



# Northumberland

## County Council

Cabinet

Tuesday, 13 February 2024

### North East Investment Zone

**Report of Councillor(s)** Cllr Wojciech Ploszaj, Cabinet Member for Supporting Business and Opportunities and Cllr Richard Warmouth, Cabinet Member for Corporate Resources

**Responsible Officer(s):** Simon Nielson, Executive Director - Place and Regeneration

#### 1. Link to Key Priorities of the Corporate Plan

- 1.1 Driving economic growth so that everyone can benefit is at the core of the ambition for Northumberland and one of the three main priorities of the Council set out in the Corporate plan with the commitment to create the right conditions for sustainable, inclusive economic growth. This includes working hard to support existing businesses to invest and grow, whilst also seeking to attract major investment to create jobs and opportunities for our residents and communities.
- 1.2 Investment Zones [IZs] are being introduced by Government to accelerate economic growth through clustering and agglomeration in specific sectors with significant growth potential. This includes supporting Research & Development and Innovation and maximising their contribution to sector growth. The North East, as a proposed Mayoral Combined Authority area, was invited to bring forward a proposition when the policy was announced in March 2023, alongside 8 other English areas. Investment Zones are fully aligned with the Northumberland Corporate Plan and the intention to create the right conditions for investment and growth.

#### 2. Purpose of report

- 2.1 The purpose of the report is to provide an overview of the North East Investment Zone proposal focused on Advanced Manufacturing and Green Industries and seeks authorisation for designation of a Business Rates Retention Site in Northumberland.

#### 3. Recommendations

- 3.1 Cabinet are asked to:
  - a) Note the proposals in relation to the North East Investment Zone (NEIZ), including the inclusion of the Blyth Energy Central Site as an Investment Zone (IZ) Tax Site; and

- b) Authorise inclusion of the Blyth Energy Central BRR Site in the NEIZ for 25 years, noting the NEIZ Business Rates Reinvestment Strategy (attached at Appendix 1); and
- c) Authorise the Executive Director of Place and Regeneration, in consultation with the Director of Finance, the Director of Law and Corporate Governance, the Cabinet Member for Supporting Business and Opportunities and Cabinet Member for Corporate Resources, to finalise the elements of the NEIZ proposal specific to Northumberland County Council in conjunction with the Interim Chief Executive Officer for the North East Mayoral Combined Authority and enter into a written agreement with the North East Mayoral Combined Authority and constituent local authorities

#### **4. Forward plan date and reason for urgency if applicable**

15<sup>th</sup> January 2024

#### **5. Background**

##### **The North East Investment Zone**

- 5.1 Investment Zones (IZs) are being introduced by Government to accelerate economic growth through clustering and agglomeration in specific sectors with significant growth potential, with national priority attached to Research & Development and Innovation and maximising their impact on sector growth. The North East was invited to bring forward a proposition when the policy was announced in March 2023 alongside 8 other English areas. In November 2023, Government announced that the programme would be extended from 5 to 10 years, with the total amount of funding available to each Investment Zone increased from £80m to £160m.
- 5.2 Key elements of Government Investment Zone policy are:
  - Each Investment Zone can include up to three tax sites of 200ha each, where new investment on under-developed land will benefit from tax reliefs on: employer National Insurance contributions, business rates (with the billing authority fully compensated), stamp duty and enhanced capital allowances benefits.
  - Flexible cash funding of at least £70m per zone across the 10 year programme period, with additional flexible cash funding available if the full tax site allocation isn't taken up.
  - All proposals must include a degree of match funding and have a primary sector focus.
  - Investment Zones can choose to have up to two business rates retention sites, with all growth in business rates income over 25 years retained by the IZ to reinvest in relation to IZ objectives.
- 5.3 The NEIZ is an important policy with significant implications for economic growth across the region. It is also, however, one part of a wider set of interventions – enabled by a £4.2bn Devolution Deal – through which the North East will collectively ensure economic and social benefit is scaled across the whole region.
- 5.4 On 24 November 2023, Government and NEMCA announced that the NEIZ will focus on Advanced Manufacturing and Green Industries.

