
- *Wider Cluster Ecosystem* – which must consider and support component parts of the wider cluster ecosystem and functional economic area, to ensure benefits of cluster growth are felt by surrounding local communities.

- *Strong Local Leadership* – with local political leadership using the full levers available to them across skills, development and infrastructure; as well as building a coalition across the political, business and institutional spectrum.

Governance

- 1.8. The Government's Policy Prospectus states that proposals will be led by Mayoral Combined Authorities (MCAs). MCAs will be the accountable body and will take responsibility for receiving funding from Government where relevant, and commissioning and procuring interventions.
- 1.9. GMCA is proposing to use, wherever possible, existing governance structures, so that the Investment Zone is bound into existing priorities and avoids duplication.
- 1.10. It has been proposed to the Government that the decision making processes will be support by advice from a group made up from the Graphene and Advanced Manufacturing & Materials Alliance (GAMMA) as the existing sector-development body, sitting under Innovation Greater Manchester, the four Universities who need to agree the Investment Zone, and other skills partners.
- 1.11. The guidance also requires Members of Parliament to be consulted and engaged in the process. A briefing session was held of GM MPs on 31st October, led by the Mayor and Cllr Craig as Portfolio Holder for Economy, Business & Inclusive Growth, to update them on the process so far and for them to provide any feedback.

Policy Offer

- 1.12. Each Investment Zone is receiving a funding envelope of £80 million, which can be used flexibly across fiscal incentives and flexible spend. It was decided that Greater Manchester would take all of the funding as Flexible Spend, given the complexity and uncertainty around the deployment of tax incentives, and risk of displacement between different parts of Greater Manchester. Areas can

also designate up to two Business Rates Retention sites – details are summarised in the table below.

Component	Location	Duration
<ul style="list-style-type: none"> • Flexible Spend: £80m focused on specific Priority Sector, and can be deployed for the following purposes: <ul style="list-style-type: none"> ○ Research and Innovation, e.g., grants for projects ○ Skills, e.g., Skills Bootcamps, stimulating demand for apprenticeships ○ Local Infrastructure, e.g., land remediation for labs, schemes to improve connectivity to improve access to local labour market ○ Local Enterprise and Business Support, e.g., sector-specific tailored support for start-ups and SMEs ○ Planning and Development, e.g., funding to recruit a dedicated planning team, or support a Development Corporation 	<ul style="list-style-type: none"> • GM wide 	<ul style="list-style-type: none"> • 5 years
<ul style="list-style-type: none"> • Retention of Growth of Business Rates with <u>no</u> reset (these sites do not have to be the same sites as tax sites, but must all be spent on supporting the ‘Priority Sector’ focus of the Investment Zone <ul style="list-style-type: none"> ○ Must be deployed on “underdeveloped” sites – more detailed criteria regarding this are to be shared by Government 	<ul style="list-style-type: none"> • 600 ha over up to 2 sites 	<ul style="list-style-type: none"> • 25 years

Investment Zone Proposal Requirements

1.13. Key proposal requirements set by the Government include:

1.13.1. Proposals must **align with the priority sector**, evidencing what strategies, funding and infrastructure is already in place, and focus on how interventions will build on this to attract new investment and additional growth.

1.13.2. Local areas should have **clear governance arrangements** in place, where possible using or evolving existing governance structures.

1.13.3. Proposals must demonstrate how the suggested interventions will lead to **outcomes that align with the overall programme objectives**, as well as how they will support key national climate and environment priorities.

1.13.4. Proposals should outline how they will **draw on the breadth of Government support** and maximise the full quantum of funding – proposals must include a degree of match funding from private sector and research institution partners.

1.13.5. **Monitoring** will require places to report against a set of standardised metrics agreed with the department. **Evaluation** may draw on monitoring data and the use of commercial and administrative datasets to complement this evidence. Any evaluation work will align with the evaluations of other place-based interventions, e.g., Freeports, Levelling Up Fund, Towns Fund and UK Shared Prosperity Fund.

1.14. The Government subsequently set out a Gateway process through which areas' proposals would be co-developed and iterated:

- Gateway 1 – Inception Meeting
- Gateway 2 – Priority Sector and Cluster
- Gateway 3 – Governance
- Gateway 4 – Interventions
- Gateway 5 – Delivery

1.15. GM is currently at Gateway 4. The Government provides a set of templates and spreadsheets to be filled in at each Gateway before they will approve a place moving on to the next Gateway.

