



Report sponsor:
Cllr Nadine Peatfield: Deputy Leader of the
Council and Cabinet Member for City Centre,
Regeneration, Culture and Tourism

ITEM 11

Report author: Chris Morgan, Principal
Regeneration Manager

Proposal for Infinity Park Derby (IPD) to be part of a bid for an East Midlands County Combined Authority (EMCCA) Investment Zone (IZ)

Purpose

- 1.1 To seek approval for Infinity Park Derby (IPD) to be part of a bid to Government for an East Midlands County Combined Authority (EMCCA) Investment Zone (IZ) and to be designated as an area for Business Rates Retention and Tax Incentives (see 4.4)

Recommendations

- 2.1 To approve, in principle, the inclusion of Infinity Park Derby (IPD) as part of a bid for an East Midlands County Combined Authority (EMCCA) Investment Zone (IZ).
- 2.2 To delegate the finalisation of bid documentation to the Strategic Director of Communities and Place, in consultation with the Section 151 officer, the Cabinet Member for Strategy, Governance and Finance and the Cabinet Member for City Centre, Regeneration, Culture and Tourism.
- 2.3 That the Council agrees in principle for Infinity Park Derby (IPD) to be designated as a Business Rates Retention and Tax Incentives area in line with Government policy, subject to:
 1. The Council being satisfied with the final terms of the Business Rates Retention Policy applicable to the East Midlands Investment Zone.
 2. The Council being satisfied with the final terms of the Reinvestment Strategy developed by EMCCA to guide the reinvestment of the retained Business Rates within the East Midlands area.
 3. The Council being satisfied with the governance arrangements for the East Midlands Investment Zone, when finalised, and the Council's role within them
- 2.4 To note that subject to the IZ bid being successful, a report will be brought to Cabinet at a later date, once the full financial implications and operation of the Investment Zone are finalised, including business rates implications, the Memorandum of Understanding (MOU) that will be required for the sharing of future Business Rates

growth with the Combined Authority, plus requests for additional delegated authority if required.

- 2.5 To note that, in order for IPD to be designated as a Business Rates Retention area, this would require Business Rates growth to be shared with the East Midlands County Combined Authority (see 4.8); this would require changes to Business Rates administration, which will be covered in the future report to Cabinet to include a recommendation to Full Council for approval.

Reasons

- 3.1 The submission of bids requires Cabinet approval in line with the Council's Contract and Financial Procedure rules.
- 3.2 The finer details of the IZ are still to be finalised and the Council may not be satisfied with the final arrangements.
- 3.3 As Business Rates retention will be applicable to the IZ, changes to Business Rates administration are required in order to enable IPD to be included within the IZ, which will require Full Council approval.
- 3.4 The full financial implications of the IZ are unknown at this stage, although the benefits of the IZ are anticipated to be significant (see 4.4).

Supporting information

- 4.1 In the 2022 Autumn Statement, the Chancellor announced that the Government would launch a new Investment Zones (IZ) programme. The aim of the IZ Programme is to act as a catalyst for 'high-potential clusters in areas in need of levelling up, to boost productivity and growth'.
- 4.2 The Government's IZ Policy Prospectus states that '*Investment Zones will be targeted at places with the right combination of characteristics to support these objectives. They will reflect the principles ... set out in the Levelling Up White Paper, harnessing local sector strengths to drive productivity, and leveraging the bottom-up energy of local talent, knowledge and networks to deliver sustainable growth that benefits local communities. They will require a holistic approach and must be rooted in partnership between central government, local government, research institutions and the private sector, in order to realise the potential of our cities and regions.*'
- 4.3 Government has chosen 8 locations to develop IZs, all of which have existing or emerging Combined Authorities. The EMCCA – covering Derby and Nottingham cities, plus the counties of Derbyshire and Nottinghamshire – is one of those areas chosen.