- 5.5 Following an extensive process of co-design with Government, alongside consultation and engagement with businesses, universities, FE colleges and other stakeholders, the key features of the proposed North East Investment Zone have been agreed by Leaders across the region. These details are subject to Government sign-off, which is anticipated in March 2024 and thereafter subsequent implementation of tax and BRR designations via statutory instrument. In anticipation, IZ Reports are to be considered by local authority Cabinets in Sunderland, South Tyneside and Northumberland in relation to specific geographic decisions required within the region as well as by North of Tyne Combined Authority in relation to proposed interim accountable body functions.
- 5.6 The NEIZ will have a sectoral focus of ‘clean energy and green manufacturing’, building on the ‘Arc of Innovation’ set out in the Devolution Deal and the world class strength of the region’s Offshore, Engineering and Green Manufacturing industries. This is also consistent with the proposal in the North East Devolution Deal for an ‘Inclusive Innovation Deal’ – to translate the region’s world class research expertise into jobs, skills and inclusive growth outcomes.
- 5.7 It will have a focus on the following sub-sectors and four ‘IZ Intervention Sites’, which have been agreed given opportunities to support new investment and innovation activity aligned with IZ objectives in:
- Offshore energy – Blyth Energy Central and the Tyne Powered Corridor
  - Batteries - International and Advanced Manufacturing Strategic Site (IAMSS) and Blyth Energy Central
  - Electric vehicles – International Advanced Manufacturing Strategic Site
  - Associated advanced low-carbon manufacturing, materials and research – NETPark.

An overview of the opportunity at each of the Intervention Sites is set out in para 5.14 below.

- 5.8 The following objectives have been agreed for the NEIZ:
- Unlock substantial private sector investment and job creation, as a flagship Levelling Up intervention
  - Stimulate economic benefits that are felt across the region as a whole, contributing significantly to delivery of devolution objectives of creating good jobs and reducing inequality
  - Support the transition to Net Zero – both nationally and regionally.
- 5.9 There are significant economic opportunities associated with the chosen sectors. Modelling across the region to date has highlighted the potential for the creation of around 10,000 skilled jobs over the life-time of the initiative, with additional jobs created in construction and across supply chains.
- 5.10 In order to maximise these economic opportunities, the following principles have been developed that will underpin the NEIZ proposals. The NEIZ should:
- Be cost-competitive with other locations (nationally and internationally);
  - Have a skills offer which meets the needs of businesses;
  - Facilitate collaboration between industry and innovation partners to address sector constraints, through eg. test facilities, digitisation, process innovation, access to knowledge and expertise;

- Develop an overall Delivery Plan to bring forward sector-specific development on suitable sites and premises, phased to meet industry needs; and
- Ensure a level playing field across the intervention sites and to minimise the risk of displacement within the region.

5.11 The region's universities have been actively involved in the development of the Investment Zone proposal, and will play a key role in aligning investment, expertise and academic programmes with the IZ sectors to help maximise growth opportunities. This collaboration with research institutions on the IZ, referred to by Government as the IZ Knowledge Anchor, will be one part of the wider work within and across the sector as stakeholders come together across a wider series of interventions as set out in para 5.3 enabled by the Devolution Deal. Similarly there will be an important role for Further Education alongside Higher Education, particularly in relation to skills.

5.12 Within the context set out above, the region will bring forward four Intervention Sites overall, each identified as either an 'IZ Tax Site' or 'IZ Growth Site'. This reflects the differing nature of the sites in terms of the economic opportunities and the constraints which need to be addressed to unlock private sector investment. Within IZ Tax Sites, new and expanding businesses will have access to tax benefits (ie tax relief in relation to National Insurance, business rates, stamp duty and enhanced capital allowances). At IZ Growth Sites, businesses will have priority access to the additional flexible spend (secured as a result of requesting fewer than 3 tax sites) which is intended will take the form of a capital-based co-investment programme, designed to be broadly comparable to the value of tax benefits, to ensure a level playing field and target the constraints to growth specific to those areas. The distinction in relation to tax and growth sites reflects consideration of the available Investment Zone benefits and those levers which are most likely to be effective in unlocking economic growth at the respective sites. The flexible funding set out in paras 5.16 to 5.19 is in addition to this and will enable investment in infrastructure, skills and innovation.

