

Bolsover District Council

Meeting of the Executive on 24th June 2024

Tax Site Gateway Policy for the East Midlands Investment Zone

Report of the Portfolio Holder for Growth

Classification	This report is Public
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PURPOSE/SUMMARY OF REPORT

This report provides an update on the proposals for a Tax Site Gateway Policy for the East Midlands Investment Zone (EMIZ) in the context of proposals for a Tax Site within the Council's administrative boundary.

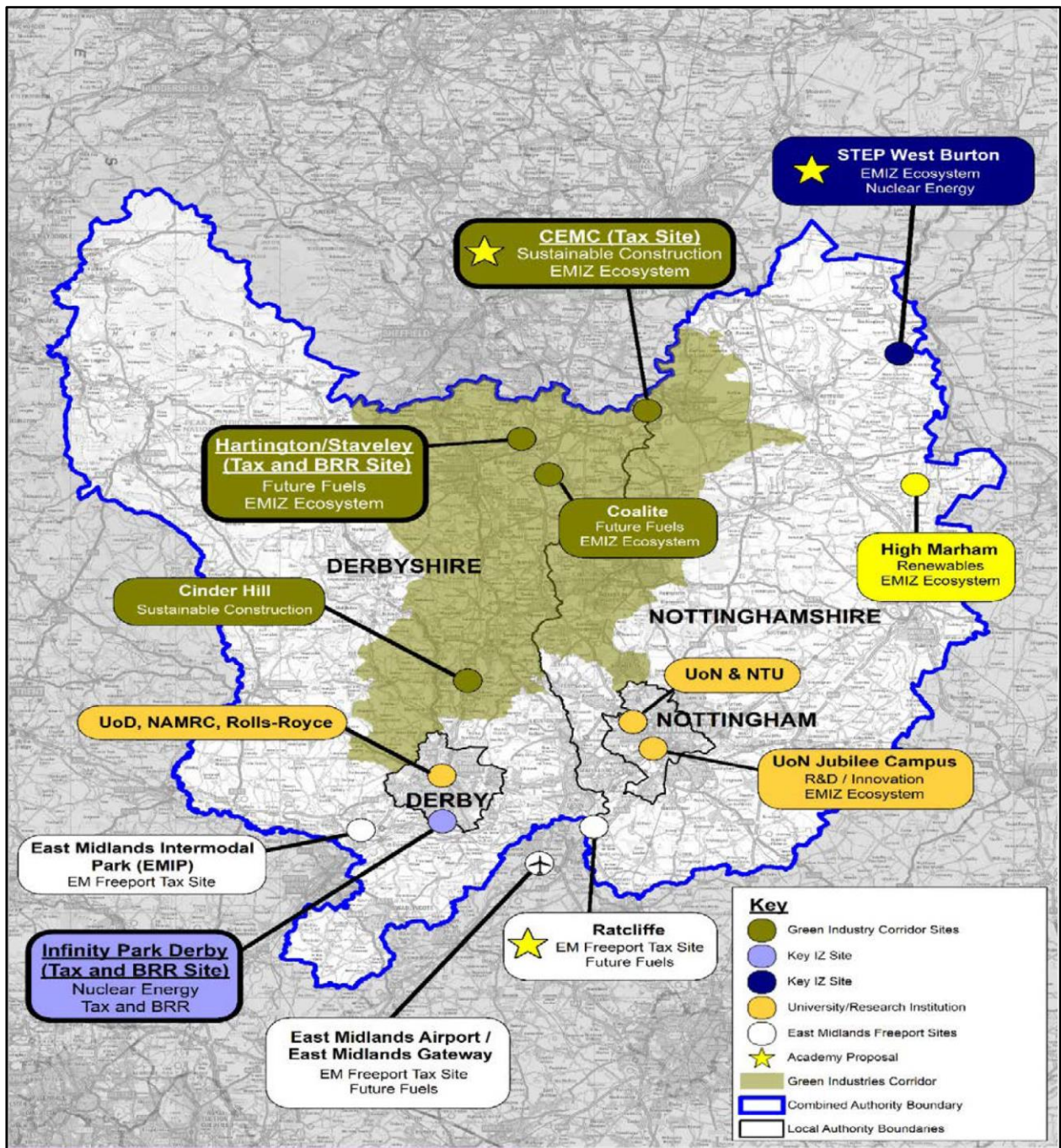
The purpose of this report is to allow the Executive to properly consider whether the Council should approve, and thereby, become a signatory to the proposed Tax Site Gateway Policy to allow the Tax Site to proceed.

