

CABINET

Date of Meeting	Tuesday, 17 th December 2024
Report Subject	Flintshire and Wrexham Investment Zone
Cabinet Member	Leader of the Council
Report Author	Chief Executive
Type of Report	Operational

EXECUTIVE SUMMARY

Flintshire County Council and Wrexham County Borough Council are working with the North Wales Corporate Joint Committee (CJC), Welsh Government and UK Government on an advanced manufacturing Investment Zone - the Flintshire and Wrexham Investment Zone (the Investment Zone). The aim is to create over 6,000 new jobs across the manufacturing sector and attract approximately £1bn of investment, as evidenced by an open call process. The match funding is driven by the investment of private sector delivery partners across the three tax sites and some of the major investment projects delivered by private sector partners.

The Investment Zone will provide £160m of Flexible Funding and a programme of occupier and developer focused tax benefits to accelerate the development of the Investment Zone Tax Sites.

The three tax sites are:

- **Deeside Gateway** - development sites across four ownerships delivering a range of commercial premises
- **Warren Hall** - the strategic location owned by Welsh Government
- **Wrexham Industrial Estate** - the key large development sites at Wrexham Industrial Estate

In addition to the Flexible Funding and Tax Site benefits, Flintshire and Wrexham Councils can retain a proportion of the new business rates generated by the Deeside Gateway and Wrexham Industrial Estate Tax Sites. These collected business rates can be invested by the Councils to further the objectives of the Investment Zone and can fund revenue and capital projects. The retained rates are protected for 25 years and may be used to fund capital projects by borrowing against future collected rates income. The arrangements for how these Retained

Rates Funds will be set up by the Councils will be determined in the early part of 2025.

The Investment Zone proposal is progressing through the five Government 'Gateways'. Gateway 1, the Vision, has been approved by UK and Welsh Governments. Gateway 2, the Sector and Geography, has been prepared in draft form and will be submitted formally in early November following the confirmation in the October 2024 Budget that the Investment Zone programme will continue UK wide. The Gateway documents will be prepared in sequence with the aim of having all approvals in place to commence in April 2025.

RECOMMENDATIONS

1	That Members review and approve the identified Tax Sites (Deeside Gateway, Warren Hall and Wrexham Industrial Estate) and Retained Rates Areas (Deeside Gateway and Wrexham Industrial Estate).
2	That Members review and approve the proposed Governance Model.
3	That Members review and approve the Investment Zone Themes (Innovation, Skills, and Transport) and the high-level interventions, which will be refined as part of Gateway 4.

REPORT DETAILS

1.00	EXPLAINING THE FLINTSHIRE AND WREXHAM INVESTMENT ZONE
	<u>Introduction</u>
1.01	Flintshire County Council and Wrexham County Borough Council are working with Ambition North Wales, Welsh Government and UK Government on an advanced manufacturing Investment Zone. The aim is to create over 6,000 new jobs across the manufacturing sector and attract an estimated £1bn of investment.
1.02	The Investment Zone, if agreed by Government, will attract £160m of investment for 10 years from April 2025 for investment in projects that create jobs and attract private sector investment to grow the manufacturing cluster across Flintshire and Wrexham.
1.03	In addition to the eight Investment Zones in England and two in Scotland, there are two proposed Investment Zones in Wales: <ul style="list-style-type: none"> • Cardiff and Newport - delivered by the South East Wales Corporate Joint Committee • Flintshire and Wrexham - delivered by the North Wales Corporate Joint Committee

