



Report

Date: 6th December 2023

To: The Chair and Members of Cabinet

Report Title: Investment Zone Designation and Business Rates Retention Opportunity

Relevant Cabinet Member(s)	Wards Affected	Key Decision?
Mayor Ros Jones	Benefit will be felt across city, however the following wards sit within the Investment Zone Opportunity Sites or Business Rate Retention Site: Town Ward, Hexthorpe and Balby North Ward, Balby South Ward, Bessacarr Ward, Finningley Ward, Thorne and Moorends Ward, Stainforth and Barnby Dun Ward, Hatfield Ward, Adwick le Street and Carcroft Ward, Bentley Ward	Yes

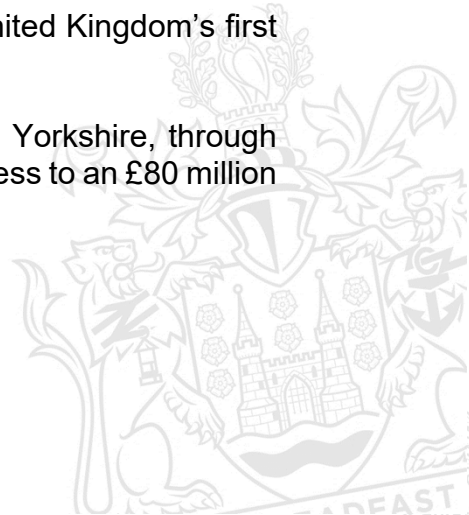
REASON FOR RULE 15 DECISION

The development of the Investment Zone has been through a number of Government Gateways. The timeline for submitting Business Rates Retention information to Government was the end of October, with a further gateway for submitting details of how Business Rate Retention money set for mid-November. Information required for the completion of this report, and therefore the information required by Cabinet to make an informed decision, has only recently been developed and made available. This has meant that it has not been possible to provide the usual 28 days' notice of this decision on the Council's Forward Plan.

The decision is therefore being taken in accordance with Rule 15 General Exception of the Access to Information Procedure Rules detailed at Part 4 of the Constitution. Taking this decision in accordance with urgency arrangements is required as providing the 28 days' notice would lead to a further delay in obtaining the approvals required to proceed with the development of the Investment Zone and Business Rate Retention opportunities before further government legislation announcements.

EXECUTIVE SUMMARY

1. On 14th July 2023, South Yorkshire was announced as the United Kingdom's first Investment Zone, focusing in on Advanced Manufacturing.
2. It was announced that by having an Investment Zone, South Yorkshire, through the South Yorkshire Mayoral Combined Authority, will gain access to an £80 million



pot of Capital and Revenue funding over a period of five financial years, commencing from 2024/2025.

3. However, on 20th November 2023, it was announced that the funding pot would be doubled to £160 million and the funding period would be extended to ten financial years. The financial breakdowns highlighted in this report are primarily in relation to the initial £80 million as proposals for the recently announced increase are still being developed with South Yorkshire Mayoral Combined Authority.
4. To support the targeting of Investment Zone interventions, sites where interventions can be applied were selected. Four 'Opportunity Sites' were selected for Doncaster, with a fifth potential site that may come online later, at Carcroft Common.
5. The four Opportunity Sites have been selected because they are large sites already outlined in the Local Plan as areas for development. In suggested order of priority, they are:
 - **GatewayEast** (subject to an agreement on the operational status of Doncaster Sheffield Airport and the South Yorkshire Airport City programme);
 - **Thorne North**;
 - **City Centre Corridor**;
 - i. **Waterfront**
 - ii. **Minster Canal**
 - iii. **Marshgate (Underdeveloped site & Existing Employment Policy Area)**
 - iv. **Waterdale**
 - v. **Balby Carr**
 - **Unity**;
 - **Carcroft Common** (optional 5th site)
6. GatewayEast has been proposed as a potential Business Rates Retention zone which would last 25 years from the point of designation. This is subject to an agreement on the operational status of Doncaster Sheffield Airport and the South Yorkshire Airport City programme. Only two sites are being proposed for business rate retention across South Yorkshire, with the other being in Sheffield. The Doncaster Zone is the largest of the two South Yorkshire business rate retention zones.