REPORT DETAILS

1. Background

- 1.1 The proposals for the East Midlands Investment Zone ('the EMIZ') were first announced in the Autumn Statement 2023. The EMIZ designation and associated inward investment is intended to boost productivity across green industries and advanced manufacturing sectors across the area of the newly formed East Midlands Mayoral Combined County Authority ('EMMCCA').
- 1.2 Once operational, the EMIZ will be supported by £160 million funding from Government that will be drawn down over a period of ten years. A significant amount of this money will be available as 'flexible funding' with a 40/60 split between revenue and capital spend.
- 1.3 Following its formal constitution in March 2024, EMMCCA became the accountable body for the EMIZ and are the responsible body for obtaining Government approval for the EMIZ proposals.
- 1.4 Members of the Executive resolved to support the proposals for the East Midlands Investment Zone in April 2024 on behalf of the Council noting the opportunities that would arise from this significant amount of inward investment planned for the region.

The East Midlands Investment Zone shown within the blue edging.



1.5 Members of the Executive also had no objections to EMMCCA'S vision for the EMIZ, which is to enable the East Midlands Region to:

“Become the national centre of excellence and ‘go-to’ location for green technology investors ensuring we are at the heart of the green industrial revolution.

This will boost local economic growth, productivity and personal wellbeing whilst safeguarding our environment for today’s and future generations.

It will focus on the ‘green and clean technologies and advanced manufacturing as priority sectors for the Investment Zone’.

- 1.6 However, alongside the flexible funding that will be managed by EMMCCA, as the accountable body, EMMCCA also has the ability to drive this vision by offering tax incentives to accelerate delivery of designated sites and facilitate new investment in the identified sectors.
- 1.7 These incentives can be agreed by EMMCCA through powers devolved to the EMIZ once the current Investment Zone proposals have been finally signed off by the Government. These incentives will include Business Rate Reliefs and other tax measures including Enhanced Capital Allowances, Enhanced Structures and Buildings Allowance and Stamp Duty Land Tax Reliefs
- 1.8 The map of the EMIZ (shown on the previous page) includes the location of the three sites that have already been identified to form the initial basis of the Investment Zone and have been selected to benefit from financial incentives. These sites are:
- **Infinity Park, Derby** (30.20 hectares located in Derby City) – Tax incentives and Business Rates Retention to support growth of nuclear, advanced manufacturing and supply chains around the established Rolls Royce facility;
 - **Hartington, Staveley** (24.63 hectares located in Chesterfield Borough) - Tax incentives and Business Rates Retention on a brownfield site offering potential for high quality motorway and rail linkages; AND
 - **Centre of Excellence in Modern Construction, Steetley** (up to 40.46 hectares located in Bassetlaw District and Bolsover District) – Tax incentives to unlock the delivery of a modular construction hub focused on infrastructure and energy by Laing O'Rourke.
- 1.9 EMMCCA is planning for the EMIZ to be fully inaugurated and for these tax incentives to 'go live' in September 2024 pending agreement on a Tax Site Gateway Policy, amongst other things.
- 1.10 This timeline might change following the announcement of the General Election on 4 July 2024 but before the EMIZ and the Tax Sites can become operational; it is still necessary for the Tax Site Gateway Policy to be signed off by this Council because of the proposal for a Tax Site within its administrative boundary - along with the other parties that have an interest in one or all of the three identified tax sites, including the land owners, the businesses, the other billing Councils in which administrative boundaries these sites are located, and EMMCCA as the accountable body.
- 1.11 Therefore, the purpose of this report is to provide more detail on the proposed Tax Site Gateway Policy to allow the Executive to properly consider the implications of the Policy and whether the Council should approve it and thereby become a signatory to the Policy.

2. **Context**

Purpose of the Policy

- 2.1 The Tax Site Gateway Policy ('the Policy') is a core component of the Government's requirements for Investment Zones and must be agreed before an Investment Zone can become operational and in this case, before the three proposed Tax Sites can benefit from the proposed tax incentives.
- 2.2 The purpose of the 'the Policy' is to ensure that the future use of the identified Tax Sites and the use of tax incentives in the future will be aligned to the economic objectives and ambitions of the East Midlands Investment Zone.

