

North East Scotland

Investment Zones Vision Form 20 February 2024

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Information to complete this document

This document will be used by government to understand a place's emerging thinking on their IZ proposal. You do not necessarily have to provide all the detail requested if it is still in development – at this stage we are largely interested in understanding the direction of travel and shape of your proposal before detailed discussions begin.

We have provided word counts throughout the document - in the interest of proportionality you should aim to not expand beyond these word counts.

This document has several specific sections which are briefly summarised ahead of each section, but broadly cover:

- **The Vision** - A high level and initial strategic overview of your Investment Zone proposal.
- **Tax Sites** - To understand if you intend to take forward the tax offer and if so your initial thinking on the number of tax sites and approximately what size. The tax offer is set out in the policy document and can only be used as a single package made up of 5 tax incentives. This offer can only be used as a single package made up of 5 tax incentives. An Investment Zone will offer a total funding envelope of £160m over ten years, which can be used between spending and a single five-year tax offer, scalable based on number of sites and their size.

- **Non Domestic Rates Retention** - to understand your initial thinking on whether you intend to submit a proposal for billing authorities to retain 100% of any growth in business rates over an agreed baseline for 25-years as part of your Investment Zone.
- **Planning** - a brief overview of your early thinking on the potential planning offer and how it will support the growth of the target sector/cluster.
- **Research Institutions** - proposed partner research institutions to engage in co-design and delivery of the IZ proposal. All Investment Zone proposals must be co-signed by at least one research institution.

The Vision

Please note that the information provided here is to support and guide the structured conversations that HMG and SG will be undertaking in partnership with regions selected for an Investment Zone. All information submitted at this point is considered as your initial thinking as a basis for further discussion.

We know that you will have existing economic plans, priorities and strategic investments which will inform your thinking on Investment Zones. We expect that Investment Zones will go with the grain of existing and future plans, and as such at this stage **we do not expect the production of new evidence bases or plans**. We will set out specific metrics as part of detailed criteria ahead of future gateway reviews.

WHAT VISION DO YOU HAVE FOR YOUR INVESTMENT ZONE? (1,500 words)

Outline your initial strategic pitch for your proposed Investment Zone, with reference to how it will support the stated programme objectives. Please draw on existing evidence as appropriate.

In this section, it would be helpful to set out:

- *The overall strategic pitch including the priority sector you wish to support, with reference to existing local strengths and potential for growth, and the proposed geography of the Investment Zone. Please include any early thoughts on the specific sites or areas of spatial focus / existing clustering (where known)*
- *The challenges and opportunities an Investment Zone could unlock, with reference to the programme's overall objectives.*
- *Any early thinking on interventions you intend to fund through the IZ offer, including specific tax, business rate retention and planning interventions.*
- *Your initial sense of how this vision will leverage and crowd in private sector investment, including potential companies you expect to be interested in investing in support of the vision (where known)*

North East Scotland Investment Zone Vision and Ambition 2035 Vision

North East Scotland is home to highly innovative companies, two leading Universities, and a high performing research base across its key sectors. The region is a centre for enterprise, innovation and developing world-class solutions.

North East Scotland's vision is for a regional economy that enables its people, communities, businesses and key sectors to thrive. The region will lead a just transition, diversify its economy, stimulate entrepreneurship and innovation, and deliver a wellbeing economy for its people to secure the skills and high value jobs and achieve a successful post-fossil fuel future.

“By 2035, the region’s economy will lead in the production of and transition to future energy solutions, green energy and will be diversifying through growth in key sectors, including digital technology. It will be an economy that values place, people, the natural environment, wellbeing and be innovative, entrepreneurial, and outward-looking and international.”

Innovation Cluster Ambition

Innovation will maximise the growth opportunities in its sectors of green energy and digital tech. To stimulate and leverage research, innovation, and commercialisation in its extensive academic, research and industry base, drive innovation-led entrepreneurial growth stimulating the growth of new start-ups and spinout businesses and scale up and accelerated growth of established enterprises through innovation and internationalisation to secure inward investment.

Prioritising action and investment to support the region’s innovation ambition will achieve a successful just transition for the region, create more high-growth businesses and high-value jobs in key industries, increase exports, diversify the economy, and increase productivity, and make a significant contribution to national sector targets and economic performance.

“Investment in north east Scotland’s innovation cluster will stimulate research and digital innovation and accelerate the commercialisation of new products, processes and services to generate more innovation-led high-growth enterprises and create new, high-skills jobs.”

