

**City of Nottingham and Nottinghamshire Economic Prosperity
Committee – 21 July 2023**

Subject:	East Midlands Investment Zone		
Presenting authority / representative):	Joelle Davies, Group Manager for Growth, Infrastructure and Development, Nottinghamshire County Council Joe Battye, Director of Economy & Regeneration, Derbyshire County Council		
Report author and contact details:	Andy Evans, Project Co-Ordinator, andy.evans@nottscc.gov.uk		
Other colleagues who have provided input:			
Key Decision	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	Subject to call-in <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Value of decision: Not applicable	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital		
Authorities affected: East Midlands Combined County Authority	Date of consultation with relevant authorities: Not applicable		
Summary of issues (including benefits to citizens/constituent authorities): The Government's Investment Zone initiative, announced in March 2023, has the potential to offer significant economic benefits for our local area. The Department for Levelling Up, Housing and Communities (DLUHC) has identified the proposed East Midlands Combined County Authority (EMCCA) as one of eight areas within England that could apply for Investment Zone status. This report updates members on the latest position in developing the East Midlands Investment Zone (EMIZ) proposition, outlining work to date and next steps.			
Exempt information: None			
Recommendation(s):			
1) Members note the progress on developing the East Midlands Investment Zone; 2) Members receive a further update report after Gateway Stage two has been concluded.			

1. Reasons for recommendations

- 1.1 To ensure that members of the City of Nottingham and Nottinghamshire Economic Prosperity Committee (EPC) are briefed and kept up to date on the development of the EMIZ proposal, which has the potential to offer significant economic benefits for our region.

2. Background (including outcomes of consultation)

- 2.1 The Department of Levelling Up, Housing and Communities (DLUHC) launched the Investment Zone (IZ) initiative in March 2023.
- 2.2 Within the IZ policy framework, the Government has set out an ambitious plan for growth and prosperity, rooted in boosting the UK's potential as an innovation nation, growing strengths in key industries to support national priorities, and levelling up communities across the country.
- 2.3 The overarching ambition and policy model for Investment Zones provides a framework for selected areas to start building a local coalition of partners and work up proposals through discussion with Government.
- 2.4 DLUHC identified eight areas within England that could bid for Investment Zone status – the proposed East Midlands Mayoral Combined County Authority (EMCCA) being one of these. The report presented today updates members on the latest position regarding the continued development of the zone and its key elements.

- 2.5 The Investment Zones programme is a critical part of the Government's plan for growth, aimed at catalysing a small number of high-potential clusters in areas in need of levelling up to boost productivity and growth. The IZ initiative aims to catalyse a small number of high-potential clusters around give priority sectors: digital and tech, green industries, life sciences, advance manufacturing and creative industries.
- 2.6 The development of the East Midlands Investment Zone (EMIZ) is required by DLUHC to pass through five Gateway stages, requiring progressively more detailed information. Gateway 1 the Vision was approved by Government on 10 May 2023. As part of a co-design process, the draft Gateway 2 template focusing on the sector and geography was submitted to DLUHC, and the Gateway Two meeting took place on 14 June 2023.
- 2.7 Successful IZs will receive a funding envelope which can be used flexibly across a range of fiscal incentives over a five-year period. The tax reliefs include stamp duty land tax, business rates and enhanced capital allowance. IZs can also receive 100% of the business rates growth in designated sites above an agreed baseline for 25 years. These are known as Business Rate Retention (BRR) sites. The retained BRR "pot" must be used to support further interventions in the chosen sectors.
- 2.8 Government is offering a total funding envelope of £80m over five years (plus Business Rates retention) through a package of flexible incentives. These include:
- Up to £80m spending split between revenue funding (40%) and capital funding (60%), although the level of spending will be reduced in direct proportion with the tax incentives (below);
 - Tax incentives for investment over a five-year period on a maximum of 3 x 200 ha sites, which can include full Stamp Duty relief, business rates relief, employer national insurance contributions, enhanced capital allowances, and enhanced structures and buildings allowances. The value of the tax incentives will be estimated based on proposals for the designated sites, up to £45m.
 - Two sites will attract full business rates retention over 25 years above a pre-determined baseline free from resets. Retained business rates should be re-invested in the priority sector, not just the site.
 - Coordinated government support for trade and investment, planning and skills.
- 2.9 City, county, district and borough authorities are expected to work together to agree a share of the business rates growth to the Combined Authority. This will require a Reinvestment Strategy to be determined by the EMCCA.
- 2.10 The EMIZ proposal is being developed in accordance with policy guidance by a project team from county and unitary authorities. Research partners (the University of Nottingham, University of Derby and Nottingham Trent University) and the D2N2 LEP are actively engaged in the development of the Investment Zone.
- 2.11 Green industries is the primary priority sector for the EMIZ proposal. By utilising existing industrial and innovation assets, the IZ will build upon the region's established Low Carbon and Environmental Goods and Services

sector, which includes advanced engineering and energy sector activities, to develop innovative nuclear (fission and fusion), hydrogen, renewable energy and future fuel technologies. The second priority sector for the EMIZ proposal is 'advanced manufacturing' which has significant opportunities to promote transition to net zero and green industries.