EXEMPT REPORT

7. This report is not exempt.

RECOMMENDATIONS

8. It is recommended that Cabinet formally:
 - designates the Doncaster Opportunity Sites as part of the South Yorkshire Investment Zone including the proposed prioritisation;

- designates GatewayEast, subject to the stipulated conditions, as Doncaster's preferred business rates retention zone, subject to an agreement on the operational status of Doncaster Sheffield Airport and the South Yorkshire Airport City programme.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. The South Yorkshire Investment Zone presents a significant opportunity to help scale up key employment sites and the Advanced Manufacturing sector.
10. The designation of Investment Zone Opportunity Sites, and the future designation of GatewayEast as a business rates retention zone, will help increase investment interventions into the borough that will have an impact on the economic opportunities for residents.
11. The sites identified for the Investment Zone are geographically spread across the borough with every Locality having at least one Investment Zone Opportunity Site. Therefore, whilst the geography of the Opportunity Sites are specifically defined (see Annex B), the positive impacts will be felt across the city, through business investment and job creation.

BACKGROUND

Investment Zones Overview

12. In the 2022 Autumn Statement, the Chancellor announced that the Government would launch a refocused Investment Zones programme, aimed at catalysing a small number of high-potential clusters in areas in need of levelling up to boost productivity and growth.
13. On the 14th July 2023, South Yorkshire was announced as the United Kingdom's first Investment Zone, focusing in on Advanced Manufacturing.
14. The Investment Zone programme will be working across the region and with the Government to ensure delivery can commence from 2024/2025.

£160m Flexible Investment Pot

15. The initial announcement in July 2023 suggested that by having an Investment Zone, South Yorkshire, through the South Yorkshire Mayoral Combined Authority, will gain access to an £80 million pot of Capital and Revenue funding over a period of five financial years, commencing from 2024/2025.
16. However, on 20th November 2023, Government announced that the funding pot would be doubled to £160 million and the funding period would be extended to ten financial years.
17. Given that this increase has only recently been announced, the financial breakdowns highlighted in this report are primarily in relation to the original £80 million. Proposals relating to the recently announced increase are still being developed with South Yorkshire Mayoral Combined Authority.

18. The original £80 million pot is split into £48m Capital (60%) and £32m Revenue (40%)

19. The [South Yorkshire Investment Zone Prospectus](#) (Annex A) outlines four investment themes which have been identified for the spending of the initial £80m pot.

20. The four themes are as follows:

- **Capital, Infrastructure and Feasibility**- to remove viability gaps that are restricting investment. It will support land remediation, small scale infrastructure improvements and co-investment in productivity, equipment, and resource efficiency measures. This fund will also support the expansion of incubation and wet lab space. It will support investors seeking time-limited specialist resource as well as capital investment.
- **Skills Support** – to attract and retain the right people and skills to unlock investor’s business potential
- **Ecosystem Development** – to support a more entrepreneurial environment, focussing Research and Development activity and innovation support to meet the needs of high growth start-up and scaling businesses. Additionally, this will support Supply Chain diversification and development to build capability and competitiveness of suppliers to access regional, national and global growth markets and Original Equipment Manufacturer supply. Activity will bring Small and Medium Enterprises together with businesses looking to diversify their supply base, to adapt their offer to respond to new growth opportunities and to diffuse knowledge and skills through the business base.
- **Operational Capacity** – To support the on-going operation of the Investment Zone will be put into place. Activity will include Comprehensive Marketing and engagement; Intelligence Website; Sector Specialist resource/development; Inward Investment; Future resource needs; and planning system capacity to speed up the administration of applications.

21. South Yorkshire Mayoral Combined Authority have set out a proposed spread of funding for each of these four themes. The proposed spread is as follows:

Theme	Capital	Revenue
Capital Infrastructure and Feasibility (Within IZ geography)	£40 million	
Skills Support (Horizontal intervention: pan-South Yorkshire)		c£10 million (+match)
Ecosystem Development (Horizontal intervention: pan-South Yorkshire)	£7 million (+match)	c£20 million
Operational Capacity (Horizontal intervention: pan-South Yorkshire)	c£1 million	c£2-3 million