Green Energy

The region is an established global hub for the energy industry: the operational centre for the UK oil and gas industry with world-class expertise in offshore energies, including offshore wind, and an extensive and globally active supply chain, all supported by a highly skilled workforce, higher education, and research institutes. The region’s energy sector is entrepreneurial and innovative. It is actively evolving to maximise the energy transition opportunity through developing offshore renewable solutions and driving digital transformation to maximise efficiency, productivity, and sustainability gains.

The ambition for the energy sector is to reposition the North East of Scotland to become a globally recognised renewable and low carbon energy cluster and to build on the region’s reputation for offshore energy technology development and innovation. There is an opportunity to accelerate research output to influence industry solutions and drive digital innovation to deliver transformational growth in the supply chain. This will maximise competitive advantage in the development, deployment and operation of offshore wind, hydrogen and CCUS. The resulting products and services will accelerate the deployment of offshore energies, support the growth of innovation-led high-growth businesses, deliver high-value jobs, and increase exports to global markets.

Digital Tech

The region’s digital tech cluster of 300 companies employs 4,400 people with a turnover exceeding £520 million a year. These businesses work across markets including energytech, agritech, clean tech, health tech, tech bio and sustainability. Energy tech is the dominant focus, with 42% of companies, 59% of the employees and 59% of the total sector turnover, and businesses are increasingly targeting new market opportunities in renewable energy-related fields and climate tech.

The ambition for digital tech is to accelerate research and innovation in deeptech, AI and robotics to build on the research base and accelerate start-up and spin-outs, secure investment and take new products, services and solutions to a global market, grow the

number of high-growth innovation-led businesses in the digital tech cluster and drive digital transformation within the region's growth sectors, including food and drink manufacturing, agriculture and life sciences.

Delivering Impact

The Investment Zone aligns with the region's broader economic strategy, amplifies existing action and investment in entrepreneurship, research and commercial innovation within the regions Universities and research institutes, key industries and leverages the benefits of established ecosystems, funding and investment and private and public sector economic development delivery in the region.

Regional and national government, the private sector and academic and research interests already collaborate on innovation-led economic development activity within the region. The government recognises the region's economic partnership model as an exemplar. The Regional Economic Strategy prioritises growth sectors and innovation and has helped to shape concerted action and investment in the region since 2015, including the Aberdeen City Region Deal (NZTC, ONE Biohub, ONE Seedpod, ONE Tech-hub National Decommissioning Centre, National Subsea Centre). The Deal was the first in the UK to focus on delivering industry innovation projects.

The Investment Zone will accelerate and expand the region's innovation, investment and delivery.

Tax Sites

As you complete this section, please bear in mind that tax sites must be "underdeveloped" so that the tax measures support areas with economic potential, rather than already economically successful sites. Under this broad, economic definition, empty land, brownfield land, under-utilised land with some construction and vacant premises are some examples of what might be considered "underdeveloped" so long as a good case is made. We expect areas to demonstrate a compelling economic geography when determining the most effective location of tax sites. We will be setting out more detail on these criteria in due course alongside a timeline for when we expect tax sites to be formally submitted. The government reserves the right to reject tax sites or request amendments to sites that do not meet these requirements and any further criteria it sets out [such as alignment with the Investment Zone's objectives and robust delivery plans]

TAX SITES

Will you be proposing tax sites?

Yes ☒

No ☐

If yes, how many tax sites are you proposing?
One ☐ Two ☐ Three ☒
What is the estimated size and location of this site/each of these sites, where known. If you already have specific locations in mind please provide maps and/or postcodes, this will be purely to inform our initial discussions.
Site 1 Energy Transition Zone 288.5ha Site 2 Peterhead 200ha Site 3 tbc

Non Domestic Rates Retention (NDR retention)

The accountable body will need to demonstrate how NDR retention will provide for local economic growth within the region, support the priority sector within the Investment Zone, and represent value for money for the government. This should be done in collaboration with the lower tier authority who will continue to take operational responsibility for collecting these rates. Local authorities will need to work together to agree a share of the non domestic rates growth to go to lead local authority, as well as to develop a strong reinvestment strategy for the revenue stream. SG and UKG will assess applications for the use of the NDR retention offer on these criteria. Government reserves the right to reject sites based on cost and deliverability.