- 4.4 Eligible industrial sectors for each IZ include digital and technology, 'life sciences' (which includes biology, botany, zoology, microbiology, physiology, biochemistry and related subjects), creative industries, green industries and advanced manufacturing. The EMCCA considers that green industries (including the nuclear sector) and advanced manufacturing should be the main focus of the EMCCA IZ. This is because of the traditional economic strengths of the region in terms of advanced manufacturing, plus the potential for new growth sectors in nuclear and hydrogen power.
- 4.5 There are financial benefits to being part of an Investment Zone, for local areas, Local Authorities, businesses and other organisations. As more powers and funding will be devolved to the EMMCA, the Council and other Local Authorities within the EMCCA will have more control over local spending on regeneration activities, through the IZ programme. The benefits to the EMCCA area of being part of the IZ proposal are outlined in paragraphs 4.6 to 4.9 below:

Flexible Funding

- 4.6 Up to £160m is available for investment across EMCCA, over the next 10 years. The flexible funding will be managed by EMCCA and is intended to be split 40:60 between revenue and capital funding respectively. This funding will in the first instance, cover the loss to Local Authorities from tax incentives granted within the IZ (see 4.7) and will then be used for direct investment into the following types of activities:
- **Research and Innovation**, for example, grants for research projects.
 - **Skills development**, including apprenticeships.
 - **Local Infrastructure**, for example, land remediation, highways, transport and access, site preparation, electricity and gas and other utilities.
 - **Local Enterprise and Business Support**,
 - **Planning and Development**, for example, funding to recruit a dedicated planning team, Local Development Orders (LDOs) or establish a development company. Note – LDOs can make it easier to secure planning permission in the areas to which they relate.

It should be noted that should the IZ bid be successful, a report will be brought back to Cabinet on the financial implications and contractual arrangements for the delivery of the IPD IZ.

4.7 Tax Incentives

Tax incentives will be available to businesses that relocate within the IZ, lasting 5 years. The amount of flexible funding available to invest into new projects will be reduced by the anticipated value of the tax incentives. The types of tax incentives available to businesses are as follows:

- **Stamp Duty Land Tax (SDLT):** a full SDLT relief for land and buildings bought for commercial use or development for commercial purposes.
- **Business Rates:** 100% relief from business rates on newly occupied business premises, and certain existing businesses where they expand in Investment Zone tax sites. Note that this would suggest that there will be no Business

Rates Retention in the first 5 years, as there would be no Business Rates to retain; however, we will seek further clarity on this point.

- **Enhanced Capital Allowance:** 100% first year allowance for companies' qualifying expenditure on plant and machinery assets for use in tax sites.
- **Enhanced Structures and Buildings Allowance:** accelerated relief to allow businesses to reduce their taxable profits by 10% of the cost of qualifying non-residential investment per year, relieving 100% of their cost of structures and buildings over 10 years.
- **Employer National Insurance Contributions relief:** zero-rate Employer NICs on salaries of any new employee working in the tax site for at least 60% of their time, on earnings up to £25,000 per year, with Employer NICs being charged at the usual rate above this level. This relief can be applied for 36 months per employee.

4.8 Business Rates Retention

The East Midlands Combined Authority area will benefit from 100% retention of business rates growth from the Investment Zone site for a period of 25 years. Business rates growth means additional business rates generated, above, an agreed baseline that takes into account existing business rates from companies already located there. It is unclear how this will operate in the initial 5-year period when businesses that relocate to the Investment Zone will not be paying any Business Rates; we will seek further clarity on this. In practise, this will mean that, should Cabinet agree to this proposal, Business Rates growth would need to be shared between the Council and the Combined Authority at a percentage to be agreed at a later date, through a Memorandum of Understanding (MOU). This would require the approval of Full Council and a report will be considered there at the appropriate time, once the full financial implications are known.

4.9 IZ Benefits

A table of the IZ benefits and how they apply to the Council, the EMCCA, businesses and other organisations is below:

Beneficiary	Benefit	Period
The Council and Derby	Flexible Funding Potential pot of up to £160m across the IZ (total will be reduced by the amount of tax incentives – see below), competitive bidding process, size of pot and the allocation to Derby projects is unknown at this stage	10 years
	Business Rates Growth Retention Would need to be shared with the EMMCA, some of which could potentially be reinvested at IPD	25 years*
EMCCA	Flexible Funding The EMCCA may seek to cover its administrative costs from this funding	10 years