Core Objectives of the EMIZ

- 2.3 Consequently, for any business developing or growing its operations within the EMIZ and for that business to also be eligible to claim a tax incentive or Business Rates Relief if it is located within a designated Tax Site; the business proposals should deliver on the core objectives of the Investment Zone, which are:
- *To establish the East Midlands as the national centre of excellence for green industry and advanced manufacturing sectors;*
 - *Support investment by indigenous businesses to promote employment and productivity growth within target sectors;*
 - *To sustain innovation that can secure local growth at the cutting edge;*
 - *To provide access to opportunity for local residents and businesses, supporting local regeneration and community wealth building; and*
 - *Deliver the East Midlands Investment Zone Net Zero Ambition.*

Target Sectors

- 2.4 The Policy provides sets out further detail on the target sectors noted in the core objectives for the EMIZ, above. In general terms, the target sectors referred to in these core objectives are also the priority sectors identified in EMMCCA's vision for the EMIZ i.e. green and clean technologies and advanced manufacturing.
- 2.5 Therefore, As drafted, the Policy prioritises green industries and advanced manufacturing sectors with a further ambition to ensure those businesses receiving incentives will positively contribute to the region's transition to Net Zero and support climate action.
- 2.6 In addition to meeting these foundational eligibility criteria, the Policy also contains further characteristics of a business that would be considered to fall within a qualifying 'target sector' and in particular, sets out the following criteria that should be used to distinguish an advanced manufacturing business:
- *intensive use of capital and knowledge;*

- *long term investment decisions to develop processes and buy equipment (that can take more than a year to manufacture);*
- *high levels of technology utilisation and R&D and intangible investments (training, improvements to business process) to support innovation;*
- *a flexible workforce with strong specialist skills in the areas of science, technology, engineering and mathematics and design; competing in international and domestic markets.*

- 2.7 In this case, the Rolls Royce proposals at Derby involving factory production of Small Modular Reactors and the advanced off-site construction activities carried out within the CEMC at Steeley, may be considered eligible for inclusion on an EMIZ Tax Site as either *Advanced Manufacturing* with reference to these criteria or as *Green Industries*, subject to demonstrating how future activities align with the identified sectors (in terms of processes and/or outputs).
- 2.8 Any future occupants of either site or the Hartington Site in Staveley not yet identified will need to demonstrate their eligibility with reference to compliance with the Policy once it has been agreed.
- 2.9 Once agreed, the Policy would inform a ‘memorandum of understanding’ (a Tax Site Development Agreement) that will guide the future development of each of the Tax Sites for green industries and advanced manufacturing and should ensure that the current proposals and future developments on the identified Tax Sites align with the vision, objectives, and purpose of the EMIZ and comply with the East Midlands Investment Zone Principles.

East Midlands Investment Zone Principles

- 2.10 In addition to sector alignment and compliance with the core objectives of the EMIZ, the Policy contains a series of Investment Zone Principles, which must also be followed by a prospective occupier of a Tax Site to secure qualifying business status and tax incentives. These principles are as follows:

Investment

- Investment must be demonstrably additional with the move to Investment Zone Tax Site to achieve expanded premises, greater investment in plant and machinery or additional staff any of which cannot be supported in any existing premises within the East Midlands; and
- Generates supply chain opportunities across the wider EMMCCA region, benefitting businesses within the region, where appropriate.

East Midlands Investment Zone Leverage

- Makes good use of Tax Site incentives – employing new starters, sufficient new facilities, and equipment investment within the period of tax site designation.

Investment Zone Output and Outcome measures

- Creation of new employment in keeping with expected output and outcome measures for selected plots and the overall Tax Site. It is envisaged that benefiting businesses will develop Skills and Employment Plans as part of clearly defined social value commitments, to be approved by East Midlands Investment Zone team and the relevant local council (with oversight from the Development Board), notwithstanding any statutory requirements under relevant planning conditions.

Strategic Sectors

- Development is consistent with the identified sectors as outlined in this East Midlands Investment Zone Gateway Policy.

Innovation

- Where appropriate, to contribute to R&D efforts with local research organisation (Universities, agencies, catapults) with focus on testing of prototypes, developing new solutions, and preparing for market; and
- Show current and planned investment in R&D in focus areas for Strategic Sectors and enabling technologies/ key components.

Net Zero Carbon

- Commitment to East Midlands Investment Zone and relevant local council climate emergency strategies. Prospective occupiers should work with landowners/developments to demonstrate how a scheme meets the East Midlands and local councils' ambition for carbon both during construction and in use.