BUSINESS RATES RETENTION
Will you be proposing sites within which 100% of non domestic rates growth is retained over an agreed baseline for 25-years?
Yes ☒ No ☐
If yes, how many non domestic rates sites are you proposing?
Indicatively all 3 tax sites will be non domestic rates sites.
What is the provisional location and estimated size of these sites?
The provisional locations of the ETZ and Peterhead non domestic rates sites are shown on the attached plans with each having a respective area of 288.5ha and 200ha. A third non domestic rates site is still to be identified.
We would be interested to know if you have engaged relevant billing authorities and their initial feedback to your proposals, if available.
<i>Engagement with Aberdeen City and Aberdeenshire Councils, Grampian Assessor and ERO and Government is ongoing to establish the viability of non domestic rates sites within the North East of Scotland Investment Zone.</i>
At this stage do you intend for these sites to be located on the same site as your tax sites?
Yes

Planning

Investment Zones should have a credible and ambitious planning offer to accelerate the development necessary to support the cluster while maintaining high environmental standards. There must be a single point of contact for investors to support proactive and constructive engagement on planning matters. Regions should look at proactive master-planning, bespoke engagement and support to applicants, and the use of Local Development Orders and other innovative routes to permission, where appropriate, to deliver exemplar development faster and to support the long-term success of the Zone.

PLEASE OUTLINE YOUR EARLY THINKING ON THE PROSPECTIVE PLANNING OFFER FOR THE INVESTMENT ZONE (250 words)

You should briefly set out what planning you intend to take forward as part of the Investment Zone and how you will ensure it accelerates progress.

In this section, please set out any early thinking on what your planning offer will be, based on the requirements in the IZ policy prospectus, including consideration of how SG can support your ambitions.

To accelerate investment and growth within our Investment Zone it is proposed to introduce masterplan consent areas for each Tax Site and within Peterhead the surrounding strategic housing sites. The delivery of masterplan consent areas will commence when this part of the Planning(Scotland) Act 2019 is enacted. In the meantime delivery of development within designated tax sites will be regulated through a planning protocol.

The ETZ and Peterhead Tax Sites have been designated National Development status by National Planning Framework 4 with Peterhead also being designated Industrial Green Transition Zone status. Furthermore, each Tax Site has been designated by the respective Aberdeen City and Aberdeenshire Local Development Plans as areas where development within Classes 4, 5 and 6 of the Town and Country Planning (Use Classes)(Scotland) Order 1997 as amended will be supported. As such, Consistency of approach to consenting by both Aberdeen City and Aberdeenshire Planning Authorities through establishing a planning protocol for tax sites will remove delay and risk from the development and investment processes

Partner Research Institutions

At a minimum, a relevant local research institution should co-sign the final proposal. Each Investment Zone is expected to ensure strong collaboration between industry and research institutions. We will expect participating Universities to adopt best in class standards to increase the volume of innovative R&D and adoption. This could include nurturing and supporting local talent, building knowledge networks, collaborating on research commercialisation, and supporting scaleup and adoption of promising innovations following spinout to raise the productive potential of the whole area.

WHICH RESEARCH INSTITUTION(S) WILL CO-SIGN YOUR PROPOSAL? (250 words)

Please provide details of proposed partner research institution(s), why they are appropriate and how you envisage they could support the proposal.

In this section, we would like to understand:

- Which research institution(s) you are considering working with to co-design your IZ and who will co-sign your proposal (it can be more than one)
- Why they are appropriate, considering your proposed sector, cluster and geographic focus
- How they will meaningfully support the development and delivery of the vision

The University of Aberdeen and Robert Gordon University (RGU) are both located within the investment zone region and are fully committed in their support of the regional economic strategy. As key delivery partners they are represented on the Investment Zone steering and working groups and are already supporting its co-design through evidence gathering around research and innovation capacity and skills provision. Both universities have agreed to act as co-signatories on the proposal.

The University of Aberdeen is a broad-based research-intensive (TRAC Group A) university with significant research and innovation capacity across the sectors identified in the vision statement. In REF 2021, it returned 420 researchers across a range of STEM disciplines and has several key assets that can support the investment zone, including: Centre for Energy Transition, National Decommissioning Centre, Rowett Institute, Centre for Data & AI.

RGU has a strong reputation for its partnerships with industry, particularly in the proposed sectors, as evidenced by its high knowledge exchange collaborations. It delivers innovative research solutions for business and industry providing economic, societal, environmental and cultural impact. RGU's Energy Transition Institute; National Subsea Centre; Entrepreneurship and Innovation Group; and Digital Innovation Lab will all play a key role in supporting the Investment Zone.

The universities are supporting development of the vision by contributing time of senior institutional leaders and academic experts. Their contribution to delivery will take many forms; for example, by enhancing industrial engagement to support knowledge exchange, through entrepreneurial campuses driving growth in startups/spinouts, future workforce development.

In addition to the regions Higher Education institutions the development and delivery of the North East of Scotland Investment Zone will also be influenced by the work of North East Scotland College and The Hutton Institute with regards to the provision of a skilled workforce, research and innovation.