5.13 The approach agreed by Leaders across the region is that the NEIZ should be based on:

- IZ Tax sites: International Advanced Manufacturing Strategic Site (IAMSS) and Blyth Energy Central
- IZ Growth Sites: Tyne Powered Corridor and NETPark.

5.14 The precise boundaries of these sites are still under discussion with Government and are expected to be published in the next few weeks. An overview of opportunities at the four intervention sites from North to South across the region is summarised as:

i) Blyth Energy Central

The energy cluster across the Blyth estuary and wider hinterland currently supports around 2,700 jobs, with key businesses including the Port of Blyth, Royal IHC and TFKables/JDR Cable Systems. Blyth is also home to the R&D and testing facilities of the Offshore Renewable Energy Catapult. There are significant further employment opportunities associated with offshore renewables, electrification and wider infrastructure. Key objectives include confirmation of a gigafactory on the NEP3 site, with the potential for more than a thousand new jobs plus more with the potential supplier base on adjacent sites, alongside securing further opportunities in offshore wind and wider infrastructure. There is recognition at national levels of the importance of the site and as such the County Council is in dialogue with Government and the administrators over the best way forward for the former 'BritishVolt' site to meet

regional and national priorities. IZ tax benefits would provide a clear incentive for investment at scale – alongside wider IZ benefits around skills and innovation.

ii) Tyne Powered Economic Corridor

The Tyne currently accommodates around 3,500 jobs in the Energy, Offshore and Marine sector, with businesses including the Port of Tyne, Shepherd Offshore, Equinor and Smulders Projects. Going forward, there are opportunities to support the growth of existing businesses, their transition to renewable energy and to attract new investment in the offshore wind sector. The Tyne is one of a small number of UK locations with the potential to support major expansion of the offshore wind sector and the river has already supplied foundations, cables, operations & maintenance and ROV vehicles to projects. The Tyne Powered Corridor Growth Site will support new investment in the sector from existing and new businesses, whilst the IZ is also expected to contribute to the, increasing, research & development presence and help tackle skill shortages.

iii) International Advanced Manufacturing Strategic Site

The automotive cluster, anchored by Nissan, already employs more than 12,900 people in the NEMCA area including at the International Advanced Manufacturing Park (cross-boundary within Sunderland and South Tyneside). The AESC battery gigafactory is currently under construction on the International Advanced Manufacturing Park and is expected to employ over 1,000 residents when operational in 2025 and Nissan announced further Electric Vehicle investment in November 2024 with associated supply chain opportunities. Hillthorn Business Park adjacent to IAMP, provides early IZ delivery opportunities with speculative / occupier-led development to be brought forward in phases at IAMSS. Discussions are ongoing with a number of companies linked to electrification who are interested in locating within the tax site or expanding their current facilities. This reflects the increasing requirement for Nissan to localise supply chain to maximise cost competitiveness. IZ tax benefits would provide a directly quantifiable benefit to these businesses, who are currently considering investment decisions on the basis of financial viability. Businesses have also highlighted the importance of addressing significant workforce requirements, including around battery / EV production and industrial digitisation alongside enabling infrastructure as key to unlocking further private sector investment.

iv) NETPark

NETPark is a nationally significant science park that is already home to three national Catapults, three national innovation centres, 40 businesses (including Kromek and Pragmatic) and 700 jobs – set within a 72 hectare site. The next phase of development will: provide over 230,000 sq ft of new lab and scale-up production space; create a further 1,250 high value jobs; unlock safeguarded land for future phases; and generate £625m of GVA for the region. Infrastructure and enabling works are already underway and the first buildings are due to be completed in 2025. IZ Growth Site status will help attract new businesses in the IZ sectors to the site, and enable further investment into the innovation, infrastructure and skills offer at NETPark.