22. The criteria for assessment of bids for the initial £80m pot is still being finalised through Government Gateways, but is proposed as follows:
- **Strategic fit:** Does this meet the vision set out in the IZ document? Is there a clear market failure case for investment?
 - **Value for money:** What are the benefits, as compared to the costs?
 - **Match funding:** (Investment Zone Prospectus stipulation) – Does it cross the threshold of at least 60% match funding? Note: 20% is acceptable in exceptional circumstances for horizontal intervention.
 - **Deliverability:** Will the project be delivered over the Investment Zone period? Will it lead to investment over the Investment Zone period? Are appropriate resources in place to secure delivery?
 - **Productivity growth:** Will the proposal deliver productivity growth?
 - **Affordability:** scale of the funding ask
 - **Innovation:** How innovative is the proposal and how does it differ and learn from previous attempts to intervene.
23. SYMCA will also establish a governance board to oversee and manage the utilisation of the £160m pot, with a view to this being operational from the New Year to enable some recommendations to be made to the MCA Board before April when the Investment Zone goes live.
24. To support the targeting of Investment Zone interventions, sites where interventions can be applied to were selected.
25. Four 'Opportunity Sites' were selected for Doncaster, with the opportunity to bring a fifth online in the future.
26. The four Opportunity Sites, in order of prioritisation are:
- **GatewayEast** (subject to an agreement on the operational status of Doncaster Sheffield Airport and the South Yorkshire Airport City programme)
 - **Thorne North**
 - **City Centre Corridor** (Including: Waterfront, Minster Canalside, Marshgate, Waterdale, Balby Carr)
 - **Unity**
27. A fifth site, **Carcroft Common**, has been selected as an optional site, with SYMCA keeping its inclusion in the Investment Zone flexible for the future.
28. Maps of each of these sites can be found in Annex B
- Business Rate Retention Site (GatewayEast)***
29. Currently, local governments retain half of the income from business rates, the other half is paid by councils to central government, which uses the income to fund grants to local authorities.
30. As part of the South Yorkshire Investment Zone, up to 600 hectares could be put forward as sites for business rates retention. This may be one up to 600-hectare site or two up to 300-hectare sites.

31. Chosen sites would benefit from this Business Rate Retention opportunity for 25 years from the point at which the site is designated.
32. GatewayEast has been put forward as a potential site for business rates retention, subject to an agreement on the operational status of Doncaster Sheffield Airport and the South Yorkshire Airport City programme.
33. If this were to come into effect at GatewayEast, a baseline figure would be taken on the business rates income currently collected from the site.
34. After the baseline figure is established, the usual business rate model would be applied to that figure, i.e., 50% of the income below the baseline would be retained locally, and 50% would be paid to central government (the model that has been in operation since 2013/14).
35. If the income generated by business rates at GatewayEast increases beyond that initial baseline, any income generated above that baseline would be 75% retained by Doncaster, 25% would go to South Yorkshire Mayoral Combined Authority.
36. The 75% Doncaster retained element has to be used to further the aims of the Investment Zone; providing for local economic growth within the region, supporting the priority sector within the Investment Zone.¹
37. The 25% retained by South Yorkshire Mayoral Combined Authority must also be used to further the aims of the Investment Zone, and the proposal is to align this with the skills and eco-system elements of the Investment Zone flexible pot. By the nature of the activity they will support, these pots are pan-South Yorkshire and not Investment Zone site specific. This proposal is being submitted to Government for assessment on Friday 17th of November, with Government assessing this into December. The package of proposals will be overseen by a SYMCA governance board (to be established) with approval remaining with the Mayoral Combined Authority Board.
38. So, having an Opportunity Site with Business Rate Retention means that Doncaster would be able to retain more of the income generated from Business Rates, however, it does mean that we are restricted in how we can spend it.
39. The modelling of the business rates is considered below within the financial implications.

OPTIONS CONSIDERED

40. The options for Investment Zone Designation and Business Rate Retention Opportunity are as follows:
 - A. To designate the Four Doncaster Opportunity Sites and agree their prioritisation, and to designate GatewayEast as Doncaster's preferred Business Rate Retention Site, subject to the stipulated conditions.
(Recommended option)

¹ [Investment Zone Policy Prospectus.pdf \(publishing.service.gov.uk\)](#)





- B. To reject the Investment Zone Opportunity Sites and potential share of a £80m (£160m following the Government announcement on the 20th of November) funding pot, and reject the Business Rate Retention opportunity at Gateway East.

