

REPORT TO: Executive Board

DATE: 19th October 2023

REPORTING OFFICER: Executive Director – Environment & Regeneration

PORTFOLIO: Major Projects

SUBJECT: Liverpool City Region Investment Zone – Key Decision

WARD(S) Daresbury, Moore & Sandymoor

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to seek approval for Halton to become part of the Liverpool City Region (LCR) Investment Zone (IZ). The IZ will include a tax site for occupier benefits which will operate for 5 years from April 2024 alongside business rates retention for a period of 25 years. The site will sit within the existing Enterprise Zone and will be used to promote the delivery of the Sci-Tech Daresbury masterplan.

2.0 RECOMMENDED: That

- 1) the report be noted;
- 2) the Board supports the progress made on the Investment Zone and approves the Council entering into a Memorandum of Understanding with LCR Combined Authority as required;
- 3) the Board gives delegated authority to the Executive Director for Environment & Regeneration, in consultation with the Portfolio Holder for Major Projects to take the necessary steps to participate in the LCR Investment Zone;
- 4) the Board approves the sign off of the allocation of Sci-Tech Daresbury as part of the LCR Investment Zone; and
- 5) the Board authorises the Operational Director Finance to enter into and manage the processes required to facilitate the Business Rates Retention and Tax Increment Financing processes.

3.0 SUPPORTING INFORMATION

3.1 Investment Zones Announcement

As part of the Spring Budget, the Government announced plans to enter discussions to host twelve high growth Investment Zones across the UK. Liverpool City Region Mayoral Combined Authority was identified as one of eight places in England invited to develop an IZ.

3.2 IZs are designed to harness local sector strengths to drive productivity and leverage the bottom-up energy of local talent, knowledge and networks to deliver sustainable growth that benefits local communities. Government expect the IZs to be a partnership between central government, local government, research institutions and the private sector.

3.3 Government expect IZs to have a key sectoral focus, and the Liverpool City Region, in collaboration with stakeholders, identified the health and life science sector as its focus.

3.4 IZs will be able to access £80m Government investment through direct grant and tax incentives for occupiers from April 2024. These tax incentives are expected to support Stamp Duty Land Tax relief, business rates relief for businesses locating within an Investment Zone, Enhanced Capital Allowances for plant/machinery and Employer National Insurance Contributions.

3.5 **Sci-Tech Daresbury Enterprise Zone & LCR Investment Zone**

Sci-Tech Daresbury was designated as an Enterprise Zone in 2012, with 5 years rates relief for occupiers running from 2013-2018 and 25 years rate retention until 2038. To date this has enabled the growth of the campus and attracted new companies to site. Halton Borough Council has utilised the Tax Increment Financing mechanism to support borrowing for the delivery of new office and laboratory space on campus.

3.6 A Rates Reinvestment Policy was established in partnership with the Sci-Tech Daresbury Joint Venture Board. This allowed for the development of a business case by the JV and approval by Halton's Executive Board on a case-by-case basis for any borrowing. To date we have invested in both physical development, infrastructure and on a number of talent & skills programmes to support the growth of the campus. We have delivered 120,000 sq ft of new office and lab space, seen the number of people employed by campus companies grow from 330 to 1,300.

3.7 In the LCR proposals, Sci-Tech Daresbury is identified as a tax site, offering incentives to new occupiers for 5 years from April 2024 and as a rates retention site providing 100% of the rates uplift for reinvestment until 2049. This effectively extends the period of retention and builds on the success of the Enterprise Zone in enabling the delivery of the Sci-Tech Daresbury masterplan.

3.8 The LCR Investment Zone was announced as the second Investment Zone on July 26th, 2023. The CA is currently negotiating with DLUHC to progress through 5 'Gateways' of the business case. The process is anticipated to conclude in October with an announcement in the Autumn Statement. The five gateways are:

- Vision and Inception - agreed in April 2023, confirming the life sciences focus.
- Sector and Geography - agreed May 2023, setting out the sector context and locations/opportunities.
- Governance – presented June 2023 and to be agreed in August – presenting the proposals for the integration of governance arrangements with the existing CA, Freeport Board and addressing links between partners.
- Interventions – submitted August 2023, providing further detail on the programme and projects, outputs and expenditure profiles.
- Delivery –delivery plan submitted by end September to allow for an approval in October. This will lead to the production of an MOU and allows for the flexible grant and other levers to be available from April 2024.

3.8 Investment Zone Funding

The LCR has allocated funding from the flexible funding pot to support the core resource for programme management and to cover the cost of occupier tax incentives. The remaining funding is provisionally allocated to a number of capital and revenue projects. Sci-Tech Daresbury's next phase has been provisionally allocated £9.5m of grant from the flexible funding pot by LCR, subject to a SIF Business Case process. This removes the requirement to utilise Enterprise Zone rates borrowing as identified in the Exec Board report Project Violet Phase 2 in July 2023.

4.0 POLICY IMPLICATIONS

4.1 Sci-Tech Daresbury is allocated as a Strategic Employment Location within the 2022 Halton Delivery and Allocations Local Plan.

