

# SOUTH WEST WALES CORPORATE JOINT COMMITTEE

6<sup>th</sup> June 2023

## Report of the Chief Executive

**Report Title:** Investment Zone Policy Offer

<b>Purpose of Report</b>	<ol style="list-style-type: none"><li>1. To apprise the committee of the UK Government's policy offer.</li><li>2. To seek authority to commence initial discussions with Welsh and UK governments to explore the potential for an investment zone to be allocated in South West Wales</li></ol>
<b>Recommendation(s)</b>	<p>It is recommended that:</p> <ol style="list-style-type: none"><li>1. The Chief Executive is authorised to commence initial discussions with Welsh and UK governments to explore the benefits that could accrue if an investment zone policy offer were to be allocated to South West Wales.</li><li>2. A letter, registering an expression of interest in the potential for an investment zone policy offer in South West Wales, be sent from the Chair of the committee to the relevant ministers.</li></ol>
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### 1.0 Background:

- 1.1 The UK Government published their Investment Zones policy offer in March 2023. The following paragraphs have been extracted from the policy document for ease of reference. The full document can be accessed via the link set out in the background section of this report.

- 1.2 'The Investment Zones policy offer is aimed at catalysing a small number of high-potential clusters in areas in need of levelling up to boost productivity and growth. They will need to reflect the principles of the Medici model set out in the Levelling Up White Paper, harnessing local sector strengths to drive productivity, and leveraging the bottom-up energy of local talent, knowledge and networks to deliver sustainable growth that benefits local communities. They will need to demonstrate a holistic approach and must be rooted in partnership between central government, local government, research institutions and the private sector, in order to realise the potential of cities and regions.
- 1.3 The UK government has identified the following five priority sectors to focus Investment Zones on -Digital and Tech; Green Industries; Life Sciences; Advanced Manufacturing; and Creative Industries.
- 1.4 The UK government considers that the UK is well-positioned to play a leading role globally in these sectors:
- Our digital and tech sector is worth £143bn and has created more unicorns than France and Germany combined, with eight UK cities now home to two or more unicorns;
  - The UK also supports a thriving life sciences sector, directly employing 268,000 people, with all the top 25 global biopharmaceuticals and all the top 30 global med tech organisations having operations based in the UK;
  - We remain one of the most dynamic and globally competitive countries in the creative industries with the sector continuing to expand and growing at over twice the rate of the economy between 2010 and 2019.
  - The global transition to Net Zero is crucial to protect and restore the environment, but also offers huge opportunities to UK businesses and innovators with the scale of the potential prize estimated to be worth £1 trillion to the UK's green industries.
  - Finally, the UK has high-value manufacturing strengths in many areas, with advanced manufacturing sectors worth £93bn to the UK economy and R&D expenditure of all UK manufacturing businesses accounting for over 40% of total UK enterprise R&D
- 1.5 All Investment Zones will need to focus on growing clusters aligned with one or more of these sectors, to boost UK competitiveness in these high-potential industries.
- 1.6 The UK Government has allocated investment zones to eight areas in England. Note that there has been no competition to access this policy in contrast to the approach taken for freeports. There is potential for additional areas to be included but that is subject to the fiscal envelope not being exceeded. The application of the policy to the devolved nations is subject to ongoing dialogue between the devolved administration and the UK Government.
- 1.7 Subject to proposals meeting specified requirements, Government will offer Investment Zone areas a total funding envelope of £80m over five years, which can be used flexibly between spending and a single five-year tax offer, scalable based on number of sites.

1.8 This would consist of:

- £35m flexible spend, split 40:60 between resource spending (RDEL) and capital spending (CDEL), to use across a portfolio of interventions based on the opportunities of each cluster;
- Tax incentives, which can cover up to 600ha across up to 3 sites, lasting for 5 years. Where places do not opt for the maximum tax offer of 600ha, tax incentives can be exchanged for a greater amount of spend;
- Places hosting Investment Zones could also receive 100% of the business rates growth in designated sites above an agreed baseline for 25 years and support and guidance from central government on core policies such as export support, planning and infrastructure.