REASONS FOR RECOMMENDED OPTION

41. It is recommended to access opportunities presented by the South Yorkshire Investment Zone. These opportunities will help to scale up key employment sites and the advanced manufacturing sector in Doncaster. This will help increase investment for Doncaster and increase economic opportunities for residents.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

42.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 Tackling Climate Change			✓	
<p>There is currently little to no mention of climate considerations in the South Yorkshire Investment Zone Prospectus. There is a potential to have a positive impact on Tackling Climate Change, for example if any capital developments are built sustainably. This also has the potential to drive the decarbonisation of the advanced manufacturing industry by attracting businesses that have climate positive business practices.</p>				
 Developing the skills to thrive in life and in work	✓			
<p>The £160 million funding pot is available for investment in initiatives that fall under 5 themes. One of those themes is 'Skills Support' to 'attract and retain the right people and skills to unlock your business potential'. The Investment Zone opportunity, therefore, has the potential to draw investment to deliver on this Great 8 Priority.</p>				
 Making Doncaster the best place to do business and create good jobs	✓			
<p>The primary aim of the Investment Zone programme is to drive investment and opportunities for businesses across South Yorkshire. The Investment Zones in Doncaster should create more opportunities for the advanced manufacturing industry to develop, which should in turn create more jobs in this sector.</p>				
 Building opportunities for healthier, happier and longer lives for all				✓


There may be some wider benefits of the scheme which could improve the health and wellbeing of residents in Doncaster, for example by increasing job opportunities. However, the overall impact is neutral for this Great 8 Priority.

 <p>Creating safer, stronger, greener and cleaner communities where everyone belongs</p>				✓
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There are neither positive nor negative implications for this Great 8 Priority.

 <p>Nurturing a child and family-friendly borough</p>				✓
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There are neither positive nor negative implications for this Great 8 Priority.

 <p>Building Transport and digital connections fit for the future</p>				✓
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It is possible that the projects developed as part of the Investment Zones programme will have a positive impact on transport and digital connections. However, it is not inevitable as part of the design of the Investment Zone programme that it will have an impact on this Great 8 Priority, it has therefore been listed as having neutral/no impacts. The full impact for this priority will emerge as projects are developed.

 <p>Promoting the borough and its cultural, sporting, and heritage opportunities</p>				✓
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There are neither positive nor negative implications for this Great 8 Priority.

<p>Fair & Inclusive</p>				✓
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An initial Due Regard Assessment has been completed in line with the corporate approach. Through this process it has been concluded that the overall Investment Zone programme has a neutral/no impact on Fairness an Inclusion in Doncaster. However, it provides a strong foundation from which fairness and well-being can be supported. As specific projects are developed as part of this programme, they will all go through a due regard process to understand the ways in which fairness and inclusion can be promoted.

Legal Implications [Officer Initials: PC | Date: 23/11/23]

43. Section 1 of the Localism Act 2011 gives the Council the power to do anything that individuals may generally do.
44. S111 Local Government Act 1972 states that a Council shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.
45. By agreeing to the designation of the Opportunity Sites in Doncaster, the City is afforded the chance to bid for funding from the South Yorkshire Mayoral Combined Authority from the £160m pot as detailed within this report.
46. Should the Council be successful in bidding for funding in respect of any of the Opportunity Sites, it will need to enter into a funding agreement with SYMCA for the delivery of the relevant Investment Zone project.
47. The project manager must ensure that they are able to comply with the terms and conditions of any such funding agreement and that the outputs are achievable. Failure to do so could result in claw back of the funding.
48. When administering funding, if making grants to outside bodies the relevant Director must ensure that Financial Procedure Rules are complied with to ensure that the Council's interests are protected at all times and there should be appropriate pass down of relevant obligations to third party funding recipients in suitable funding agreements.
49. Goods and services being procured with the funding should be undertaken in accordance with the Council's Contract Procedure Rules and where applicable, the Public Contracts Regulations 2015.
50. In administering the funding, the Council must also ensure that it meets any applicable subsidy control requirements. Further legal advice can be provided upon this as the funding is administered.
51. This decision is being taken in accordance with the Council's Access to Information Rule 15, General Exception. The potential negative affect of any delay in taking this decision would mean that it would not be practical to provide the 28 clear days' notice normally required for a key decision.

Financial Implications [Officer Initials: MS | Date: 23/11/23]

52. By agreeing to the designation of the opportunity sites in Doncaster, the city gains access to the £160m pot of funding detailed above. Doncaster does not get a specific share of that funding, instead request will be assessed alongside others from the region.
53. As stated above designation as an Investment Zone enables business rates, above a baseline, to be retained regionally (75% retained by Doncaster, 25% would go to South Yorkshire Mayoral Combined Authority). This applies for 25 years from the point at which the area is designated.