## **IZ Flexible Funding**

- 5.15 The NE Investment Zone will have £70m of flexible funding over the ten years of the IZ, with a £7m allocation per year. This funding is available on a 60:40 capital:revenue basis, and Government have published a menu of pre-approved interventions aligned with the themes of skills, infrastructure, innovation, planning, and business support. This is separate to the additional flexible spend (referenced in para 5.12) which will be allocated by Government as a result of the region selecting less than the maximum 3 tax sites allowable under the IZ programme.
- 5.16 The proposed allocation for the £70m flexible spend in the region across the ten years is:
- Skills (£30m);  
Infrastructure (£30m);  
Innovation (£10m).
- 5.17 The skills resource will help to address sector-specific skills shortages which have been identified as a barrier to investment. The focus of the programme will be on delivering skills and qualifications in clean energy and green manufacturing where there is current employer demand, and further significant growth is forecast. The interventions developed for delivery will align with the Local Skills Improvement Plans, be demand driven, and provide an opportunity for residents from across the region currently in low paid/low skilled jobs to re-train and upskill for roles in sectors that offer higher pay.
- 5.18 The infrastructure resource will be focused on the four IZ Intervention Sites. NEMCA will develop a pipeline for capital investment on these sites, initially prioritising interventions which will have a direct impact on unlocking new investment and creating jobs within the first 5 years of the IZ. This is anticipated to include addressing infrastructure constraints such as energy infrastructure and utilities connections, brought forward at the most appropriate time and reflecting market requirements.
- 5.19 The innovation resource will support research into industry challenges identified by businesses in our IZ priority sectors, and facilitate collaboration between research institutions and the private sector. The longer-term outcomes of this programme are anticipated to produce cost savings for advanced manufacturing and renewable energy production, improving productivity through the adoption of new technology and processes including digitisation, and creating highly skilled jobs. The programme will have positive spill over effects by increasing the attractiveness of North East research institutions to post-graduate students, and attracting further funding for R&D from national programmes and the private sector.
- 5.20 As set out in para 5.12, the NEIZ will also receive additional flexible funding, as a result of taking up less than the maximum allocation of tax sites. The precise level of additional funding is still to be confirmed with Government, with the intention being that funding, as set out in para 5.12, will be prioritised for co-investment with the private sector in infrastructure and innovation interventions on the IZ Growth Sites.

## **Business Rate Retention**

- 5.21 The NEIZ proposition also includes two Business Rates Retention sites (Sunderland / South Tyneside and Northumberland) linked to the two Tax Sites, with Cabinet authorisation being sought from each of the individual local authorities (Sunderland, South Tyneside and Northumberland) for their designation. These sites will enable the region to benefit from the retention of all growth in business rates over the next

25 years – as opposed to the standard process of the local authority keeping half the growth until the next business rates reset point. Business rates retention therefore provides the potential for a significant additional revenue source.

5.22 An IZ Reinvestment Strategy has been agreed with Government through the co-development process. This will maximise the impact of the BRR sites and embeds continuity of local decision-making and control at current levels in relation to investment within individual local authorities. The reinvestment principles are summarised below in para 5.23. Importantly, the Reinvestment Strategy would enable the host local authority to receive the funding which it would have received from business rates growth under the normal business rates regime prior to a re-set / future re-sets if the site had not been put forward for business rates retention. This is expected to be approximately 50% of the growth in business rates (with adjustments to reflect future re-sets). It will then be applied to fund expenditure that which will be incurred by the authority for a range of activities necessary for the Investment Zone to be successful and for there to be local benefits. The other 50% would be utilised by NEMCA to support further investment to deliver the Investment Zones (which could include additional investment in the Blyth Energy Central site). Under the current Business Rates retention model this 50% is normally paid over to Central Government. These arrangements will be set out in a written agreement with NEMCA.

