

## Environment and Economy Overview and Scrutiny Committee

<b>Date of Meeting</b>	16 July 2024
<b>Report Subject</b>	Investment Zone for Flintshire and Wrexham
<b>Cabinet Member</b>	Cabinet Member for Climate Change and Economy
<b>Report Author</b>	Chief Officer (Planning, Environment and Economy)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The UK Government Autumn Statement 2023 included the announcement of a proposed Investment Zone for Flintshire and Wrexham, to be led by the North Wales Corporate Joint Committee (NWCJC). The Investment Zone will focus on the nationally important cluster of advanced manufacturing businesses in Flintshire and Wrexham to enable the sector to thrive, expand, increase skills and wages and increase their contribution to the economy of the region.

This report provides a summary of the Investment Zone programme and the progress made to date on its development in Flintshire and Wrexham. Whilst the announcement of a General Election has created a degree of uncertainty to the process, development work on the Investment Zone has continued in readiness for further discussion with the two governments post-election.

### RECOMMENDATIONS

1	That Members recognise the progress of work on the Investment Zone and supports the Council to work with Wrexham County Borough Council and the Corporate Joint Committee to work at risk through the required Gateways outlined over the next six months, to secure the funding of £160m over the next 10 years.
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## **REPORT DETAILS**

<b>1.00</b>	<b>Explaining the Investment Zone</b>
1.01	The approach to developing Investment Zones in Wales has been co-produced by the UK Government and the Welsh Government, as set out in the Investment Zone Policy Prospectus, which was published in March 2023.
1.02	Investment Zones are intended to “boost productivity” and “increase innovation” through interventions that grow “knowledge-intensive clusters” that are underpinned and leveraged by research activity. Investment Zones are targeted at areas with a significant cluster of employment and research capability in one of the priority sectors, advanced manufacturing in the case of Flintshire and Wrexham.
1.03	The UK Government announced two Investment Zones for Wales in the Spring Budget of 2023. The Autumn Statement in November 2023, subsequently confirmed that Flintshire and Wrexham would join the Cardiff City Region as the second Investment Zone. This followed a period of significant work, which was driven by local business leaders, to highlight how the potential of the functional economic area of Flintshire and Wrexham, aligned with the assessment of both governments of the strategic fit with the policy intervention.
1.04	Subject to the Investment Zone proposal meeting specific requirements, a funding envelope of up to £160m is available to that Investment Zone for a period of 10 years. This was an enhancement to the initial announcement earlier in 2023 that indicated a package of £80m over five years.
1.05	The £160m is made up of a Flexible Spend element, which is split between revenue and capital spends (40:60) and must be match funded 70:30; and Tax Incentives, which can be applied to clearly defined, under-developed sites up to a maximum of 600ha.
1.06	Investment Zones can determine the appropriate mix of Flexible Spend and Tax Incentives, within the total envelope. For example, if tax incentives were not deemed to be the appropriate approach, the equivalent value can be moved to the Flexible Spend element.
1.07	Welsh Government have also agreed that a proportion of the Non Domestic Rates (NDR), specifically some of the extra NDR generated as a result of the success of the Investment Zone, will be returned to the NWCJC for a period of 25 years to continue the support for the priority sector.
1.08	Following the intensive period of work undertaken by local business leaders, the formal process of securing the approval for the Flintshire and Wrexham Investment Zone has passed to the North Wales Corporate Joint Committee (NWCJC). The NWCJC has been charged with developing the business case, through a series of “Gateways”, which are signed off by the UK Government and Welsh Government.

1.09	The Gateway process was expected to be set out in a Wales Technical Guidance document, jointly agreed by the two governments. This document had not been released at the point of the general election being called and as a result was expected to be delayed until after 4 July 2024. The CJs in Wales have been advised to refer to the Scotland Technical Guidance, which is considered similar but by nature, will not cover matters relating to the Welsh context.
1.10	Prior to the announcement of the general election, the NWCJC had worked with both councils to submit the Gateway 1 document (Appendix 1). This Gateway document was not formally scored as part of the approval process, but set a high level vision and general approach to the business case that would be expanded on through the remaining four Gateways. This work was resourced from within the existing economic development teams of the Councils and the NWCJC.
1.11	Advanced Manufacturing has been selected as the sector that the Flintshire and Wrexham Investment Zone will support, based on the available data and analysis from the two governments showing the scale and importance of this existing cluster. In doing so, it was noted that there has been significant interest locally in the growth of the Creative and Digital Sector. The UK Government and Welsh Government have confirmed that only one sector can be put forward but work will continue to identify how interventions to support Creative & Digital industries can be facilitated.
1.12	The work required to collate, analyse and present the information necessary for Gateways 2-5 is understood to be considerably more involved and will require more specialist knowledge and capacity than would be available within the Council and NWCJC teams.
1.13	It was the expectation of the UK Government and the Welsh Government, that the gateway process would be concluded within the 2024 calendar year. Despite the general election, this expectation remains unchanged, so continued momentum and clear progress needs to be demonstrated to the incoming government to increase the chance of securing formal approval for the Flintshire & Wrexham Investment Zone.
1.14	Along with other CJs in the UK charged with developing Investment Zone proposals, the NWCJC has identified the need to commission specialist resource(s) to lead on the creation and submission of the remaining gateways, with work needing to continue through the pre and post-election period.
1.15	<p>This approach was not without a level of risk.</p> <ol style="list-style-type: none"> <li>1. The change of Government could result in changes in the UK Government's policy or investment approach.</li> <li>2. The timing of the pre-election period had further delayed the receipt of the Wales Technical Guidance required to inform the process and UK Government Civil Servants were unable to engage with the NWCJC until after 4 July 2024. The absence of the guidance meant that future governance arrangements had not been published, and</li> </ol>