Other Local Authorities (LAs) within the EMCCA area	Flexible Funding Other LAs could bid into the pot.	10 years
	Business Rates Growth Retention Sites within other Local Authority areas could potentially benefit from Business Rates Growth at IPD, through sharing arrangements with the EMCCA	25 years
Businesses from Derby and the EMMCA area	Flexible funding Businesses could bid into the pot.	10 years
	Tax Incentives Businesses relocating to the IPD IZ could benefit from: <ul style="list-style-type: none"> • Stamp Duty Land Tax relief • Enhanced Capital Allowances – 100% first year allowance • Enhanced Structures and Buildings Allowance • Lower employer National Insurance Contributions • Business Rates Relief 	5 years
Other organisations, such as Universities and Colleges	Flexible funding Other organisations could also bid for this funding	10 years

* Note that as there will be no Business Rates paid within the first 5 years, this would suggest that there will be no Business Rates Retention in the first 5 years; however, we will seek further clarity on this point.

Approval Gateways

4.10 There are five 'Gateways' that the EMCCA must pass through, in order for Government to approve the EMCCA IZ. The EMCCA has been working with Government and officers from individual Local Authorities to progress through these Gateways:

- Gateway 1 Vision – approved by Government;
- Gateway 2 Sectors and Geography – approved by Government;
- Gateway 3 Governance –submitted to Government and anticipated to have been approved by the time this report is published;
- Gateway 4 Interventions – draft submitted to Government and anticipated to be approved by the time this report is published;
- Gateway 5 Delivery – final submission in March;
- Approval to enable IZ launch in the 2024-25 financial year

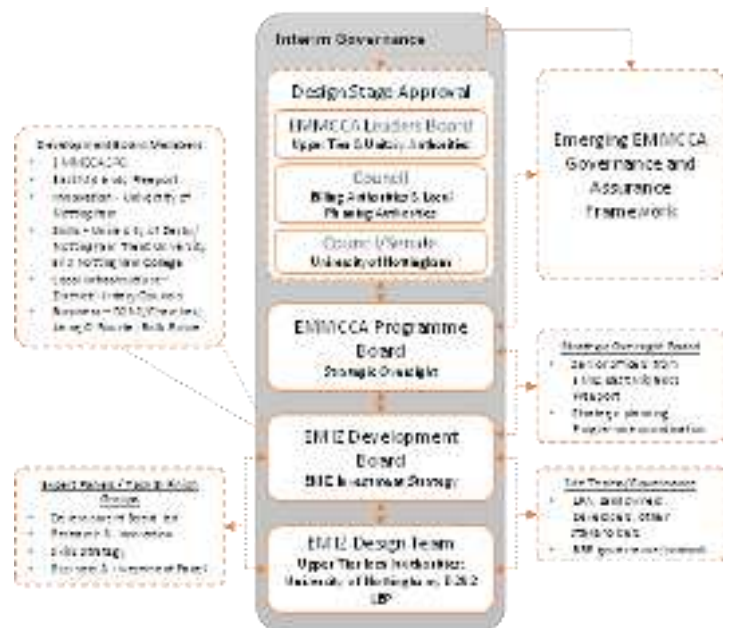
The previous submissions for Gateways 1-4 are available upon request. Cabinet approval is now sought for IPD to be part of the final IZ proposal for Gateway 5 Delivery.

4.11 Governance arrangements

The IZ will have its own governance arrangements within the EMCCA and the Council will need to have its own separate governance arrangements for the IPD element. Whilst the detail of this is still being finalised, the draft External IZ proposal is as follows:

EMIZ Governance

- EMIZ Development Board
 - Established in Jan 24
 - Interim body-> EMMCCA transition
 - Role – advisory/coordination
 - Membership
 - Secretariat and resourcing
- Strategic Oversight Board
- Site management and EMIZ coordination



The Council is represented currently on the Programme Board. Internal Governance arrangements will be developed as the IZ progresses.

4.12 Relationship with existing IPD Enterprise Zone (EZ).

The main differences between Enterprise Zones and Investment Zones are that:

1. Investment Zones are expected to have a sector focus
2. Investment Zones offer flexible funding, Enterprise Zones do not.