54. Business rates income uplift generated above the baseline on Investment Zone business rate retention sites, will not be included in any rate resets and this will ensure any income above current baselines in Investment Zones will be disregarded for the purposes of calculating “cost neutrality” when devolving new responsibilities to Local Government and for the purposes of working out tariffs and top-ups. This approach means a Billing Authority with a Business Rate Retention area should be no worse off than under existing circumstances.
55. Modelling of the estimated business rates shows that up to £52m in total could potentially be generated over the next 10 years. That total would be split between the Council (75% = £39m) and SYMCA (25% = £13m). The modelling also shows that the annual income from the site could be £13m after 10 years (split £9.8m CDC and £3.2m SYMCA). However, it is worth noting that such development is dependent upon an operational airport being in place. These conditions are set out within the Local Plan – Policy 6 ([Local Plan - City of Doncaster Council](#)).
56. The table below shows the key assumptions underpinning the modelling:-

Undeveloped land	124 hectares (1.24m square metres)
Deflation factor (for infrastructure etc)	75%
Rateable value per square metre	£40
Multiplier	49.9p
Growth rate	10% per annum from year 4 onwards

57. It is possible that the business rates receivable could be significantly different to what the modelling shows, as growth may be slower (or faster) and rateable values may differ from the average used.
58. Designation as a Business Rate Retention Zone means the additional business rates must be spent on ‘providing local economic growth within the region, supporting the priority sector within the Investment Zone’.²
59. It should be noted, that under the current arrangements (i.e., without Business Rate Retention Zone designation) and modelling assumptions, the Council would benefit from 50% of the growth (£26m over 10 years) but that growth would probably be slower without the incentives created by the Investment Zone designation.
60. The Council’s medium-term financial strategy does not include any additional business rates in relation to the GatewayEast site.

Human Resources Implications [Officer Initials: KG | Date: 10/11/23]

61. There are no specific HR implications arising from this report however there may be Human Resource implications within specific projects arising from the strategy; these will be included in the appropriate individual reports

Technology Implications [Officer Initials: PW | Date: 08/11/23]

² [Investment Zone Policy Prospectus.pdf \(publishing.service.gov.uk\)](#)

62. It is assumed that the existing NEC Revenues and Benefits system will have some form of marker that will identify any proprieties that are within the proposed Business Rate Retention Site and therefore attract the higher retention rate. As such, there are no anticipated technology implications or system development work needed in relation to this report.

RISKS AND ASSUMPTIONS

63. Being the first Investment Zone announced by the Government was a real positive for South Yorkshire. This pace of development has been maintained to ensure the Investment Zone can go live in April 2024. The suggestion of Opportunity Sites outside of the spatial core was pushing beyond Government policy and has now been accepted by Government. The development of the criteria and approach for utilising the flexible £160m has intentionally been focussed on establishing a broad framework through which calls to action can be made. Risks and assumptions have therefore been actively managed and designed into the process to retain flexibility with checks and balances. Ultimately, the Investment Zone delivery sits with the South Yorkshire Mayoral Combined Authority Board.

CONSULTATION

64. The development and selection of the Investment Zone was led by the South Yorkshire Mayoral Combined Authority as the designated body by the Government. Consultation was undertaken with key members and senior leaders of the City of Doncaster.

65. Individual projects emerging from the Investment Zone programme will be subject to consultation. The nature and extent will be dependent on the projects in question.

BACKGROUND PAPERS

66. Background Papers in support of this report are:

- Annex A: South Yorkshire Investment Zone Prospectus
- Annex B: Investment Zone Opportunity Sites Maps

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

67. CDC = City of Doncaster Council

68. SYMCA = South Yorkshire Mayoral Combined Authority

REPORT AUTHOR & CONTRIBUTORS

Jonathan Bucknall, Head of Strategic Investment & External Funding

01302 734547 | jonathan.bucknall@doncaster.gov.uk

Emily Adams, Senior Programme and Project Manager

01302 736415 | emily.adams@doncaster.gov.uk

Debbie Hogg, Director of Corporate Resources

01302 736907 | Debbie.hogg@doncaster.gov.uk