1.9 Recognising that the precise policy solution will vary based on place and sector, the policy model consists of the following four key pillars:

- **Spatial Focus ('core'):** each Investment Zone is expected to have a clear spatial focus or 'core' across a sensible economic geography, where interventions should focus on facilitating co-location of businesses, fostering collaboration between industry and research institutions, and driving innovation in companies at the frontier of the target sector. We envisage this would be where any tax sites and business rate retention sites would be located should an area opt to use these levers, but where appropriate for the economic geography and sectoral focus of a place we are open to proposals for the exact location of tax or business rates retention sites.

As part of the development of a 'core', Investment Zones should have a credible and ambitious planning offer to accelerate the development necessary to support the cluster while maintaining high environmental standards. There must be a single point of contact for investors to support proactive and constructive engagement on planning matters. Places in England should look at proactive master-planning, bespoke engagement and support to applicants, and the use of Local Development Orders and other innovative routes to permission, where appropriate, to deliver exemplar development faster and to support the long-term success of the Zone. If significant development is required, places may want to consider a role for a Development Corporation, especially if land assembly is necessary.

- **University or Research Institute:** Investment Zones will be an opportunity to leverage the important role Universities and local research institutions play in local growth and supporting levelling up. Each Investment Zone is expected to ensure strong collaboration between industry and research institutions. We will expect participating Universities to adopt best in class standards to increase the volume of innovative R&D and adoption. This could include nurturing and supporting local talent, building knowledge networks, collaborating on research commercialisation, and supporting scale-up and adoption of promising innovations following spinout to raise the productive potential of the whole area. We envisage this will mean establishing and leveraging

partnerships with research institutions in the same functional economic area; however, we are open to additional collaborations over a longer distance.

- **Wider Cluster Ecosystem:** Investment Zones must consider and support component parts of the wider cluster ecosystem and functional economic area, to ensure the benefits of cluster growth are felt by surrounding local communities. This could include upskilling the local labour market, increasing access to opportunities for local people to work in the cluster, opportunities to create new businesses and start-ups related to the cluster and expansion of existing successful companies. We do not expect this activity to be limited to a fixed red line boundary, but reflective of the geography of the sector and targeted to the needs of the cluster.
- **Strong Local Leadership:** Strong local leadership is central to the economic prosperity of an area and to be successful requires partnership across the political, business and institutional spectrum. Local leaders know the needs and opportunities of their areas best and can build coalitions with entrepreneurial leaders from business, research institutions and other local stakeholders to forge a clear vision for their Investment Zone. Political leadership should use the full levers available to them across skills, development and infrastructure to make that shared vision a reality. Business and innovation leadership in Investment Zones should also contribute funding and expertise to support and maximise the offer from central and local government to their clusters and local communities, for example considering what employment practices and / or on-the job training might enhance employment opportunities for local people.'

## **2.0 The position in Wales**

- 2.1 At the present time, it is understood that ministers are in dialogue with the UK Government as to whether (and if so how) the policy offer could apply in Wales. If ministers were minded to adopt the policy, it will be important to establish whether the policy would be accessed via a competitive process or, as in England, whether the zones would be allocated on a set of objective criteria.

## **3.0 South West Wales**

- 3.1 The Corporate Joint Committee has signed off a Regional Economic Delivery Plan and a Regional Energy Strategy. These plans build on what is already being delivered through the City Deal and clearly identify with the high growth sectors that are described in the Investment Zone Policy Offer produced for England.
- 3.2 The regional approach is already based on strong existing links between industry, academia and the wider public sector. A key objective within the regional economic delivery plan is to further develop the regional innovation offer to catalyse economic growth across the region. Investment zone status has the potential to significantly accelerate this element of the region's ambition whilst complementing the economic growth planned through the Freeport policy and other regional programmes.

#### **4.0 Timescales:**

4.1 Welsh Government are in the process of considering whether the investment zone policy will be applied in Wales. The timescale for making this decision is unknown.

#### **5.0 Financial Impacts:**

5.1 It is difficult to assess the initial costs that would be incurred to access the policy.

5.2 If the zones are to be introduced, there would be a higher cost associated with a competitive approach than if the zones were to be allocated. Following the allocation of investment zone status, it is likely that the policy benefits would be unlocked through the submission of a suitable business case being submitted. It is not clear if the development of business cases would be supported by government funding.