Rationale

- 2.11 The key purposes for requiring landowners and/or developers promoting a site for inclusion in the EMIZ and/or prospective occupiers (wishing to locate to a Tax Site) to comply with these principles are to prevent displacement (i.e. moving the same jobs or employment opportunities from one place to another) especially through unwanted relocations (e.g. businesses moving from one place in the region to another) simply in order to obtain tax incentives or Business Rates Relief.
- 2.12 These principles also try to reduce the risk of 'deadweight' i.e. seek to prevent a landowner, developer, or prospective occupier from obtaining tax incentives or Business Rates Relief to subsidise planned investments that would have been made in any event.
- 2.13 Overall, the aim is to generate jobs and investment on Tax Sites in the EMIZ that does not come at a cost of lower investment and employment for neighbouring areas but does generate an uplift in new economic activity and growth within the region.

- 2.14 Therefore, the landowner or developer promoting a Tax Site will need to demonstrate how each business that wishes to occupy land and buildings on that Tax Site will meet these tests before they would be 'approved' for tax incentives or Business Rates Relief.

The Approval Process

- 2.15 An outline of the formal approvals process for designation of a development site as a Tax Site offering tax incentives for future occupants is set out in the Policy as follows:
- i. landowner/developer contacts EMMCCA Investment Zone Team for 'East Midlands Investment Zone Development Proposal Form' (Eligibility Form);
 - ii. landowner/developer prepares Eligibility Form based on the business case for the prospective occupier(s) and submits to the Tax Site Council and Investment Zone Team;
 - iii. the Eligibility Form is evaluated and confirmed with Development Board where appropriate;
 - iv. landowner/developer, Council responsible for billing the Tax Site and DLUHC notified of the outcome.
- 2.16 Notably, assessments and recommendations from the Investment Zone perspective will be made by the Senior Responsible Officer (SRO) from within EMMCCA and a final decision may be made by this SRO not necessarily by members of any other board.
- 2.17 Nonetheless, once agreed, the relevant billing Council and landowner / developer will be notified by the Investment Zone Team of the decision relating to the occupier proposed for the Tax Site.
- 2.18 If approved as a qualifying business, the relevant local council then has the authority to determine if the occupier should receive 100% Business Rates Relief for the relevant period as well as the other tax, national insurance, and capital allowances available direct from HMRC.
- 2.19 In principle, this step maintains the Council's sovereignty over its billing processes and might be seen as an adequate safeguard to mitigate for the relatively limited governance arrangements in the proposed approval process.

The Appeal Process

- 2.20 The Landowner/developer may do one of three things if the occupier is not supported by the Investment Zone Management Board:
- i. Appeal the decision to the EMMCCA; or
 - ii. Progress with the development in the expectation that certain Investment Zone benefits will not be received (but may apply to HMRC for the HMRC administered benefits) in particular, the Council will not permit a 5 year 100% Investment Zone

Business Rates Relief and will reserve the right to support future phases of development with retained rates or the TIF funded by retained rates; or

- iii. Find an alternative occupier.
- 2.21 However, a business which negatively impacts on the Tax Site, for example through pollution or safety concerns, would not be expected to be approved or be supported in the appeal process notwithstanding that it may operate within the Target Sectors, for example.

Exceptions

- 2.22 The Gateway Policy is intended to attract high value occupiers directly supporting the East Midlands Investment Zone objectives within the target sectors outlined above. On a very exceptional basis, the EMMCCA and its partners may consider a proposal that lies outside the target sectors outlined above but it is anticipated that such a proposal would have to be very strong in terms of its demonstrably new economic impact, command stakeholder support and be a reasonable fit with the EMIZ's core objectives and target sectors.
- 2.23 EMMCCA, based on advice from the Development Board and with agreement from DLUHC and key partners, may also consider exceptions based on factors such as their relative scale, strategic value, or ancillary contribution to sector development.
- 2.24 Taken together, it is considered the approach to exceptions and exclusions alongside the approvals and appeals processes set out in the Policy should give the Council sufficient assurance that the Policy contains an appropriate framework for decision making that retains enough flexibility to allow for pragmatism that prioritise achieving best value outcomes for the region.

Reporting, Monitoring and Evaluation

- 2.25 Finally, and once agreed, the Policy will remain the responsibility of the EMMCCA. The Investment Zone team embedded within EMMCCA will coordinate monitoring and evaluation, liaising with the local billing Council, landowner, and occupier as appropriate.
- 2.26 Monitoring will be reported to the Development Board, with key matters escalated through the EMMCCA governance framework as appropriate. The monitoring and evaluation framework will include reporting to DLUHC on occupiers and the pipeline of Proposed Investment.
- 2.27 EMMCCA's performance against the Policy will also be reported to DLUHC and the Development Board and partners in the East Midlands Investment Zone. The provision of information and participation will be formalised through the MOU agreed between the partners.