	<p>Alongside the £160m grant, three tax sites can be designated to allow a series of tax reliefs to support site development, attract investment and accelerate business and job growth. These benefits are:</p> <ul style="list-style-type: none"> • 5 year relief from business rates for new business growth; • Stamp Duty Land Tax (SDLT). A full SDLT relief for land and buildings bought for commercial use or development for commercial purposes. • Employer National Insurance Contributions Relief Zero-rate employer national insurance contributions 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 (for 36 months per employee). • 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.
1.04	<p>Investment Zones allow for two areas where half the new business rate growth can be retained by the Councils to invest in the delivery and management of the Investment Zone and to fund projects either from the balance accumulated or by borrowing against future business rates income. This arrangement is protected for 25 years.</p>
	<p><u>The Flintshire and Wrexham Investment Zone Gateway Process</u></p>
1.05	<p>The Gateway process was discussed at Cabinet on 23 July 2024 and approval given for the development and submission of the Gateway documents to Government. The process for developing Investment Zones is collaborative in nature and relies on the sharing of documentation for review across local stakeholders, Welsh Government and UK Government Ministry of Health, Communities, and Local Government (MHCLG). The intention is to share draft Gateway documents as they are prepared for feedback and agreement. Gateway 1 has been agreed by Welsh and UK Governments and Gateway 2 has been drafted and will be submitted in early November 2024. Progress on the remaining Gateways will continue over November - January 2025 to allow the programme to commence in April 2025.</p>
1.06	<p>Gateway 1: Vision – has been agreed by Government and sets out the area's vision and ambition to grow the manufacturing sector and increase the productivity, innovation, investment, and number of quality manufacturing jobs.</p>
1.07	<p>Gateway 2: Sector and Geography - sets out the economic context; an understanding of the manufacturing sector such that we can demonstrate our understanding of the key interventions Government investment could make to help accelerate investment, innovation, skills development, and jobs growth. This Gateway also requires the Investment Zone to confirm the locations of any Tax Sites and Retained Rates Investment Areas that represent the greatest opportunity to support growth of manufacturing premises. Finally,</p>

Gateway 2 also considers planning and research. Wrexham University is the Investment Zone's Knowledge Partner with Bangor University and AMRC involved as a key innovation partners.

To support our appraisal of the project interventions and tax sites available across Wrexham and Flintshire an open 'Call for Projects and Sites' was launched and run between 15-26 July 2024. Proposals were submitted by means of a standard proforma with over 45 project ideas and 21 proposed Tax Sites and Retained Rates Investment Areas received.

Project proposals - the 45 project ideas totalled approximately £250m of investment required from the proposed Investment Zone funding and represented c.£1bn of private match funding. Ongoing discussions with local partners indicate further opportunities not yet presented which will come forward over the forthcoming weeks and months. This will further strengthen the case for an Investment Zone focused on growth of a globally significant advanced manufacturing sector. Data received through the open call for projects indicates that the Investment Zone could create approximately 6,000 new jobs and therefore increase manufacturing employment by an estimated 20% over the ten years Investment Zone term.

Tax Sites and Retained Rates Investment Areas - a total of 21 sites were promoted and seven were shortlisted (four in Flintshire and three in Wrexham). The shortlisted sites all conform with local planning policy. Meetings were held with development proposers on the 4th and 5th of September to help determine the locations to be proposed as Tax Sites. The two sites with the largest opportunity for retained business rates will be designated for business rates retention. Flintshire and Wrexham Councils will be able to re-invest fifty percent of income from business rate growth received from these designation areas for the ten-year term of the Investment Zone. This income can be directed at supporting economic growth across the Investment Zone and to support borrowing for investment in key projects.

1.08 **Gateway 3: Governance** – sets out the governance, assurance, and financial aspects of the Investment Zone. These are to be managed by the CJC via the Economic Wellbeing Sub-Committee. A new Investment Zone partnership board will be established in 'Shadow' form to support the establishment of the programme and will become operational once the Investment Zone Memorandum of Understanding (MoU) is signed with Government. The private sector partners that supported the development of Gateway 1 are being kept informed of progress.

Gateway 3 will set out the mechanism for which projects are determined as eligible within the Investment Zone programme. The approach will establish a joint Council basis for the further development of projects to be supported or evaluated by the CJC Assurance Process prior to final decision by the CJC or as delegated to the Investment Zone Board.

The diagram below sets out the current Governance model.

1.09	<p>Gateway 4: Interventions – will provide details regarding the financial allocations to the interventions (projects) and the expected outputs of the Investment Zone programme.</p>
1.10	<p>Gateway 5: Delivery Plan - will summarise the delivery arrangements for the Investment Zone.</p>
	<p><u>Key Components of the Flintshire and Wrexham Investment Zone</u></p>
1.11	<p>As well as direct investments in manufacturing and infrastructure, the Investment Zone will cluster investment across three core themes. These are:</p> <ol style="list-style-type: none"> 1. Skills - a jointly curated programme of skills support, led by the Regional Skills Partnership and delivered by higher education, further education and independent skills providers to address a general under qualification in the workforce relative to other areas and to allow local people to access the new jobs created across the role and skills profile (from low skilled to high skilled roles). 2. Innovation - in partnership with the Advanced Manufacturing Research Centre (AMRC) and Welsh Government Innovation Leads, the Investment Zone will jointly develop a programme of innovation revenue and capital investment in 'innovation infrastructure' as well as deliver investments in innovation by businesses. 3. Transport - in partnership with Transport for Wales, a transformation programme of transport projects will be delivered to enhance access to the key sites and support bus services, active travel, and strategic transport improvements.
1.12	<p>The Investment Zone can have three Tax Sites up to 200 hectares each. The proposed Tax Sites are illustrated in Table 1 below. The UK Government guidance suggests the cost of Tax Site benefits to be £75,000 per hectare. Based on this assumption, the cost of the benefits, funded from the £160m allocation is an estimated £10.7m. The actual allocation will need to be</p>