5.3 In terms of financial benefits, these are set out at a high level in the policy offer for England and clearly the policy could be developed differently in the Welsh context.

5.4 It should be noted that there are no amounts earmarked within the 2023/24 approved budget of £617,753 for Investment Zones. In future years, any costs would need to be incorporated into the rolling Budget.

#### **6.0 Integrated Impact Assessment:**

6.1 The CJC is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

6.2 In recognition of the above duties, the CJC has adopted an Integrated Impact Assessment (IIA) Tool which allows for a 2 stage approach to be undertaken to measure any potential impact of its decisions. It is not considered that an Integrated Impact Assessment (IIA) is required for this report as it does not seek a substantive policy decision from Members but merely seeks authority to make further enquiries about this potential opportunity.

6.3 The CJC approved its Corporate Plan 2023-2028 in March 2023. The Corporate Plan includes the CJC’s Equality Objective which is set out below for ease of reference:

*“To deliver a more equal South West Wales by 2035 by contributing towards:*

*(a) The achievement of the [Welsh Government’s long-term equality aim](#) of eliminating inequality caused by poverty;*

*(b) The achievement of the [Equality statement set out in Llwybr Newydd](#) which is to make our transport services and infrastructure accessible and inclusive by aiming to remove the physical, attitudinal, environmental, systemic, linguistic and economic barriers that prevent people from using sustainable transport, and*

*(c) [The achievement of the Welsh Government’s long-term equality aims](#) of cohesive communities that are resilient, fair and equal and where everyone is able to participate in political, public and everyday life. There will be no room for racism and / or discrimination of any kind.”*

## **7.0 Well-being of Future Generations (Wales) Act 2015**

Alignment with CJC Corporate Plan 2023-2028 and the identified CJC Well-being objectives:

7.1 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the ‘well-being goals’.

7.2 The CJC approved its Corporate Plan 2023-2028 in March 2023. The Corporate Plan contains the CJC’s well-being objectives and frames the corporate direction of travel. To this end, it is considered that the recommendation(s) contained within this report align(s) to the corporate policy framework of the CJC as set out within its Corporate Plan, most notably in terms of Well-being Objective 1 as outlined below for ease of reference:

*Well-being Objective 1*

*“To collaboratively deliver the Regional Economic Delivery Plan and Regional Energy Strategy thereby improving the decarbonised economic well-being of South West Wales for our future generations.”*

## **8.0 Workforce Impacts:**

8.1 The development of a proposal to satisfy any investment zone opportunity will be a significant undertaking and will require additional resources. It is likely that external

consultancy support will be needed alongside a prioritisation of existing work within the region.

## **9.0 Legal Impacts:**

9.1 Pursuant to Section 76 of the Local Government and Elections (Wales) Act 2021, the Corporate Joint Committee may do anything which it considers is likely to promote or improve the economic well-being of its area. It is expected that the Investment Zone policy may require appropriate documentation to be entered into between the Corporate Joint Committee and Welsh and UK Governments and appropriate consideration will be given to the legal impacts should this work progress.

## **10.0 Risk Management Impacts:**

10.1 Subject to the Welsh and UK Governments deciding to introduce the policy offer in Wales, initial risks include:

- There is a risk that not securing an investment zone will miss an opportunity to accelerate economic growth in key clusters.
- There is a risk that pursuing this policy opportunity may impact adversely on other regional activities if additional capacity cannot be created.

10.2 Risks will be further developed should this work progress.

## **11.0 Consultation:**

11.1 There is no requirement for external consultation on this item.

## **12.0 Reasons for Proposed Decision:**

12.1 To formally consider the investment zone policy offer announced for England and to note that the Welsh Government are giving active consideration as to whether a similar policy offer will apply in Wales. To enable early consideration to be given by the CJC partners as to how an investment zone policy offer could accelerate the key economic development priorities already established for the region and to identify how the benefits of such a policy could be optimised.

## **13.0 Implementation of Decision:**

13.1 After the 3 day call in period.

## **Appendices:**

None

## **List of Background Papers:**

UK Government: Investment Zone Policy Offer, March 2023

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1142995/Investment\\_Zone\\_Policy\\_Prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1142995/Investment_Zone_Policy_Prospectus.pdf)