5.23 The IZ Reinvestment Strategy includes the following reinvestment principles:

- First, income will be used to meet costs which would otherwise be incurred by the host local authority in enabling growth of the Intervention / Tax / BRR site and ensuring that the benefits associated with delivering against the IZ objectives are maximised and felt by the local community.
- Second, to fund interventions which are expected to maximise private sector investment and job creation in clean energy and green manufacturing at the four intervention sites, and to ensure that the benefits of delivering against the Investment Zone objectives are felt across the region as a whole.
- Third, to fund interventions which will support growth of the low carbon economy over a wider geography.

The Reinvestment Strategy is attached at Appendix 1.

5.24 From May, NEMCA Cabinet will be the decision-making body and accountable body for the Combined Authority, including for the Investment Zone. The NEMCA Finance & Investment Board will advise Cabinet on IZ investment decisions, whilst also overseeing progress of the IZ, undertaking regular financial and operational monitoring. In line with Government guidance, an Investment Zone Advisory Board will also be established. This will enable a wider group of stakeholders to influence and support IZ delivery and monitoring. The Advisory Board will initially be chaired by the NEMCA Chief Executive, with senior membership from: Local Authorities; private sector businesses in the IZ sector clusters, including those located in IZ sites; Universities and other regional research institutions and Catapults; Further Education colleges; and related cluster and sector bodies. This is expected to be convened in shadow form prior to formal establishment of the Investment Zone by Government.

## Next Steps

5.25 The next steps in relation to development of the NEIZ are:

- Further co-development of the NEIZ proposition with Government (within the context of local authority Cabinets considering site-specific BRR proposals and NTCA seeking agreement to act as accountable body on an interim basis)
- Approval from Government (anticipated in March 2024)
- Launch of NEIZ (April 2024).

## 6. Options open to the Council and reasons for the recommendations

- 6.1 The North East was invited to bring forward an IZ proposition when the policy was announced by Government in March 2023 alongside 8 other English areas. The sectoral focus of the NEIZ (Clean Energy & Green Manufacturing) is closely aligned with a key sector for the County and wider region.
- 6.2 The combination of tax benefits for companies locating and expanding at Blyth Energy Central, the access to resources to support targeted interventions in Infrastructure, Skills and Innovation as appropriate, and the additional resources which can be secured as a result of Business Rates Retention provide a significant opportunity to stimulate further business investment and economic growth. This is expected to bring benefit both to the County and its communities and to the region as a whole.
- 6.3 Designation as an Investment Zone Site will provide access to resources to support interventions in relation to infrastructure, skills and innovation aligned to unlocking economic growth. It will enable additional investment as a result of retained Business Rates in line with the agreed Reinvestment Strategy.
- 6.4 The alternative option would be not to agree to designation as a Business Rates Retention Site as part of the NEIZ proposal. This would reduce the overall investment available over time to support growth of the IZ sectors and low carbon economy as it would reduce the potential for business rates to be retained and deployed within the city and wider region.

## 7. Implications

<b>Policy</b>	Investment Zones are fully aligned with the Northumberland Corporate Plan and the intention to create the right conditions for investment and growth.
<b>Finance and value for money</b>	<p>Designation as an IZ Intervention Site will provide access to resources to support interventions in relation to infrastructure, skills and innovation aligned to unlocking economic growth in the IZ sectors and in line with the agreed project selection and assurance processes. It will enable additional investment as a result of retained Business Rates in line with the Reinvestment Strategy included at Appendix 1.</p> <p>The Reinvestment Strategy sets out how the retained business rates will be reinvested and embeds continuity of local decision-making and control at current levels in relation to investment within individual local authorities. As set out in the Legal Implications below, the way in which business rates retention will be administered within the region will be set out in a BRR</p>



