

CABINET MEETING – 31 January 2024

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Investment Zone

Author(s):

Executive Director of City Development

Purpose of Report:

This report provides 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 (BRR) Site in Sunderland.

Description of Decision:

Cabinet is recommended to:

- (i) Note the proposals in relation to the North East Investment Zone (NEIZ), including the inclusion of the International Advanced Manufacturing Strategic Site (IAMSS) as an IZ Tax Site;
- (ii) Approve the inclusion of IAMSS as a IZ BRR Site, noting the agreed NEIZ Business Rates Reinvestment Strategy (attached at Appendix 1) and for the Council to enter into an agreement with the Combined Authority in connection with the IAMSS BRR Site on such terms as approved by the Director of Finance, in consultation with the Executive Director of City Development and the Leader;
- (iii) Authorise the Chief Executive, in consultation with the Executive Director of City Development, Director of Finance and the Leader, to finalise the elements of the NEIZ proposal specific to the Council in conjunction with the Interim Chief Executive Officer for the North East Mayoral Combined Authority (NEMCA); and
- (iv) Authorise the Executive Director of City Development, in consultation with the Director of Finance and the Leader, to acquire by agreement such land and/or rights as required to secure the comprehensive delivery of the IAMSS in accordance with the NEIZ objectives.

Is the decision consistent with the Budget/Policy Framework? *Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

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 city and wider region. The combination of tax benefits for companies locating and expanding at IAMSS, 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 BRR provide a significant opportunity to stimulate further business investment and economic growth within the IAMSS and the wider NEIZ. This is expected to bring benefit both to the city and its communities and to the region as a whole.

Alternative options to be considered and recommended to be rejected:

The alternative option would be not to agree to the designation of IAMSS as a BRR Site as part of the NEIZ proposal. However this would reduce the overall funding available over time to support growth of the NEIZ 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.

Impacts analysed:

Equality Privacy Sustainability Crime and Disorder

Is the Decision consistent with the Council’s Co-operative Values? Yes

Is this a “Key Decision” as defined in the Constitution? Yes

Is it included in the 28 day Notice of Decisions? Yes

INVESTMENT ZONE**REPORT OF THE EXECUTIVE DIRECTOR OF CITY DEVELOPMENT****1.0 Purpose of Report**

- 1.1 This report provides 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 (BRR) Site in Sunderland.

2.0 Description of Decision

- 2.1 Cabinet is recommended to:

- i) Note the proposals in relation to the North East Investment Zone (NEIZ), including the inclusion of the International Advanced Manufacturing Strategic Site (IAMSS) as an IZ Tax Site;
- ii) Approve the inclusion of IAMSS as a IZ BRR Site, noting the agreed NEIZ Business Rates Reinvestment Strategy (attached at Appendix 1) and for the Council to enter into an agreement with the Combined Authority in connection with the IAMSS BRR Site on such terms as approved by the Director of Finance, in consultation with the Executive Director of City Development and the Leader;
- iii) Authorise the Chief Executive, in consultation with the Executive Director of City Development, Director of Finance and the Leader, to finalise the elements of the NEIZ proposal specific to the Council in conjunction with the Interim Chief Executive Officer for the North East Mayoral Combined Authority (NEMCA); and
- iv) Authorise the Executive Director of City Development, in consultation with the Director of Finance and the Leader, to acquire by agreement such land and/or rights as required to secure the comprehensive delivery of the IAMSS in accordance with the NEIZ objectives.

3.0 Background and NEIZ Proposals

- 3.1 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 (R&D) and Innovation and maximising their contribution to sector growth. The North East was invited to bring forward a proposition when the policy was announced in March 2023 alongside 8 other areas in England. 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.

3.2 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.

3.3 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 scaled across the whole region.