	agreed with HM Treasury and Welsh Government and could increase given the scale and density of development proposed.																																																						
1.13	The three proposed Tax Sites cover 148 hectares, include 5,190,000 sq.ft. of development floorspace and have the potential to support over 6,400 new jobs. Further jobs, approximately 1,000, could be created by projects identified in the call for projects.																																																						
1.14	<table border="1"> <thead> <tr> <th colspan="4">Table 1 Proposed Tax Site Summary</th> </tr> <tr> <th>Tax Site Name</th> <th>Plot Name</th> <th>Landowners</th> <th>Hectares</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Deeside Gateway</td> <td>B, D and 3 Stealth</td> <td>Marshalls CDP</td> <td>19.16</td> </tr> <tr> <td>Airfields</td> <td>Pochin Goodman</td> <td>31.56</td> </tr> <tr> <td>Link 56</td> <td>Smartstage Limited / Great Bear Distribution Limited</td> <td>18.65</td> </tr> <tr> <td>Warren Hall</td> <td>Eastern Parcels</td> <td>Welsh Government</td> <td>12 (TBC)</td> </tr> <tr> <td>Flintshire Total</td> <td></td> <td></td> <td>81.37</td> </tr> <tr> <td colspan="4"> </td> </tr> <tr> <td>Wrexham Industrial Estate</td> <td>Utopia Phase 1</td> <td>Networld Sports</td> <td>35.96</td> </tr> <tr> <td></td> <td>Wrexham 1M</td> <td>First Investments</td> <td>25.29</td> </tr> <tr> <td></td> <td>Wrexham 152</td> <td>First Investments</td> <td>2.99</td> </tr> <tr> <td></td> <td>Bridgeway Centre</td> <td>First Investments</td> <td>3.37</td> </tr> <tr> <td>Wrexham Total</td> <td></td> <td></td> <td>67.61</td> </tr> <tr> <td>Overall Total</td> <td></td> <td></td> <td>148.98</td> </tr> </tbody> </table>	Table 1 Proposed Tax Site Summary				Tax Site Name	Plot Name	Landowners	Hectares	Deeside Gateway	B, D and 3 Stealth	Marshalls CDP	19.16	Airfields	Pochin Goodman	31.56	Link 56	Smartstage Limited / Great Bear Distribution Limited	18.65	Warren Hall	Eastern Parcels	Welsh Government	12 (TBC)	Flintshire Total			81.37					Wrexham Industrial Estate	Utopia Phase 1	Networld Sports	35.96		Wrexham 1M	First Investments	25.29		Wrexham 152	First Investments	2.99		Bridgeway Centre	First Investments	3.37	Wrexham Total			67.61	Overall Total			148.98
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1.15	The Tax Site Maps are included in this report at Appendix 1. The Retained Rates areas are as per the Tax Site Map for Flintshire (Deeside Cluster) and the Wrexham Tax Site. The Warren Hall Tax site is not part of the Retained Rates area.																																																						
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1.16	The Investment Zone can have two areas designated for Retained Rates Investment. To optimise the value of retained rates, the largest two Tax Sites have been proposed as Retained Rates Retention Areas. Except for the 'Wrexham 1M' and 'Wrexham 152' development sites which are assumed to be fully developed, the model below is based on 50% of the development floorspace generating rates in the first 10 years (and therefore being retained for 15 years) and a contingency of 20%, the total rates fund is expected to be approximately £93.64m. The breakdown is illustrated in Table 2 below. The illustrated Fund amount would need to factor in its own operating costs and interest costs in establishing a funding resource. Funding allocations from the Fund will be determined by the host authority on a case-by-case basis.																																																						