	<p>agreement between the Council and the Combined Authority as required by Government.</p> <p>The proportion of business rates growth to be utilised by the host local authority, in line with the Reinvestment Strategy, will be capped at 50% to meet expenditure that will be incurred by the relevant local authority for a range of activities necessary for the NEIZ to be successful and for there to be local benefits. These could include: site preparation and enabling infrastructure; highways and other transport costs; inward investment and marketing; planning costs including related plan making; relevant professional expertise (in-house / external); place-making through local regeneration, housing, business support and wider economic development; net zero / decarbonisation; local skills and holistic employability interventions linked to current and future talent pipeline and any capital financing costs incurred in funding such investments. As a result, financially the Council will only be detrimentally affected if those works incur expenditure that falls short of the 50% Business Rates recovery, this risk will be managed through the implementation of the Reinvestment Strategy.</p> <p>The value of the business rates growth to be utilised by Northumberland County Council will be dependent upon the rateable values of the properties determined by the Valuation Office Agency, the prevailing business rates multiplier set by the Government alongside actual development delivery timescales. Based upon a number of assumptions this could amount to c. £1m per annum locally in the medium term and £4.45m per annum in the longer term in relation to the Blyth Energy Central site. The other 50% retained business rates would be transferred to NEMCA in line with the written agreement (which will incorporate the Reinvestment Strategy) to support investment to deliver the NEIZ (which could include additional investment in Blyth Energy Central); under the current Business Rates retention model the Council pays this 50% over to Central Government.</p>
<p><b>Legal</b></p>	<p>The formal designation of the NEIZ, including the inclusion of the Blyth Energy Central and its final red line boundary as a tax site, will be determined by the Government through secondary legislation.</p> <p>A form of written agreement will need to be entered into between the Council and the Combined Authority in respect of the operation of the BRR Site and Reinvestment Strategy.</p> <p>The approval sought is to commit the designation of the Blyth Energy Central Site as an IZ Intervention Site, and more specifically a BRR site. This designation (for 25 years) means the Business Rates that would ordinarily be retained by NCC (up to 50%) along with the other 50% that would normally be</p>

	<p>transferred to central government will be retained within the region. As highlighted in the Finance and Value for money implication section, the Reinvestment Strategy agreed between NCC, NEMCA and the remaining constituent authorities sets out that the first call on those funds is to meet costs incurred by the host authority to fund expenditure that will be incurred by the relevant billing authority for a range of activities necessary for the Investment Zone to be successful and for there to be local benefits.</p> <p>Any grant funding to be secured from Flexible Spend resource (see paras 5.15 – 5.20 above) for the benefit of Blyth Energy Central will be subject to separate review / approvals at the appropriate time regarding the funding and delivery arrangements for the relevant eligible projects.</p>
<b>Procurement</b>	N/A
<b>Human resources</b>	N/A
<b>Property</b>	N/A
<b>The Equalities Act: is a full impact assessment required and attached?</b>	<p>No - not required at this point</p> <p>Northumberland County Council seeks to actively narrow inequality under the terms of the Equality Act 2010 and we will undertake an equality impact assessment for the Investment Zone when further details have been agreed with Government.</p>
<b>Risk assessment</b>	<p>A detailed risk register for the Investment Zone is currently in development, enabling risks to be monitored and mitigating actions to be introduced. Going forward, these risks will be monitored through the NEMCA Finance and Investment Board and in relation to Northumberland through the Economic Development &amp; Growth Programme Board</p>
<b>Crime and disorder</b>	N/A
<b>Customer considerations</b>	<p>Stakeholders have been engaged in the development of project proposals</p>
<b>Carbon reduction</b>	<p>The activity described within this report is considered to positively support the climate change priorities of Northumberland County Council, given the focus of the NEIZ on low carbon sectors. The Blyth Energy Central Investment Zone provides a platform to drive forward the UK's net zero ambitions whilst unlocking new economic growth, investment and job creation opportunities.</p>

<b>Health and wellbeing</b>	The activity described within this report is considered to positively support the Inclusive economy priorities of the Northumberland County Council, particularly by supporting the development of jobs and through skills interventions to support access to employment which will have a positive impact on the Health and Wellbeing of residents.
<b>Wards</b>	

**8. Background papers**

Not applicable

**9. Links to other key reports already published**

Not applicable

**10. Author and Contact Details**

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## **Appendix 1 – North East Business Rate Retention Reinvestment Strategy**

The Business Rate Retention Reinvestment Strategy has been agreed with Government as part of the co-design process in consultation with all North East local authorities and will be incorporated into a written agreement between NEMCA, as the accountable body, and the local authorities hosting business rate retention sites.