Additional Burdens

- 2.28 Therefore, the only additional burdens the implementation of Policy places on the Council is in relation to the resource it commits to the Development Board, which has an active role in the decision-making process.
- 2.29 Members of the Executive have already endorsed committing officer time to engagement with the Development Board and associated work with EMMCCA and the EMIZ

3. Reasons for Recommendation

- 3.1 In summary, this report outlines how the draft Tax Site Gateway Policy ('the Policy') will be used to ensure that Tax Sites in the EMIZ and the associated tax incentives will promote and encourage the growth of the advance manufacturing sector and green industries within the region.
- 3.2 Therefore, the Policy is considered likely to facilitate the creation of higher skilled, higher paid jobs at two large employment sites within the local area with an associated rise in living standards and improved quality of life for those employees. Moreover, the Tax Site at Explore Park is already operational, has plans for further development in the very near term and is closely related to settlements and housing allocations within the District.
- 3.3 In these respects, the focus in the Policy on green industries and advance manufacturing at Explore Park supports the growth in this District's housing supply alongside the opportunity to transform the District's local economy through accelerating the growth of existing businesses in these sectors and by securing investment from these sectors to develop employment sites in the District to provide more high quality, high value jobs to local people.
- 3.4 As proposed, the draft Policy does not give rise to any significant costs to the Council and any future planning decisions or proposals for business rates relief and/or tax incentives, or any other scheme that has a material impact on the District's own statutory responsibilities will need this Council's prior approval.
- 3.5 As the billing authority, the Council will likely administer any business rates relief under the tax incentive policy at Explore Park if that were to be applied to any future occupants of any new buildings on the part of the site within Bolsover. Reliefs will be appropriately reimbursed by Government under a principle of no detriment.
- 3.6 Consequently, approval of the draft Policy would be highly unlikely to pose any significant negative risk to the Council's own interests or impact on service delivery but there is a positive risk that the EMIZ will benefit the District's local economy and its local residents.
- 3.7 It is therefore considered appropriate to recommend that the Executive endorse approval of the Tax Site Gateway Policy and for the Council to thereby become a signatory to the Policy and in doing allow the Tax Site at Explore Park, Steetley to proceed.

4 **Alternative Options and Reasons for Rejection**

- 4.1 The Executive could choose not to support the current Policy proposals and withdraw officers from any future involvement in its governance arrangements or decisions making. This option was rejected because of the potential benefits to the District of continued active involvement with EMMCCA and the EMIZ, the risk of not realising benefits for the District if officers disengaged from the process, and the disbenefits of the loss of inward investment should the Policy and associated Tax Sites fail to get approval.

RECOMMENDATION

That Executive endorse approval of the Tax Site Gateway Policy, and thereby delegate authority to officers to sign the Policy on behalf of the Council to allow the Tax Site within the District's administrative boundary to proceed.

Approved by Councillor John Ritchie, Portfolio Holder for Growth

IMPLICATIONS:

Finance and Risk: Yes No

Details:

As proposed, the draft Policy does not give rise to any significant costs to the Council. Approval of the draft Policy would be highly unlikely to pose any significant negative risk to the Council's own interests or impact on service delivery.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details:

The Investment Zone tax measures will be legislated for under Section 113 of the Finance Act 2021. Provision will also be made to allow the date by which conditions need to be met for the purposes of the tax reliefs and NICs relief to be amended using secondary legislation. Consequential amendments will be made to the provisions of the Capital Allowances Act 2001, Part 4 of the Finance Act 2003, National Insurance Contributions Act 2022, and Finance Act 2021 to enable special tax sites in or connected with Investment Zones to be able to benefit from the tax reliefs. The tax reliefs will be available for a period of ten years.

On behalf of the Solicitor to the Council

Environment:

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

Details:

Not applicable.

Staffing: Yes No

Details:

Approval of the Policy will not have any significant staffing implications as set out in the report. Future development of the Tax Site might give rise to additional demand on the Council's Planning Service, for example, but there are opportunities to mitigate for any additional costs through Planning Performance Agreements or resource funding from the EMIZ.

On behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No

District Wards Significantly Affected	(please state which wards or state All if all wards are affected)
Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Details:

Links to Council Ambition: Customers, Economy, and Environment.

DOCUMENT INFORMATION

Appendix No	Title
A	Draft Tax Site Gateway Policy

Background Papers

(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).

None