4.2 In the Mersey Gateway Regeneration Plan Plus, Sci-Tech Daresbury is a key priority in the wider development and investment opportunities, and the Investment Zone creates an opportunity for continued focus on the area for growth and investment.

4.3 The implementation of an Investment Zone requires a memorandum

of understanding with the LCR CA in relation to the delivery of the agreed priorities and ongoing monitoring. Governance arrangements are still to be agreed and this MOU will set out reporting mechanisms and oversight of the Investment Zone.

5.0 **FINANCIAL IMPLICATIONS**

5.1 The IZ is a £320 million scheme that includes government funding in the initial 5 years, private sector match and a commitment to the utilisation of the tax incremental financing process to support the delivery of the scheme.

5.2 The IZ status enables Halton to access initial grant funding for the delivery of the first phase of the IZ which, as reported in the Executive Board Report July 2023 (Project Violet Phase 2) this replaces the requirement for further borrowing against EZ rates.

5.3 The allocation of Sci-Tech Daresbury as an IZ rates retention location means that Halton will retain the rates uplift for a period of 25 years which unlocks the ability to utilise Tax Incremental Financing to support Council borrowing. Initial estimates by the LCR's IZ advisers suggest the planned developments at Sci-Tech Daresbury could support the delivery of the masterplan through approximately £37m of Tax Increment Financing. As with Enterprise Zones, the Council would establish an Investment Strategy and Rates Reinvestment Policy. The investment strategy will detail the priorities for delivery of the masterplan and other delivery priorities and any borrowing undertaken to support the IZ would be considered on a case by case basis following the necessary affordability assessment and due diligence.

6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 **Children & Young People in Halton**

None

6.2 **Employment, Learning & Skills in Halton**

The Investment Zone will support the delivery of the Sci-Tech Daresbury masterplan, building on the success of the existing Enterprise Zone and accelerating delivery of new employment space in the borough. The IZ will also benefit from a range of Talent & Skills programmes through the LCR and as part of the Sci-Tech Daresbury JV.

6.3 **A Healthy Halton**

Providing additional opportunities for local people and providing access to local employment increases the potential for healthier living.

6.4 **A Safer Halton**
None

6.5 **Halton's Urban Renewal**
The Investment Zone is a significant opportunity in building on the success of the Enterprise Zone and accelerating the delivery of the Sci-Tech Daresbury Masterplan which provides a significant proportion of the employment land allocation within the local plan.

7.0 **RISK ANALYSIS**

7.1 The Liverpool City Region Investment Zone has the potential to attract not only the initial injection of Government funding but also future investment into key growth sectors of health and life science.

7.2 The funding available can support the viability gap for Project Violet Phase 2, reducing the reliance on Enterprise Zone borrowing and ensuring the timely delivery of much needed lab space in the LCR. Sci-Tech Daresbury can maximise impact through access to this additional grant funding as well as future TIF potential.

7.3 The TIF process has risks associated with it in terms of affordability of any borrowing but this would be managed through a due diligence process which is already in place for the Enterprise Zone. The effective extension of time to 25 years means that the cost of borrowing could be more affordable in comparison to the Enterprise Zone.

7.4 There is a risk that, under the existing Enterprise Zone terms, there is a limit to the capacity of the borrowing in the time remaining which impacts on the ability of the JV to deliver the full masterplan. Investment Zone status provides an opportunity to accelerate delivery.

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 The Investment Zone will support the delivery of the Sci-Tech Daresbury masterplan and the facilities will be fully accessible for all; as such, there are no equality and diversity issues.

9.0 **CLIMATE CHANGE IMPLICATIONS**

9.1 The Investment Zone encompasses land that has been identified in the Local Delivery and Allocations Plan as allocated for employment land. All development and expansion of the campus would have due

regard to the climate change commitments made by Halton Borough Council, in particular in relation to the network of biodiversity and mitigation against the effects of climate change. The developments will be designed to deliver sustainable growth, adopting best practice in sustainable design and construction. Any proposals would need to have an integrated approach to sustainable development incorporating climate change resilience and carbon management measures, such as meeting BREEAM excellent rating.

9.2 The JV is committed to reducing its environmental footprint and sustainability is embedded into the management and operation of the campus.

10.0 REASON(S) FOR DECISION

A decision is required to enable the Council to enter into the necessary legal agreements to facilitate the Investment Zone and associated Tax Incremental Financing processes

11.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

Consideration was given to Sci-Tech Daresbury remaining an Enterprise Zone and not becoming an Investment Zone. On balance it was felt that the opportunity to access additional grant funding and tax incentives through the Investment Zone was more likely to accelerate the next [phase of delivery and provide potential for future investment and Tax Incremental Finance that could support the requires land acquisition and infrastructure to deliver the masterplan.

12.0 IMPLEMENTATION DATE

A Memorandum of Understanding is expected to be signed ahead of the commencement of Investment Zone status in April 2024.

13.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Liverpool City Region Combined Authority submitted maps for tax site boundary at Daresbury Enterprise Zone Rates Retention Policy	Municipal Building, Widnes	Helen Roberts