3.4 On 24 November 2023, Government and NEMCA announced that the North East Investment Zone (NEIZ) will focus on Advanced Manufacturing and Green Industries. On the same day, Nissan announced that 3 Electric Vehicle (EV) models will now be manufactured in Sunderland - building on the July 2021 EV36Zero Electric Vehicle Hub announcement including construction of AESC's gigafactory - with a requirement for 3 gigafactories in total and £3bn UK investment expected overall including supply chain investment.

3.5 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 NEIZ have been agreed in principle by Leaders across the region. These details are subject to formal Government approval, which is anticipated in March 2024 and thereafter subsequent implementation of Tax and BRR designations via statutory instrument. In anticipation, reports are to be considered by local authority Cabinets in South Tyneside and Northumberland, as well as Sunderland, in relation to specific geographic decisions required within the region as well as by North of Tyne Combined Authority (NTCA) in relation to proposed interim accountable body functions pending the formation of the NEMCA.

3.6 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.

- 3.7 The NEIZ will have a focus on the following sub-sectors and four 'IZ Intervention Sites', which have been identified given opportunities to support new investment and innovation activity aligned with NEIZ objectives in:
- Offshore energy – Blyth Energy Central and the Tyne Powered Corridor
 - Batteries – IAMSS and Blyth Energy Central
 - Electric vehicles – IAMSS
 - Associated advanced low-carbon manufacturing, materials and research – NETPark (Durham).
- An overview of the opportunity at each of the proposed Intervention Sites is set out in paragraph 3.14 below.
- 3.8 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; and
 - Support the transition to Net Zero – both nationally and regionally.
- 3.9 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 NEIZ, with additional jobs created in construction and across supply chains.
- 3.10 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 for example 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 minimise the risk of displacement within the region.
- 3.11 The region's universities have been actively involved in the development of the NEIZ proposal, and will play a key role in aligning investment, expertise and academic programmes with the NEIZ 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 paragraph 3.3 enabled by the Devolution Deal. Similarly, there will be an important role for colleges and other Further Education institutions particularly in relation to skills.

- 3.12 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 (i.e. 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 paragraphs 3.16 to 3.19 is in addition to this additional flexible spend and will enable investment in infrastructure, skills and innovation.
- 3.13 The approach agreed by Leaders across the region (and subject to final approval from Government) is that the NEIZ should be based on:
IZ Tax sites: IAMSS and Blyth Energy Central; and
IZ Growth Sites: Tyne Powered Corridor and NETPark.
- 3.14 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 Economic 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 (IAMP) and is expected to employ over 1,000 residents when operational in 2025 and Nissan announced further EV 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 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 deliver the projected growth, attracting new businesses in the IZ sectors to the site, and enabling further investment into the innovation, infrastructure and skills offer at NETPark.

- 3.15 In addition, the NE Investment Zone will also have £70m of proposed available flexible funding over the ten years of the NEIZ, with a £7m allocation per year across the NEIZ as a whole. 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. As explained above, this is separate to the additional flexible spend (referenced in paragraph 3.12) 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.
- 3.16 The proposed allocation for this £70m flexible spend in the region across the ten years is:
Skills (£30m);
Infrastructure (£30m);
Innovation (£10m).
- 3.17 The skills resources 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; the intention is also to 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.
- 3.18 The infrastructure resources 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 NEIZ. 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.
- 3.19 The innovation resources 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.
- 3.20 As set out in paragraph 3.12, 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 this additional flexible funding, as set out in paragraph 3.12, will be prioritised for co-investment with the private sector in infrastructure and innovation interventions on the IZ Growth Sites.