2. Interventions

2.1. As outlined in the summary of the Government's Policy Prospectus, to grow their agreed cluster places can opt to deploy £80m of flexible spend across the following categories:

- Research and Innovation
- Skills
- Local Infrastructure
- Local Enterprise and Business Support
- Planning and Development

2.2. Government have also published a Place Level Logic Model Template to inform the selection of projects as part of the flexible spend package – this can be found in Annex A. Versions of this Logic Model Template have to be filled in and signed off by the Government for each of the proposals put forward for the Flexible Funding.

2.3. The Department for Levelling Up have published the overall spending profile for the Investment Zone programme in Greater Manchester:

	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	Total £m
Capital Programme	4.8	10.8	10.8	10.8	10.8	48.0
Revenue Programme	4.2	7.0	7.0	7.0	7.0	32.0

Total	9.0	17.8	17.8	17.8	17.8	80.0
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2.4. The administration of the Investment Zone package will also have to be funded from this allocation. At a 4% management fee (the level retained by the Districts and GMCA for managing the UKSPF programme) that would be around £3.2m across the whole IZ programme.

2.5. 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.

2.6. The package of proposals for the Flexible Spend will need to be put forward to Government and agreed by the Department for Levelling Up and HM Treasury. It will need to show how it will tackle the range of barriers to the growth of the Advanced Manufacturing & Materials sector.

2.7. To build a package of measures that aligns with Government's criteria and GM strategic priorities, GMCA officers have been working with Districts, Universities and other partners to bring forward proposals. A panel of industry experts and advisors drawn from Innovation GM, GAMMA and invited representatives was also brought together, to provide comment and guidance on Local Enterprise and Research & Innovation.

2.8. Proposals are being developed based on the GM Innovation Plan which showed that realising the potential of Advanced Manufacturing & Materials in GM will require investment both in core research & innovation strengths to generate growth (particularly in cross-cutting technologies), and new centres of excellence and innovation adoption so that businesses across the city region can realise that potential.

2.9. The GM Innovation Plan set out that investment will be required in:

- Our established strengths, to drive growth in the short-term and grow the resources available to the sector (e.g., through future Business Rates revenues). These include ID Manchester, the largest private sector investment in this sector in GM (a priority for the Government) and the site which is going to generate by far the largest Business Rates income in the city region, and other assets in the city region core.
- Our longer-term ambitions to be able to scale up and deploy innovations in our growth businesses, for example through Atom Valley as the most significant opportunity to deploy the research happening in the city region core to scale up businesses in the Advanced Manufacturing & Material Infrastructure.
- The supporting ecosystem which would enable this to happen, investing in other significant assets in the city region which are not in those areas, and/or programmes delivered by our universities.
- Those projects will need to be supported by a pipeline of skills and project development, and direct support for businesses, developing an ecosystem at a scale which can have a national impact.

2.10. To maintain the focus on the priorities identified in the GM Innovation Plan, the Innovation GM Board has been asked to:

- Advise how Research & Innovation activity funded through the IZ package could complement and align with the existing investment going in through, for example, the Innovation Accelerator, the UK Shared Prosperity Fund, and other investment by the Universities; and
- Advise on the development of the other Sector Plans – beyond Advanced Manufacturing & Materials – which will be put together through the Investment Plan process.

2.11. Engagement is continuing with the Department for Levelling Up and HM Treasury on what type of package they would approve. They have also been clear that they will require the detail of outputs and outcomes, in line with their Logic Model, in order to approve a package under Gateway 4 and move forward in the process.

2.12. The outputs and outcomes they will require are similar to those set out in the UK Shared Prosperity Fund process, which they have explicitly modelling their approach on. Interventions must be selected from a “Menu of Interventions” which has been developed by the Department for Levelling Up. If any proposals are put forward which are not on that Menu, a separate case must be made for the approval of “Off Menu Interventions”.

3. Next Steps

3.1. The Autumn Statement, due to be announced by the Chancellor of the Exchequer on 22nd November, could include updates on the Government’s approach to Investment Zones.

3.2. Engagement is continuing with the Department of Levelling Up and HM Treasury to ensure that it is progressing in a way which will increase the chances of final sign off by Government.

3.3. If approved, the funding for the Investment Zone will start to be deployed from the start of the 2024-25 Financial Year.

