

**CARDIFF CAPITAL REGION CITY DEAL
JOINT OVERVIEW AND SCRUTINY COMMITTEE**

7 DECEMBER 2023

INVESTMENT ZONES

REPORT OF CLUSTER, SKILLS AND INNOVATION TEAM

1 PURPOSE OF THE REPORT

- 1.1 To provide members of the Joint Overview and Scrutiny Committee (CCRCD JOSC) with the opportunity to review the work completed to date in response to UK Government Investment Zone policy.
- 1.2 For JOSC to scrutinise and challenge progress to date and take a view on the next steps set out in the report in order to take a view on whether these are deemed to be appropriate.

2. RECOMMENDATIONS

- 2.1 Review positioning paper (Item 8) presented to Regional Cabinet on 9 October 2023, attached at Appendix B.
- 2.2 Review the agreed position taken at Regional Cabinet on 9 October 2023.
- 2.3 Consider most recent updates presented to the Regional Cabinet briefing for discussion on attached at Appendix C.
- 2.4 Consider and determine any other matters that members may wish to scrutinise over the period from the initial Spring Budget announcement that an at least one Investment Zone would be located in Wales.

3. BACKGROUND

- 3.1 In March 2023 the UK Government (UKG) launched a refocused programme of Investment Zones (IZs) that aim to catalyse 12 high potential, knowledge-intensive growth clusters across the UK regions. Each of the chosen regions will drive growth of at least one of the UK's 'key future

sectors'; Green Industries, Digital Technologies, Creative Sector, Life Sciences and Advanced Manufacturing, further information at [Appendix A](#).

3.2A region will receive £160M in total value from UK Government for Investment Zones, split into two streams; (i) fiscal incentive, (ii) capital and revenue flexible spend. Estimated costs for 600-hectare tax site is c£125M and would be deducted from the total value of £160M. In this example, a 600ha tax site would leave c£35M for horizontal levers to embed benefits in the local economy and labour market through schemes such as skills packages, research and innovation grants, and accelerated site development initiatives. The policy is 10 years in length.

3.3A designated business rate retention area is available with a maximum of 600 hectares and across two different sites, for a period of 25 years that can be linked directly, indirectly, or not at all to the fiscal incentives site(s). This will be the WG contribution.

4. PROGRESS TO DATE, AUTUMN STATEMENT 2023 AND NEXT STEPS

4.1 Autumn Statement announcement states that the investment zones in Wales will be delivered by the Corporate Joint Committees. This complements the position taken by Regional Cabinet at its meeting on 9 October 2023.

4.2 Attached at [Appendix B](#) is the Regional Cabinet briefing paper outlining proposed next steps, see summary below points 3.3 to 3.7.

4.3 The development of the IZ will entail interrogating opportunities across and beyond CCR's priority clusters and will consider digital technology and data as enablers for growth.

4.4 We do not anticipate that the technical requirements for a proposal will differ dramatically from the proposal development process in England – possibly with a Welsh flavour reflecting the Innovation Strategy in Wales for example.

4.5 The CCR team is liaising with UKG and WG officials to understand the next steps of the process and give an interim report back to Regional Cabinet on 4 December.

4.6 The Investment Zone should also be considered as part of a wider set of opportunities. With the potential that exists around Fund 2, the prospect of additional R&D funding, and the opening of UKIB for investment in innovation infrastructure – Investment Zones should be viewed as seeds and catalysts for bolder, bigger, sustainable, and inclusive growth.

4.7 Aligned with this, is building the delivery capability of the region through the Corporate Joint Committee. This will advance the region's capacity and capability and achieve better co-ordination to leverage benefits through multi-level governance.

4.8 As the work continues in parallel on the Economic Review, consideration should also be given to the potential for CCR to be bold about its ambitions to lead a new brand of contemporary place-based industrial policy.

5. FINANCIAL IMPLICATIONS

5.1 This report does not identify any additional financial implications. It sets out the background to and key principles in the development of a CCR based regional Investment Zone.

5.2 Any funding implications arising as a result of progress in this regard will be the subject of future reports to JOSOC.

6. LEGAL IMPLICATIONS

6.1 The report sets out proposals for further work to be carried out to develop proposals for the various projects referred to.

6.2 The report sets out proposals for further work to be carried out to develop proposals for the various projects referred to.

6.3 When developing proposals for individual projects, the provisions of the Joint Working Agreement in relation to the delivery of the Cardiff Capital Region City Deal ('the JWA').

6.4 In addition, the following should be considered generally as part of any proposals:

By way of example only, consideration will need to be given to;

- a) the legal powers available to the Councils and the Regional Cabinet to provide the various forms of investment proposed;
- b) the governance arrangements that should be put in place to administer the Funds (how and by whom decisions will be taken to award grants, loans, provide guarantees etc. at varying financial thresholds);
- c) the terms and conditions that should be attached to the various proposed funding arrangements; and,
- d) consideration of any planning law issues, state aid/subsidy control and procurement law implications.

Appendices:

Appendix A Investment Zone Guidance

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1142995/Investment_Zone_Policy_Prospectus.pdf

Appendix B Regional Cabinet Report and Appendices – 9 October 2023

Appendix C Regional Cabinet Briefing Note – 24 November 2023.

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