- 3.21 The NEIZ proposition also includes two Business Rates Retention (BRR) sites linked to the two Tax Sites at IAMSS and Blyth Energy Central. Cabinet authorisation is therefore being sought from each of the individual local authorities (Sunderland, South Tyneside and Northumberland) for the relevant sites for their designation as BRR sites. These BRR 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 relevant local authority retaining the relevant proportion (49%) of business rates growth until the next business rates reset point. BRR therefore provides the potential for a significant additional funding source for the benefit of the NEIZ..
- 3.22 A 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 paragraph 3.23. Importantly, the Reinvestment Strategy would enable the host local authority to retain the funding which it would otherwise 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 BRR. 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 by the host authority to fund expenditure which will be incurred by the authority for a range of activities necessary for the NEIZ to be successful and for there to be local benefits. The other 50% would be paid to NEMCA to support further investment to deliver the NEIZ (which could include additional investment in the IAMSS site in Sunderland and South Tyneside). It is proposed that these BRR arrangements will be set out in a legal agreement with NEMCA.
- 3.23 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; and
 - 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.

- 3.24 From May 2024, NEMCA Cabinet will become the decision-making body and accountable body for the Combined Authority, including for the NEIZ. The NEMCA Finance & Investment Board will advise the NEMCA Cabinet on IZ investment decisions, whilst also overseeing progress of the NEIZ, 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 NEIZ by Government.

- 3.25 To implement the NEIZ with effect from 1 April 2024, it is proposed that the NTCA will initially act as the accountable body. NTCA Cabinet is being asked to authorise this. Once details of the NEIZ have been finalised, NTCA (subject to NTCA Cabinet authorisation) will enter into a formal legal agreement with Government, taking responsibility as accountable body for: delivery and securing outcomes; financial management; monitoring and reporting. As set out above these responsibilities will then transfer from NTCA to NEMCA from 7 May 2024 once it is formally established.
- 3.26 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 February)
 - Launch of NEIZ (April).

4.0 IAMSS

- 4.1 The NEIZ proposal includes the International Advanced Manufacturing Strategic Site (IAMSS) as an IZ Intervention Site (Tax Site) and as an IZ Business Rates Retention (BRR) Site. The proposed IAMSS IZ Intervention Site includes land in both Sunderland and South Tyneside, bringing together the International Advanced Manufacturing Park (IAMP) with ongoing development at Hillthorn Business Park plus third party land with the potential for further development across IAMSS on a phased basis. The final details of the IAMSS Tax Site and IAMSS BRR Site are still in discussion with Government and expected to be finalised shortly. Whilst the boundaries of the two sites will be similar, in line with Government guidance, the proposed Business Rates Retention Site will exclude land which has been previously designated as an Enterprise Zone (namely IAMP Phase One and Phases One and Two of Hillthorn).
- 4.2 Nissan is recognised globally for its investment in EV production, building on its longstanding track record of automotive manufacturing in Sunderland that resulted in early investment in battery manufacturing with major investment by AESC in its gigafactory at IAMP under way. On the strength of this, the proposed IAMSS IZ Intervention Site is increasingly recognised as a nationally significant location for advanced manufacturing and particularly EV and battery production. This reflects the significance of automotive, advanced manufacturing, and electrification in the city's economy alongside regional strengths across Advanced Manufacturing and Green Industries. The ambition for the IAMSS IZ Intervention Site is to build on this investment to date, including

maximising the economic and social benefits of the Nissan November 2024 investment announcement - with 3 EV models now to be manufactured in Sunderland, with a requirement for 3 gigafactories and with £3bn UK investment expected overall including through supply chain investment.