	The total floorspace set out in the masterplans for the identified sites is 2,465,000 sqft in Flintshire and 2,502,762 sqft in Wrexham. The Rateable Value is assumed to be £5/sqft.																														
1.17	<p>Further work will be undertaken to provide a more granular assessment of this aspect of the programme. Figures intended to be illustrative of scale at this point.</p> <table border="1"> <thead> <tr> <th colspan="6">Table 2 Estimated Retained Rates Summary</th> </tr> <tr> <th>Retained Rates Location</th> <th>Estimated floorspace delivered in first 10 years (sqft)</th> <th>Collected Rates Per Annum</th> <th>Total Collected over 15 years</th> <th>Estimated Retained Rates Fund with 20% contingency</th> <th>Share for Investment by local Council</th> </tr> </thead> <tbody> <tr> <td>Flintshire</td> <td>1,232,500</td> <td>£3,142,875</td> <td>£47,143,125</td> <td>£37,714,500</td> <td>£18,857,250</td> </tr> <tr> <td>Wrexham</td> <td>1,827,762</td> <td>£4,660,793</td> <td>£69,911,897</td> <td>£55,929,517</td> <td>£27,964,759</td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td></td> <td>£93,644,017</td> <td>£46,822,009</td> </tr> </tbody> </table>	Table 2 Estimated Retained Rates Summary						Retained Rates Location	Estimated floorspace delivered in first 10 years (sqft)	Collected Rates Per Annum	Total Collected over 15 years	Estimated Retained Rates Fund with 20% contingency	Share for Investment by local Council	Flintshire	1,232,500	£3,142,875	£47,143,125	£37,714,500	£18,857,250	Wrexham	1,827,762	£4,660,793	£69,911,897	£55,929,517	£27,964,759	Total				£93,644,017	£46,822,009
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1.18	The above resources can fund Council functions associated with the Investment Zone as well as 'in year' projects and major projects funded by borrowing against future retained rates secured by confirmed Rateable Value from new development. Projects supported by this fund are expected to directly align to the objectives of the Investment Zone. Projects that accelerate the delivery of new business rates in the Tax Sites are likely to be a priority. The 'Call for Projects' process identified suitable infrastructure projects in Flintshire and Wrexham that would help unlock development plots and secure significant development within the first 10 years of the Investment Zone.																														
1.19	The Council will need to develop an accounting mechanism for these Retained Rates and develop criteria and governance for the deployment of the funds. This will be brought forward in a future report to Cabinet.																														
	<u>Investment Allocations</u>																														
1.20	<p>Gateway 4 requires the Investment Zone to establish the allocation of the £160m flexible funding to interventions.</p> <p>The top level Interventions are:</p> <ul style="list-style-type: none"> • Skills • Local Infrastructure • Research and Innovation • Business / Stakeholder Support • Planning 																														
1.21	Table 3 below sets out an indicative allocation. These are to be refined following collaborative workshops on skills, innovation and transport as well as further discussions with partners on the available co-investment opportunities.																														

Table 3 Indicative Top Level Intervention Allocations		
Budget Area	Allocation	Proportion (% rounded)
Programme Delivery	£6,400,000	4%
Feasibility and Business Case Support	£2,500,000	2%
Skills	£21,100,000	13%
Local Infrastructure (includes innovation and transport)	£87,150,000	54%
Research and Innovation	£10,000,000	6%
Business / Stakeholder Support	£10,000,000	6%
Planning	£1,000,000	1%
Occupier Benefits	£10,200,000	6%
Currently Unallocated	£11,650,000	7%
Total	£160,000,000	100%

2.00	RESOURCE IMPLICATIONS
2.01	<p>The Investment Zone is jointly delivered by the North Wales CJC, Flintshire County Council and Wrexham County Borough Council. Each partner is accountable for different aspects of the programme:</p> <p>Flintshire Council / Wrexham Council</p> <ol style="list-style-type: none"> 1. Core member of Investment Zone Delivery Team 2. Employment of local Delivery Team 3. Regeneration, business support, skills, planning, finance, legal, human resources, communications team resources 4. Support for an Investment Zone Combined Planning Unit 5. Management of Tax Site Benefits 6. Delivery of Gateway Policy process (see Glossary for definition) 7. Management and delivery of Retained Rates Fund <p>North Wales CJC</p> <ol style="list-style-type: none"> 1. Employment of core team 2. Secretarial support to the Investment Zone Board 3. Management of Gateway Policy (see Glossary for definition) 4. Accountable Body for the £160m Grant Funding and Reporting - ANW will apply its Assurance Process on agreed 'in principle' projects.
	<u>Revenue funding</u>
2.02	The Investment Zone funding allows for £640,000 per annum for revenue costs. The funding is available for 10 years. The proposed split of this funding between the core partners is set out in the Table 4 below.