	<p>specific details required to respond to the Wales-context had not been set out.</p> <p>3. Commissioning of external support incurred costs, which were budgeted in the region of £50,000 to complete Gateway 2. It was expected that this milestone would align with opportunities to re-engage with UK Government following the general election. Whilst the costs could be recovered from the 4% management fee, this would only be available to the NWCJC if / when the Investment Zone is approved.</p>
1.16	<p>There were believed to be some mitigations to the risks.</p> <ol style="list-style-type: none"> <li>1. An in-principle agreement between Leaders and Chief Executives of the two councils to indemnify the NWCJC for costs incurred in the commissioning of external support. This to be limited to £25,000 per council, set within the context of ultimately securing £160m for the Investment Zone.</li> <li>2. The fact that Investment Zones in Wales are co-produced by UK Government and the Welsh Government. The Welsh Government was not subject to the same pre-election restrictions, which created an environment where a level of activity could continue.</li> <li>3. Despite any post-election uncertainty, the best form of action was to progress work and complete Gateway 2 and commence Gateways 3, 4 and 5, as soon as was practically possible. This would strengthen the position of the Flintshire and Wrexham Investment Zone and allowing engagement with the incoming UK Government on that basis.</li> </ol>
1.17	<p>The senior leadership of the NWCJC and the two Councils, considered that any failure of the Flintshire &amp; Wrexham Investment Zone to make progress through the Gateway process and therefore not secure the £160m funding envelope, outweighed the presence of these risks. It was agreed that this would be reported to the leadership of each Council at the earliest opportunity.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>In the short term, the only direct financial cost to the Council is the £25,000 indemnity to NWCJC highlighted above. In addition, there will be a significant call on officer time from a number of teams to support NWCJC in developing the package of interventions and information needed to progress through the Gateway process.</p>
2.02	<p>The Gateway process is designed to allow the NWCJC, the two Councils, and wider stakeholders to identify the package of interventions that they wish to deliver over the ten years of the Investment Zone programme and the 25 years of the NNDR retention period. The operating costs of the Investment Zone can be reclaimed through a specific budget of up to 4% of programme value.</p>
2.03	<p>The Investment Zone provides an opportunity for the Council to identify priority projects that would contribute to the success of the advanced</p>

	<p>manufacturing cluster and to secure significant capital and revenue funding towards their delivery. Match funding, from Council as well as wider funding sources would be required and could include borrowing to enable capital investment. The availability of the NDR retention income for 25 years provides an opportunity to, for example, cover the costs of borrowing.</p>
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<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>
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3.01	<b>Ways of Working (Sustainable Development) Principles Impact</b>
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Long-term	The Investment Zone programme is a long term (25 year) funded approach to supporting the priority employment sector in Flintshire and Wrexham.
Prevention	No impact
Integration	Development of the Investment Zone will require a wide range of opportunities and challenges to be considered in an integrated way to have the maximum impact on the priority sector and the wider economy.
Collaboration	The Investment Zone will be delivered in by the NWCJC in conjunction with the two Councils, research institutions, and wider stakeholders.
Involvement	No impact

**Well-being Goals Impact**

Prosperous Wales	The Investment Zone will support and grow the most significant employment sector in Flintshire and Wrexham, creating and safeguarding jobs, increasing wages and growing skill levels.
Resilient Wales	No impact.
Healthier Wales	No impact.
More equal Wales	No impact.
Cohesive Wales	No impact.
Vibrant Wales	No impact.
Globally responsible Wales	The Investment Zone will be able to support the decarbonisation of businesses and may be able to invest in new infrastructure to support this and to support sustainable transport.

<b>Risk</b>	<b>Mitigation</b>
Uncertainty created by UK General Election	As set out in section 1.16

	Capacity to implement Gateway process	The Councils are able to draw down, at risk, against the 4% administrative budget for the programme to create additional capacity as required.
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<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>	
4.01	There was considerable consultation undertaken with the private sector in the period up to the announcement of the Investment Zone for Flintshire and Wrexham. Since then, there have been two further discussions with private sector representatives to provide an update on progress and ensure that the development of the investment Zone is responsive to business priorities.	

<b>5.00</b>	<b>APPENDICES</b>	
5.01	Appendix 1 – Gateway 1 submission document	

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>	
6.01	Investment Zones policy prospectus <a href="https://www.gov.uk/government/publications/investment-zones/investment-zones-policy-prospectus">https://www.gov.uk/government/publications/investment-zones/investment-zones-policy-prospectus</a>	

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>	
7.01	<b>Contact Officer:</b> Niall Waller (Enterprise and Regeneration Manager) <b>Telephone:</b> 07342 093133 <b>E-mail:</b> niall.waller@flintshire.gov.uk	

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>	
	<p>NDR (Non Domestic Rates) – the property tax paid on business premises, collected by each local authority on behalf of Welsh Government and redistributed across Wales.</p> <p>NWCJC (North Wales Corporate Joint Committee) – the formal structure being established to lead regional economic development, strategic land use planning and strategic transport planning.</p>	