Infinity Park Derby already has Enterprise Zone designation. The business tax incentives associated with this have now expired, however there is a business rates retention policy in place until 31 March 2041.

The Enterprise Zone has been managed by D2N2 Local Enterprise Partnership (LEP). The LEP Board approved an EZ policy which states that 100% of business rate growth at Infinity Park Derby is to be re-invested in the site. The Council expects this policy to remain in place until the EZ expires 31 March 2041. After this date, the IZ policy (yet to be finalised) will replace the EZ entirely.

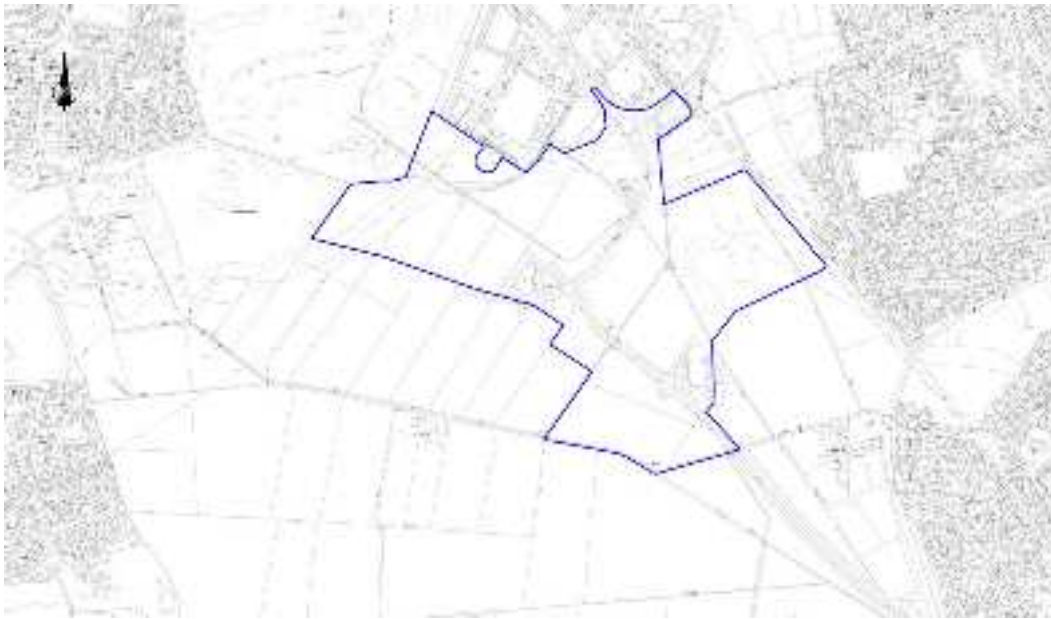
Business Rates growth in the IPD Enterprise Zone area, is currently used to repay the deferred capital consideration and interest to D2N2 Local Enterprise Partnership for

the Nuclear Advanced Manufacturing Research Centre; once that is paid off, the Council would be free to reinvest Business Rates growth at IPD in the Enterprise Zone area.

Keeping the IZ and EZ areas separate would appear to be the best position for the city; however, If we can't attract businesses to IPD, there will be no Business Rates growth, therefore we will need to monitor the position carefully.

The Council also has outputs to deliver for IPD, including unlocking 3,018 new jobs. It is unclear as to how this proposal impacts upon that requirement; however, Council officers will seek that clarity and will report back on this issue in a future report.

4.13 The existing Enterprise Zone area is below:



4.14 The proposed Investment Zone area is below. We intend that these areas remain separate:



4.15 Investment Zone tax incentives for businesses will apply in the following area:



The tax incentives area is slightly different as it applies to the sites within Infinity Park that are most likely to come forward for development in the next 5 years.

4.16 It is recommended that the Council agrees in principle for Infinity Park Derby (IPD) to be designated as a Business Rates Retention and Tax Incentives area in line with Government policy, subject to:

1. The Council being satisfied with the final terms of the Business Rates Retention Policy applicable to the East Midlands Investment Zone.
2. The Council being satisfied with the final terms of the Reinvestment Strategy developed by EMMCCA to guide the reinvestment of the retained Business Rates within the East Midlands area.
3. The Council being satisfied with the governance arrangements for the East Midlands Investment Zone, when finalised, and the Council's role within them

In order for IPD to be designated as a Business Rates Retention area, this would require Business Rates growth to be shared with the East Midlands County Combined Authority; this would require changes to Business Rates administration, which will be

covered in the future report to Cabinet to include a recommendation to Full Council for approval.