2.12 The following opportunities within the EMCCA's green industry and advanced manufacturing sectors have been identified:

- Nuclear Energy - the East Midlands hosts a burgeoning nuclear industry and regional investment base. Rolls-Royce SMR in Derby is leading the deployment of commercial fission energy, and Rolls Royce have announced major expansion of its nuclear submarine operations in Derby to service the AUKUS contract for the Australian Navy. In addition, the region has been chosen as the home of the UKAEA's ground-breaking STEP fusion energy and R&D campus at West Burton in Nottinghamshire.
- Zero Carbon Propulsion - building on the track record of innovation in electrification and hydrogen in support of future mobility products from Rolls-Royce, Toyota, Alstom, there is the opportunity to attract supply chain firms covering the development of power electronics, electrical motors and liquid hydrogen for high power applications.
- Renewable Energy and Green Sustainable Construction - covering energy generation, storage and distribution, and transition to low carbon buildings and retrofits to support the development of sustainable communities.

2.13 Building upon identified assets and opportunities within the region, the physical development of the EMIZ ecosystem will be focused upon core nodes. Site designations will support investment around these nodes:

- **Nuclear Supply Chain (Infinity Park Derby)** – adjacent to the main Rolls Royce campus, Infinity Park Derby (IPD) offers a unique opportunity for further growth and expansion of nuclear related facilities to support both the development of civil and defence related nuclear applications. Rolls Royce is the leading UK investor in fission innovation and products. It opened the innovative Nuclear Skills Academy in 2022 and the EMIZ can play a crucial role in incentivising businesses in the supply chain to expand, grow and cluster. **IPD is proposed as a site for tax incentives and business rates retention.**
- **Green Industries Corridor** – several opportunities exist within Derbyshire and Nottinghamshire. **Proposals for securing future investment are currently being progressed as the preferred option for tax incentives and business rates retention for a range of sites taken as one entity.**

2.14 The **STEP Campus at West Burton** will be an integral part of the Green Industries ecosystem. This, along with the East Midlands Freeport, will bring significant sector investment. The project team will continue to refine the site designations to maximise the contribution of the Investment Zone to these sites and sector objectives.

- 2.15 The process has been paused at Gateway Stage two while DLUHC assess the proposed sites and their appropriateness for tax and Business Rate Retention sites.

As well as concluding the Gateway 2 Sector & Geography, the project team is scoping the requirements for Gateway 3 Governance. Key details for inclusion within the submission to Government include:

- The governance structure that will oversee the EMIZ and relationship with established/emerging structures for the EMCCA;
- Arrangements for governance and delivery alongside the East Midlands Freeport;
- The team structure for design and delivery of the EMIZ and associated interventions;
- Arrangements for EMIZ engagement with research institutions and businesses;
- Arrangements for EMIZ engagement with Local Planning Authorities and billing authorities;
- Details of engagement with constituent local authorities as part of the EMIZ co-development process and confirmation that they have consented to proposals for the EMIZ and arrangements to share business rates growth within the designated BRR sites that they will collect;
- Details of any specialised delivery vehicles that will be employed to secure the intended EMIZ outcomes; and
- Details of active engagement with local MPs and other relevant stakeholders.

- 2.16 Subject to passing the current Gateway, the development of the EMIZ proposal will continue as follows:

- Gateway 3: Governance – internal governance and management arrangements;
- Gateway 4: Interventions – details of proposed interventions across the Investment Zone and associated financial appraisals;
- Gateway 5: Delivery plan – delivery structure and timescales;
- Final approval – targeted for March 2024, enabling the Investment Zone to be formally established in April 2024.

3. Other options considered in making recommendations

- 3.1 Not updating the EPC was not considered a suitable option given the significance of the EMIZ proposition to economic growth in our region. The EMIZ has the potential to offer significant benefits for partners across the region. An example of this is through the work university partners are progressing to develop a zero carbon “innovation ecosystem” across the region, building on existing strengths and bringing together the myriad of skills, innovation and growth initiatives currently in development. This is highly relevant to the work of the EPC.

4. Consideration of Risk

- 4.1 Key risks and issues at this stage are as follows:

- Approvals – the risk the EMIZ doesn’t secure the necessary consensus and approval from all constituent authorities. This risk is being mitigated through

the involvement of constituent authorities in the project team, where the city and county councils play a key role in shaping the project.

- Approvals – the risk that the East Midlands Investment Zone does not secure necessary approvals from Government to proceed to the next Gateway. This risk is being mitigated through close engagement with responsible officers at DLUHC;
- Agreement – the risk that landowners do not agree to participate in the EMIZ proposal;
- Timescales – the risk that timescales for securing necessary approvals and implementing delivery arrangements are not achievable. The project team is working collaboratively with East Midlands partners and Government to progress through the Gateways as part of a staged process;
- Governance – challenges associated with putting in place clear governance arrangements in advance of establishing the East Midlands County Combined Authority.

5. **Best Value Considerations, including consideration of Make or Buy where appropriate**

5.1 Not applicable – update report only with no financial implications.

6. **Finance colleague comments (including implications and value for money/VAT)**

6.1 (To follow)

7. **Legal colleague comments**

7.1 As this is a progress update report it raises no significant legal issues for consideration.

Malcolm R. Townroe – Director of Legal and Governance, Nottingham City Council – 13 July 2023

8. **Other relevant comments**

8.1 Not applicable.

9. **Equality Impact Assessment (EIA)**

9.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because it will need to be completed as the project progresses.

Yes



10. **Data Protection Impact Assessment (DPIA)**

10.1 Has the data protection impact of the proposals in this report been assessed?

No



A DPIA has not yet been completed due to the current scoping stage of the project. The need for a DPIA will be considered at a later date.

Yes

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11. Carbon Impact Assessment (CIA)

11.1 Has the carbon impact of the proposals in this report been assessed?

No

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A CIA is not required because it is likely that a CIA need to be completed at a future stage of the project.

Yes

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12. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

12.1 Not applicable

13. Published documents referred to in this report

13.1 [Investment Zones - GOV.UK \(www.gov.uk\)](http://www.gov.uk)