



Llywodraeth Cymru
Welsh Government

CYHOEDDIAD, DOGFENNU

Memorandwm Cyd- ddealltwriaeth rhwng Llywodraeth y DU a Llywodraeth Cymru: Parthau buddsoddi

Cytunwyd ar gytundeb rhwng Llywodraeth y DU a Llywodraeth Cymru a chyd-bwyllgorau corfforedig sy'n ymwneud â defnyddio cyllid llywodraeth y DU ar gyfer parthau buddsoddi.

Cyhoeddwyd gyntaf: 8 Ionawr 2025

Diweddarwyd ddiwethaf: 8 Ionawr 2025

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Cynnwys

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1. Preface

1.1 This Memorandum of Understanding (MoU) is founded on the principles for intergovernmental relations (the principles are set out in the **Review of Intergovernmental Relations** (https://assets.publishing.service.gov.uk/media/61df0068e90e07037ba76b4c/The_Review_of_Intergovernmental_Relations.pdf)) and is signed by the UK government and the Welsh Government in the spirit of joint partnership working for the delivery of the Investment Zones programme in Wales. It summarises and formalises the overarching principles for and approach to the use of UK government funding for Investment Zones agreed between the UK government and the Welsh Government and Corporate Joint Committees (CJCs).

1.2 This MoU is a statement of intergovernmental work, acknowledging that the strategic context and personnel involved in the Investment Zones will change over the lifetime of the programme and does not create legal obligations between the parties. This document also does not constitute any agreement around changes to pre-agreed profiles of funding which will be handled separately.

1.3 The Ministry of Housing, Communities and Local Government (MHCLG) leads the UK government's delivery of Investment Zones in Wales. The Economy, Energy and Transport Group leads the Welsh Government's delivery of Investment Zones in Wales.

2. Context

2.1 This document takes account of the principles set out in HM Treasury's Statement of Funding Policy, **Funding the Scottish Government, Welsh Government and Northern Ireland Executive**

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(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943689/Statement_of_Funding_Policy_2020.pdf).

3. Aim

3.1 The Investment Zones Programme (“the Programme”) is designed to support the growing strengths in UK government and Welsh Government priority sectors, increasing productivity, driving innovation, and helping address economic disparities that persist between and within regions. The Programme is being jointly delivered by the UK and Welsh Governments, with the 2 Investment Zones located in the Cardiff and Newport and Wrexham and Flintshire travel to work areas. This MoU sets out how both governments will work together and details the funding arrangements to deliver Investment Zones in Wales.

4. Partnership working and joint delivery

4.1 The place selection methodology, **policy offer** (<https://www.gov.uk/government/publications/investment-zones-in-wales-policy-model-and-place-selection-methodology/investment-zones-place-selection-in-wales>) and **technical document** (<https://www.gov.uk/government/publications/investment-zones-in-wales-technical-document/investment-zones-in-wales-technical-document#annex-c-supplementary-guidance---tax-offer>) for Investment Zones in Wales were co-developed by the Welsh Government and UK government to align with the programme while reflecting the unique policy, economic and governance landscape in Wales.

4.2 The Welsh Government and UK government are working collaboratively with the South East Wales and North Wales CJC's to co-develop their Investment Zone proposals. The UK government and Welsh Government will jointly assess proposals at each stage of the co-development process. Each stage (gateway)

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will be jointly signed off by Welsh Government and UK government Senior Responsible Officers (SROs), with each SRO seeking any steers as required from their own ministers. CJsCs can only formally proceed to the next gateway stage once both governments have jointly confirmed approval.

4.3 Following completion of the gateways, final approval of the full Investment Zone proposals will be given jointly by the Welsh Government and UK government, through the cross-government Freeports and Investment Zones Programme Board and both Welsh Government and MHCLG Ministers.

4.4 Once formally approved, Welsh Government and UK government will continue to work collaboratively to deliver both Investment Zones in Wales, including joint development and agreement of relevant ministerial engagement and communications.

5. Ways of working

5.1 Welsh Government and UK government officials will meet regularly throughout the lifetime of the programme to support development and effective delivery of Investment Zones in Wales.

5.2 Each meeting should include representatives from both UK government (Ministry of Housing, Communities and Local Government) and Welsh Government, with a minimum of one representative from each government attending the meeting to be quorate. Officials from other government departments can be invited by exception.

5.3 Agendas will be jointly agreed in advance of each meeting and summary notes of discussion will be produced and agreed.

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6. Welsh Government and UK government: CJC meetings

6.1 Welsh Government and UK government officials will meet jointly with CJCs to support development and delivery of gateway returns.

6.2 The core membership of this group should consist of representatives from both governments and the relevant CJC. A minimum of one representative from each government and the relevant CJC must attend the meeting to be quorate.

6.3 Agendas will be jointly agreed in advance of each meeting and summary notes of discussion will be produced and agreed.

7. Governance structures

7.1 The UK government and Welsh Government will discuss, agree and keep under review formal delivery governance structures, using existing structures where appropriate.

8. Route of escalation

8.1 If agreement on a matter cannot be reached, it should be escalated via normal official routes within the respective governments in line with established IGR principles.

8.2 If a disagreement cannot be resolved, either government may opt to refer it to the IGR Secretariat as a dispute under the arrangements for dispute avoidance and resolution set out in the Review of IGR.