- 4.3 In addition to the direct tax benefits which will be available to companies locating at, or expanding into additional premises at, IAMSS it is recognised that investment will be required in infrastructure, skills and innovation to maximise economic growth and build on the existing cluster in the priority IZ sectors.
- 4.4 Enabling infrastructure is key to maximising the investment that can be captured at IAMSS and to maximising the benefits of this key sector to the city, its communities, and the wider region. Significant employment opportunities have already been announced, and future investment is expected to create further employment opportunities. This requires an increase in trained residents ready to enter the workforce as well as upskilling in the region's existing workforce to reflect advances in electrification, digitisation and battery manufacturing, with staff progression within the sector expected to create further opportunities. Process innovation and innovation in industrial digitisation will also be key to ensure maximum productivity given the global competitiveness of all investment in relation to EV and battery manufacturing.
- 4.5 Interventions aligned with key investments in this sector, with inward investment enquiries / projects and enabling site-readiness will be developed to unlock growth at the IAMSS IZ Intervention Site alongside similar interventions across the NEIZ as a whole. These will be aligned to the Flexible Spend Intervention areas set out in paragraph 3.16: Infrastructure, Skills and Innovation. A number of the areas highlighted in paragraph 4.4 above will be relevant to other NEIZ Intervention Sites, reflecting the strategic importance of Advanced Manufacturing and Green Industries (EV & Battery Manufacturing and Offshore & Renewable Energy) to the region's economy as a whole. Opportunities for collaborative working (particularly in skills and innovation) will be explored wherever appropriate to maximise the impact of IZ investment.
- 4.6 Further investment in line with IZ objectives is expected to be enabled through the designation of two IZ BRR Sites, including the BRR Site proposed at IAMSS, and subsequent business investment and growth. An overview of the BRR approach, benefits and reinvestment priorities is set out in paragraphs 3.21 to 3.23 and the agreed Reinvestment Strategy is attached at Appendix 1. This embeds continuity of local decision-making and control at current levels in relation to investment within individual host authorities and has been developed in close conjunction with Finance Directors across the region.
- 4.7 Upon formal designation of the IAMSS Intervention Site as a Tax Site and the finalisation of the red line boundary, it is recommended that the Executive Director of City Development is authorised to acquire any third party land interests (in consultation with the Leader and the Director of Finance) within the IAMSS, where this is considered necessary to secure the successful and comprehensive development of the IAMSS in accordance with the NEIZ objectives as stated above. Further, it is anticipated that the future use of compulsory purchase powers may be required to support the comprehensive

delivery of the IAMSS in the public interest and if this is the case a further report will be submitted to Cabinet at a later date in this regard.

5.0 Reason for Decision

5.1 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 city and wider region. The combination of tax benefits for companies locating and expanding at IAMSS, 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 BRR provide a significant opportunity to stimulate further business investment and economic growth within the IAMSS and the wider NEIZ. This is expected to bring benefit both to the city and its communities and to the region as a whole.

6.0 Alternative Options

6.1 The alternative option would be not to agree to the designation of IAMSS as a BRR Site as part of the NEIZ proposal. However, this would reduce the overall investment available over time to support growth of the NEIZ 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.

7.0 Relevant Considerations

7.1 Financial Implications.

Designation of IAMSS 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 growth in line with the agreed Reinvestment Strategy. 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 agreement between the Council and the Combined Authority as required by Government.

The proportion of business rates growth to be retained by the host local authority, in line with the BRR agreement, will be applied to fund expenditure that will be incurred by the relevant billing 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.

The value of the business rates growth to be retained 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. £2m per annum locally in the medium term and £4m per annum in the longer term in relation to the Sunderland element of the IAMSS. The other 50% retained business rates would be paid to NEMCA in line with the legal agreement and Reinvestment Strategy to support investment to deliver the NEIZ (which could include additional investment in the IAMSS).

7.2 Legal Implications

The formal designation of the NEIZ, including the inclusion of the IAMSS and its final red line boundary as a Tax Site, will be determined by the Government through secondary legislation.

A form of legal 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. It is recommended that the Director of Finance is authorised to approve the final terms of this agreement, in consultation with the Leader and the Executive Director of City Development.

Any grant funding to be secured from Flexible Spend resource for the benefit of the IAMSS will be subject to separate approvals at the appropriate time regarding the funding and delivery arrangements for the relevant eligible projects.

In relation to any land acquisitions required for the comprehensive delivery of the IAMSS in accordance with the NEIZ objectives, the Council has the power under Section 120 of the Local Government Act 1972 to acquire land by agreement for the purposes of any of their functions or for the benefit, improvement, or development of their area.

7.3 Equalities

An IAA will be undertaken once the NEIZ proposal has been finalised.

8.0 Background Papers

None