Subject to the IZ bid being successful, a report will be brought to Cabinet at a later date, once the full financial implications and operation of the Investment Zone become clearer, including business rates implications, the Memorandum of Understanding (MOU) that will be required for the sharing of future Business Rates growth with the Combined Authority, plus requests for delegated authority where required.

4.17 Next Steps

- Continue to work with EMCCA officers and consultants to develop IZ proposal, subject to Cabinet approval;
- IZ Gateway 5 Delivery submission to be submitted and approved by end of March 2024;
- Government to approve EMCCA IZ;
- IZ Delivery (Gateway 5) stage to begin April 2024;
- Officers to bring report to a future Cabinet (date to be confirmed) outlining:
 - potential changes to Business Rates administration, MOU for sharing of business rates growth and recommendation to Full Council where there are financial implications for the Council's business rates policy
 - IZ delivery - contractual and governance arrangements, together with any delegated authority required
- MOU to be agreed and signed by EMCCA partners, date to be confirmed;

In addition, the proposals for the IZ also need to be understood in the context of emerging changes to IPD governance. Previously governance has been led by the Council with IPD partners, including developers and partners and this has been successful to a great extent, leading to the Nuclear Skills Academy (formerly the iHub building), the Nuclear Advanced Manufacturing Research Centre (NAMRC) and Oregon Timber Frames, all of which are now on site. The Council also has outputs to deliver for IPD, including unlocking 3,018 new jobs. Council officers will seek clarity on how the IZ will impact on that requirement and will report back on this issue in a future report.

4.18 Key Risks

1. **Potential loss of future Business Rates growth.**

Any Business Rates growth from the IZ would need to be shared with the EMMCA. This would require a change to Business Rates administration, which would require Full Council approval.

Mitigation – maintain existing Enterprise Zone status, fully understand the financial implications of the proposal for Business Rates to ensure that the proposal is the best option for IPD; bring report to full Council.

2. **Potential reduction in Derby's economic growth if IPD is not part of the IZ.**

If IPD is not part of the EMCCA IZ, businesses could locate elsewhere, where there are similar benefits, resulting in slower economic growth at IPD.

Mitigation – as for 1.

3. **IPD Developers may not agree to be part of the IZ arrangements.**

For IPD to be part of the IZ, this would require a refocus of IPD from advanced manufacturing to advanced manufacturing plus green industries (including nuclear).

Mitigation – work with developers to refresh IPD arrangements.

4. Without clear policy direction, businesses that do not fit the new IZ direction might be able to benefit from the IZ incentives, thereby reducing economic growth.

Mitigation – produce a clear IZ policy and vision for IPD and reinvestment strategy, working with the EMCCA and partners.

5. That 100% of the Business Rates at IPD would need to be shared with the Combined Authority, which could reduce the amount of Business Rates available for investment at IPD.

Mitigation – maintain ‘nil detriment’ position i.e. the best position for the city.

Public/stakeholder engagement

- 5.1 Stakeholder engagement to date has mostly focused on the EMMCA and the Devolution Deal. For instance, the Council hosted a Devolution event on 8 September 2023, including representatives from the EMMCA Local Authorities and other public sector representatives. We will undertake further consultation once the IZ proposal is more developed and produce a Stakeholder Engagement Plan.

Other options

6.1 Do Nothing

If IPD was not part of the IZ, the existing EZ arrangements at IPD would continue. This could mean that economic growth at IPD would slow down, as Government has identified that green industries and advanced manufacturing are priority sectors for support, along with digital and technology, life sciences and creative industries, therefore funding and support should be targeted at those sectors.

If Derby along with the EMCCA are does not target support at those sectors, there is a risk that Derby and the EMCCA area will lag behind other regions of the UK.