2.03

Table 4 Indicative Resource Allocation					
Partner	Programme Per Annum	Programme Total Resource	Planning Per Annum	Planning Unit Resource Total	Total Revenue Resource
Flintshire	£220,000	£2,200,000	£75,000	£375,000	£2,575,000
Wrexham	£220,000	£2,200,000	£75,000	£375,000	£2,575,000
CJC	£200,000	£2,000,000			£2,000,000
NRW / Planning Unit Support			£50,000	£250,000	£250,000
Total	£640,000	£6,400,000	£200,000	£1,000,000	£7,400,000

2.04

The £220,000 annual allocation is intended to support the roles employed by each local Council, bespoke for their current capability and requirements.

2.05

The first claim will include costs incurred in 2024/25 and relate to officer time and a share of the consultancy costs incurred by AMION Consulting. Consultancy costs are expected to be £100,000 inclusive of VAT to end of March 2025. Welsh Government, Flintshire and Wrexham Councils have each pledged £25,000 towards the costs of the Investment Zone proposal at risk which will be recovered by the Year 1 revenue claim. The breakdown of this will be provided at the next stage.

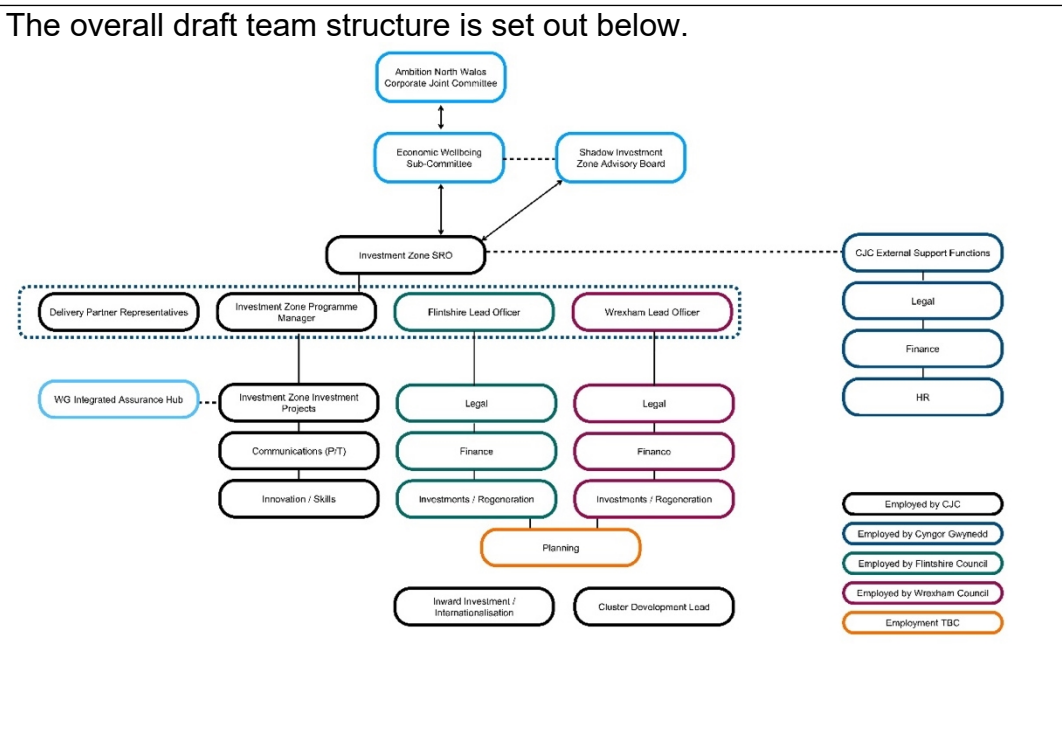
2.06

Further revenue funding will be available to the Councils from collected business rates. The resources required to manage the fund will be deducted or 'top sliced' from the income generated by retained rates and also contribute to revenue shortfalls from the flexible funding set out above.

2.07

The Councils will also each receive £75,000 per annum for 5 years to secure senior planning resource as part of the proposal for an Investment Zone Planning Unit.