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9. Funding

9.1 Subject to Spending Reviews, the UK government will make available a funding envelope of £320,000,000 to the 2 Investment Zones (£160,000,000 each) between the 2025/2026 and 2034/2035 financial years (a period of 10 years). The funding envelope can be used flexibly between spending and a single tax incentive package, scalable based on the number and size of sites. Each Investment Zone will have up to £160 million flexible spend (split 40:60 between resource (RDEL) and capital (CDEL) spending), minus the cost of the tax incentives offered over a maximum of 600 hectares.

9.2 The tax incentives within the single package are:

- Land Transaction Tax: 100% relief for land and buildings bought for commercial use or development for commercial purposes
- Non-Domestic Rates: 100% relief for up to 5 years on newly occupied business premises, and certain existing businesses where they expand in Investment Zone sites
- Enhanced Capital Allowance: 100% first-year allowance for companies' qualifying expenditure on plant and machinery assets for use in tax sites
- Enhanced Structures & 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 contributions on salaries of any new employee working in the tax site for at least 60% of their time, on earnings of up to £25,000 per year, with employer contributions being charged at the usual rate above this level, for a maximum of 36 months per employee.

The tax reliefs available for the Welsh Investment Zones will have a single end date agreed by UK Government and Welsh Government

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9.3 Non-Domestic Rates Retention:

- NDR Retention allows local authorities to retain up to 50% of any future growth in Non-Domestic rates above an agreed baseline for 25 years.
- NDR Retention is part of the overall Investment Zone offer but sits outside of the £160m envelope provided by the UK government and will be administered by the Welsh Government as part of the Welsh Government's wider NDR retention programme.

Both governments will work together to ensure the NDR Retention sites align with the overall objectives of the Investment Zone and agree the reinvestment strategy as part of Gateway 3 (Governance).

10. Tax costing process

10.1 Each CJC will provide information about and maps of proposed tax sites as part of their gateway returns. Estimates of the cost of reserved tax reliefs claimed on designated tax sites will be provided by HM Revenue and Customs in their capacity as the tax delivery department. Both governments will use this information provided by the CJCs to estimate the costs of devolved and reserved tax incentives. The estimated cost of the tax sites will then determine the remaining flexible spend from the overall envelope for each Investment Zone. If the estimated costs are significantly higher than expected, both governments will work with the CJC to amend their proposals accordingly. This may include:

- Reducing the size of, or removing, proposed tax sites to reduce estimated costs
- Absorbing additional costs using each CJC's flexible spend budget

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10.2 The total financial envelope being made available from UK Government for each Investment Zone is £160 million over 10 years.

10.3 If, following designation, the actual cost of reserved tax reliefs is higher than estimated via the above process, the UK government will meet those costs outside of the Investment Zone funding envelope.

10.4 HMT will not meet any additional costs for devolved tax reliefs outside of each Investment Zone's £160 million funding envelope. The Welsh Government will be responsible for ensuring devolved tax relief costs are claimed from within the funding envelope, including putting in place any cost control mechanisms for devolved tax reliefs to monitor costs and prevent overspends.

11. Accounting Officer responsibility and payment arrangements

11.1 An exchange of letters between Permanent Secretaries will set out the respective Accounting Officer (AO) responsibilities for the Investment Zone programme in Wales.

11.2 Under the joint delivery agreement, the UK government will provide the Welsh Government with up to £320m of flexible funding for Investment Zones in Wales.

11.3 The Welsh Government will hold the Accounting Officer role for public spending in support of the programme in Wales and will be responsible for managing the funding for the programme transferred by the UK government. It will also be responsible for the delivery of devolved tax reliefs.

11.4 In turn, UK government departments will be accountable for their policy levers. The Welsh Government will need to work closely with expert officials in

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MHCLG, HMT and other UK government departments to jointly assure business cases given the mix of devolved and reserved levers. The Welsh Government will also be responsible for governance of the programme and the Freeports and Investment Zones Programme Board will hold a joint chair with an equal split of members from each government, as is the case for Freeports in both Wales and Scotland. It will be this mechanism that holds various parts of UK government and the Welsh Government accountable throughout the duration of the programme.

11.5 It has been agreed by both governments that HM Treasury will deduct funding from each Investment Zone's £160 million envelope to cover the cost of reserved tax incentives, and the remaining funding will be transferred to the Welsh Government.

11.6 The Welsh Government will then deduct funding from each Investment Zone's overall funding envelope to cover the estimated cost of devolved tax incentives before providing CJsCs with flexible spend in line with grant agreements. The Welsh Government will use its own processes for any reimbursement of local authorities in respect of devolved tax incentives.

11.7 The Welsh Government will hold a review point in year 5 of the programme (2029/2030) to review uptake, impact and progress of Investment Zones against their objectives and the relationship between devolved tax incentive costs and deployment of flexible spend.

12. Legal status

12.1 This MOU does not create any legal obligations and is not legally enforceable. It describes the understanding between both parties for partnership working and the use of pre-agreed funding.

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13. Review

13.1 This document will be reviewed at least annually and at the request of the Freeports and Investment Zones Programme Board and will be updated as necessary.

Signed on behalf of UK government – Ministry of Housing, Communities and Local Government:

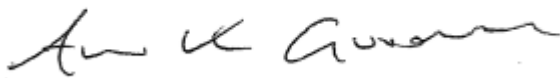


Name: Dharmesh Nayee

Title: Director, Local Growth and Devolution

Date: 4 December 2024

Signed on behalf of Welsh Government:



Name: Dr Andrew Goodall

Title: Permanent Secretary Welsh Government

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Date: 16 December 2024

Efallai na fydd y ddogfen hon yn hollol hygyrch.

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