6.2 Do the minimum

The Council could choose for IPD to benefit from only the flexible funding and not the tax incentives or Business Rates retention; however, as for the previous paragraph, without those benefits businesses might not locate to IPD.

Financial and value for money issues

- 7.1 The full financial implications of the proposal are not known at this stage. For the flexible funding pot, there will be a competitive bidding process into the EMCCA, therefore we cannot say for certain at this stage how much, if any, funding the Council will receive for IPD.

- 7.2 There are potential Business Rates implications to this proposal, in that any future Business Rates growth as a result of the IZ, would need to be shared with the Combined Authority. Our proposal is that the existing Enterprise Zone area, wherein the Council will be allowed to reinvest 100% of future Business Rates growth solely at IPD, once the NAMRC **con deferred capital consideration and interest** is repaid to D2N2, will not be included in that. However, this position is yet to be finalised. The Business Rates in the IZ area would need to be shared with the EMCCA, as part of a reinvestment strategy, through an MOU.
- 7.3 In order for IPD to be designated as a Business Rates Retention area, this would require Business Rates growth to be shared with the East Midlands County Combined Authority; this would require changes to Business Rates administration, which will be covered in the future report to Cabinet to include a recommendation to Full Council for approval.

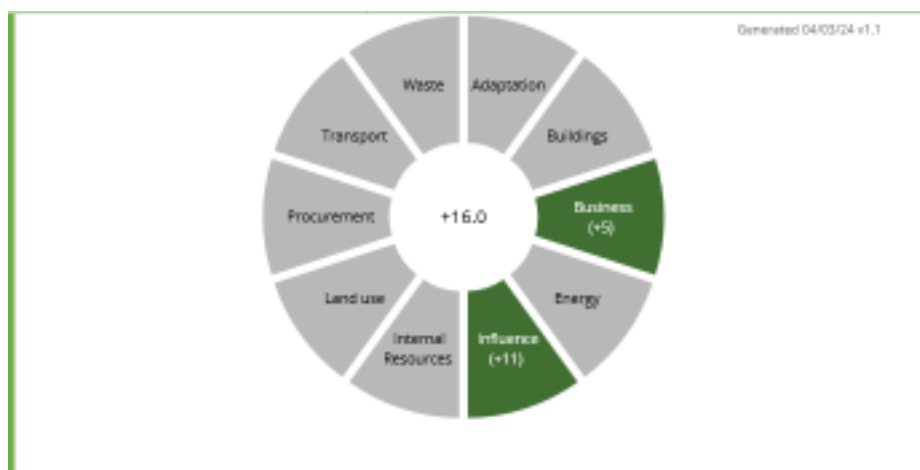
Subject to the IZ bid being successful, a report will be brought to Cabinet at a later date, once the full financial implications and operation of the Investment Zone are fully developed, including business rates implications, the Memorandum of Understanding (MOU) that will be required for the sharing of future Business Rates growth with the Combined Authority, plus requests for delegated authority where required.

Legal implications

- 8.1 There are no legal implications arising at this stage as a direct result of this report. Should the application to Government be successful, legal advice and support will be required and will be obtained to assist with settling the final terms of any necessary documentation needed to give effect to the sites changed status.

Climate implications

9.1



This report seeks approval to include IPD in a bid for Investment Zone status. Therefore, the climate implications at this stage are predominantly related to the positive inclusion of green energy and industries as priority sectors for the Investment Zone area. When the proposals are fully developed, on approval of the

IZ bid by Government and as part of a future report to Cabinet, a more details Climate Change Assessment will be completed.

Socio-Economic implications

10.1 There are no socio-economic implications as a direct result of this report.

Other significant implications

11.1 None.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu, Head of Legal, Insurance & Information Governance Services	21 February 2024
Finance	Amanda Fletcher, Head of Finance	21 February 2024
Service Director(s)	Tammy Whittaker, Director of City Vibrancy and Growth	28 February 2024
Report sponsor	Nadine Peatfield, Cabinet Member for City Centre, Regeneration, Culture and Tourism	28 February 2024
Other(s)		

Background papers:	EMCCA Investment Zone Gateway 1-4 submissions (available on request)
List of appendices:	