2.08



	<u>Capital funding</u>
2.09	The Councils will be responsible for the investment of capital funds generated by the Investment Zone Retained Rates Fund. The intention is to develop this further and bring a report to Cabinet once developed on the arrangements and plans for this aspect of the Investment Zone.
2.10	The Councils may access funding from the Investment Zone Flexible Fund, administered by the North Wales CJC, for projects it delivers as part of the delivery programme. Decisions regarding future projects will be considered in future reports to Cabinet.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	<p>This report is operational in nature and does not include an Impact Assessment.</p> <p>The Investment Zone will prepare a comprehensive risk register to address programme level risks and set out an approach to risk management, governed by the Investment Zone Board.</p> <p>Risks to the Councils will be identified and consulted upon as part of the next stage of work.</p>

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	<p>Collaborative Approach The Investment Zone is collaborative in nature and the preparation of the Gateway responses includes key stakeholders, including:</p> <ul style="list-style-type: none"> • Regeneration, planning, business support, finance and legal specialists from the Council • Wrexham University • Bangor University • Coleg Cambria • AMRC Cymru • Transport for Wales • Welsh Government, including regional, development and innovation • North Wales CJC, including cluster specialists • Regional Skills Partnership • Many local businesses including large businesses and SMEs <p>Call for Sites As set out above, the Investment Zone promoted a 'Call for Sites' to help identify the key development sites across Flintshire and Wrexham.</p> <p>Call for Projects As set out above, the Investment Zone promoted a 'Call for Projects' to help identify the key investment projects across Flintshire and Wrexham.</p>

5.00	APPENDICES
5.01	Appendix 1 - Flintshire and Wrexham Tax Site Maps (proposed)

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Summary of Investment Zones https://www.great.gov.uk/international/content/investment/why-invest-in-the-uk/uk-investment-zones/</p> <p>Investment Zone Information Pack https://assets.publishing.service.gov.uk/media/660ff5739f92ac001a516d5a/Investment_Zone_Pack.pdf</p> <p>Investment Zone Technical Document https://www.gov.uk/government/publications/investment-zones-technical-document/investment-zones-technical-document</p>

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Niall Waller Telephone: English 07342 093133 / Cymraeg 01267 224923 E-mail: niall.waller@flintshire.gov.uk / niall.waller@siryfflint.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Economic Wellbeing Sub-Committee – a sub-committee of the North Wales Corporate Joint Committee with authority to act in relation to the Investment Zone.</p> <p>Flexible Fund - the £160m grant funding available over 10 years to support investment in the Flintshire and Wrexham Investment Zone.</p> <p>Gateway – The Gateways refer to the 5 stages of appraisal by Welsh and UK Government of the Investment Zone proposal. They are:</p> <ul style="list-style-type: none"> • Gateway 1 - Vision (the description of the advanced manufacturing sector) • Gateway 2 - Sector and Geography (setting out the approach and evidencing the location and focus of the investment zone) • Gateway 3 - Governance (the basis for assuring the programme will be governed and managed effectively) • Gateway 4 - Interventions (the allocation of resources and outputs of the programme) • Gateway 5 - Delivery (the Investment Zone delivery arrangements)

Gateway Policy – the Policy relating to the Tax Sites to retain sector focus and protect the sites from unwanted local relocation to the Tax Sites simply to take advantage of the occupier tax benefits.

Investment Zone Memorandum of Understanding (MoU) – the Agreement between Welsh Government, UK Government and the CJC to establish the Investment Zone and the basis for the Investment Zone implementation, management and reporting.

Knowledge Partner - Investment Zones focus on innovation and skills. To ensure that Investment Zones deliver appropriate resources and strategies relating to innovation and skills they have a named 'Knowledge Partner'. For Flintshire and Wrexham Investment Zone this is Wrexham University.

North Wales Corporate Joint Committee (CJC) - the partnership of 6 local authorities in North Wales. The CJC is the Accountable Body for the Investment Zone.

Retained Rates Fund – the fund generated by the business rates collected from new businesses on the Retained Rates Sites.

Retained Rates Sites - the two designated areas in the Investment Zone for which the new collected business rates can be used to deliver on the objectives of the Investment Zone. Future collected rates are protected for 25 years to allow funds to be created from collected rates or from borrowing against future rates.

Tax Site - the three designated locations in the Investment Zone where qualifying businesses (those that meet the Gateway Policy) can benefit from a number of Tax Reliefs, these are:

- **Business Rate Relief** - 5 Years relief from business rates.
- **Land Transaction Tax** - A full relief for land and buildings bought for commercial use or development for commercial purposes.
- **Employer National Insurance Contributions Relief** - Zero-rate employer national insurance contributions 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 (for 36 months per employee).
- **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.