### **Objectives**

The business rates reinvestment strategy sets out details of how business rates will be reinvested over the 25-year life-time of the Investment Zone.

The objective of the business rates reinvestment strategy is to maximise the impact of the Investment Zone and ensure that delivery meets the objectives agreed for the NEIZ locally and with Government:

- Unlock substantial private sector investment and job creation, as a flagship Levelling Up intervention
- Stimulate economic benefits that are felt across the region as a whole, contributing significantly to delivery of devolution objectives of creating good jobs and reducing inequality
- Support the transition to net zero – both nationally and regionally.

These objectives incorporate Government's policy ambition for Investment Zones, and the criteria that NEMCA is required to demonstrate for the use of retained business rates:

- (i) provide for local economic growth within the region;
- (ii) support existing local strategies with a focus on growth;
- (iii) support the priority sector within the Investment Zone;
- (iv) and represent value for money for the government.

The objectives and proposed activities to be supported through the reinvestment strategy also align with the opportunities and challenges we have set out in relation to clean energy and green manufacturing;

- Improving the conditions for growth in the advanced manufacturing and offshore wind clusters, to make the conditions more supportive for investors and firms compared to international competitors.
- Land remediation, land assembly and investment in infrastructure to enable the sites under consideration, including where costs have increased due to inflation and economic shocks in recent years
- Skills and recruitment challenges for engineering and advanced manufacturing roles across levels 2 to 7 to meet industry needs.
- Limited supply of industry-specific battery technicians and skills associated with Power Electronics Machines & Drives, given these are emerging high-growth sectors with a highly competitive environment globally for recruitment of skilled workers and attraction of mobile investment projects.

### **Approach**

A sequential approach will be taken to the reinvestment of business rates – based on the principles of maximising impact, whilst taking a fair approach across the four NEIZ Intervention Sites but recognising that we only have two Business Rates Retention sites.

Strand 1 will focus on investment that both directly and indirectly supports growth of the Investment Zone, its priority sectors and clusters and their wider economic ecosystem. The wider economic ecosystem, including place-making, is important in ensuring the success of the sites and associated sector growth by ensuring the quality of place and enabling environment is able to support the growth targeted, the communities it will support, and be where people in high-skilled jobs want to live and work.

Strand 2 will focus on investment that both directly and indirectly supports growth of the Investment Zone, its Intervention Sites and its priority sectors and clusters and their wider supply chains and ecosystem. In the short and medium term of the Investment Zone this will be important to help accelerate growth at the Intervention Sites, with less emphasis anticipated as sites become fully developed.

Strand 3 is broader and matters to ensure the long term inclusive economic growth outcomes of the Investment Zone aligned with the NEMCA Devolution Deal can be realised. It will focus on investment that both directly and indirectly supports growth of the Investment Zone with a greater emphasis on the wider ecosystem and low carbon economy. This is expected to support growth in the early years, becoming increasingly important in the medium to longer term of the lifetime of the Investment Zone. Inter-dependencies in terms of supply chains, process innovation & digitisation, skill requirements - across the low carbon economy and its wider supply chains and support services - underline the importance of building in this reinvestment as part of the overall strategy to optimise outcomes associated with the Investment Zone, its growth and associated reinvestment across its lifetime.

It is the intention to deploy IZ flexible spend first (with the focus proposed to be on infrastructure, skills and innovation), with spend against retained business rates to follow as that revenue becomes firmer on a phased basis. The overlap in categories between elements of the reinvestment strategy and those proposed for flexible spend reflects these being the key anticipated areas of need (rather than a proposal for co-investment of flexible spend with retained business rates). It is anticipated that the greatest amount of investment overall will be in infrastructure, followed by skills and innovation.

1. First, income will be used to meet costs which would otherwise be incurred by the host local authority in enabling growth of the Intervention / Tax / BRR site and ensuring that the benefits associated with delivering against the IZ objectives are maximised and felt by the local community.

The cap on this element of reinvestment will set at an amount equivalent to the income that the local authority would have received through from business rates growth under the normal business rates regime prior to a re-set / future re-sets if the site had not been put forward for business rates retention. This is expected to be approximately 50% of the uplifted retained rates (with adjustments to reflect future re-sets). It will include expenditure that which will be incurred by the relevant local authority for a range of activities necessary for the IZ to be successful and for there to be local benefits. These could include: site preparation and enabling infrastructure; highways and other transport costs; inward investment and marketing; planning costs including related plan making; relevant professional expertise (in-house / external); place-making through local regeneration, housing, business support and wider economic development; net zero / decarbonisation; local skills and holistic

employability interventions linked to current and future talent pipeline and any capital financing costs incurred in funding such investments.

2. Second, interventions which are expected to maximise private sector investment and job creation in clean energy and green manufacturing at the four intervention sites, and to ensure that the benefits of delivering against the Investment Zone objectives are felt across the region as a whole.

The initial priorities for this funding include: site preparation and enabling infrastructure; inward investment; skills investment; and research and innovation.

This will provide the potential to continue to fund interventions which would be covered through the IZ flexible funding in the first five years of the Investment Zone. It will also provide a mechanism to deliver interventions necessary to achieve the full potential of the sites, where costs would otherwise have to be met locally or where future growth potential would be stalled.

Skills interventions to meet the needs of IZ sectors could occur at institutions right across the NE, ensuring that residents right across the area are able to access opportunities arising from the Investment Zone.

3. Third, to fund interventions which will support growth of the low carbon economy over a wider geography.

The initial priorities for this funding include: site preparation and infrastructure; inward investment; skills investment; and research and innovation.

This recognises the wider ecosystem which will be important to maximising the overall impact of the delivery against the IZ objectives. This investment is expected to be able to be increasingly prioritised over time, as the full potential of Intervention Sites is realised and as the stock of resources being generated through business rates retention increases.

### **Decision making**

NEMCA will work closely with key partners to bring forward proposals for funding:

- With business, education, skills (HE and FE) and catapult partners through the 'Knowledge Anchor' partnership to take forward the development of IZ skills and innovation proposals aligned with the IZ sectors and anticipated growth.
- With landowners, developers and key businesses/investors to address infrastructure, remediation and connectivity works needed across the sites and develop a rolling pipeline of investment to unlock growth.

Decision making for the first category of BRR reinvestment will be made within the host local authority in line with the principles of the agreed re-investment strategy and Memorandum of Understanding between NEMCA and each host authority. The relevant local authority Section 151 officer will confirm activities and expenditure to the NEMCA Section 151 officer on an annual basis (as a minimum), and these will be reported through the NEMCA IZ Governance arrangements.

Decision making for the second and third categories will be determined using the Combined Authority's agreed Investment Fund Assurance Process. Decisions on

funding will be taken with agreement of the NEMCA Cabinet, with advice provided by the Finance & Investment Board, and aligned with delivery of IZ outputs and outcomes. The Investment Zone Advisory Board will also play a key role, through its work in ongoing policy development in relation to the IZ, as well as delivery oversight and monitoring.

These arrangements will be detailed in a written agreement between NEMCA, as the accountable body, and the local authorities hosting business rate retention sites. This will include arrangements in relation to monitoring of reinvestment to support Investment Zone objectives, its Intervention Sites, the growth unlocked, and the development of the wider economic ecosystem.

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