CABINET – 21 MARCH 2022 **PORTFOLIO: ALL**

SOLENT FREEPORT

1. RECOMMENDATIONS

1.1 Cabinet is asked to recommend to Council that:

1.1.1 continued support is given to the Solent Freeport, noting the benefits and opportunities within the New Forest.

1.1.2 delegated authority is given to the Chief Executive in consultation with the Council's S151 Officer and the Deputy Leader of the Council, to endorse the Full Business Case, on behalf of the Council.

1.1.3 delegated authority is given to the Chief Executive in consultation with the Council's S151 Officer and the Deputy Leader of the Council, to endorse the Memorandum of Understanding, on behalf of the Council.

1.1.4 the Solent Freeport Business Rate Relief Policy is approved, with authority being given to the Council's Service Manager – Revenue and Benefits to make changes to the policy, in consultation with the Portfolio Holder for Finance, Investment and Corporate Service, to ensure it meets the criteria set by the Council and, in line with updated Government guidance.

2. PURPOSE OF REPORT

2.1 To endorse the final steps in the process to create the Solent Freeport including the Memorandum of Understanding between the Freeport Company and the Government in respect of the retention and pooling of business rates and approve the Council's Business Rate Relief Policy in respect of businesses attracted to the Freeport.

3. BACKGROUND

3.1 Cabinet, at its meeting on 3 February 2021, agreed to support the bid to Government for the creation of the Solent Freeport and Council, at its meeting of 19 July 2021, approved the submission of an Outline Business Case to Government supporting the establishment of the Solent Freeport which includes a proposed tax site within the Council's Waterside area covering 4 specific landholdings; the former Fawley Power Station, Exxon Mobil, ABP's Strategic Land Reserve and Marchwood Port (Solent Gateway). The remaining tax sites fall within the respective administrative boundaries of Eastleigh Borough Council (The Navigator Quarter), Havant Borough Council (Dunsbury Park) and Southampton City Council (Redbridge). There are also 4 customs sites within the Freeport boundary which include Marchwood Port and ABP's Strategic Land Reserve. The relevant reports to Cabinet and Council can be found at the following links:-

https://democracy.newforest.gov.uk/ieListDocuments.aspx?CId=133&MId=6995

https://democracy.newforest.gov.uk/ieListDocuments.aspx?CId=193&MId=7273

3.2 Since that time, work has continued to develop the creation of the Solent Freeport which has involved a number of parties and bodies working together, including the Solent LEP (working with KPMG), New Forest District Council, Eastleigh Borough Council, Havant

Borough Council, Southampton City Council and Portsmouth City Council, relevant landowners of proposed tax sites and the Solent Freeport Board. A number of workstreams have been set up to progress the necessary work which are supported by senior officers of the respective Councils and other advisers and representatives.

3.3 As work evolves, Members of the Council have received a number of briefings on the emerging Solent Freeport, what it means for the District and wider economic area, including the implications for the Council in its capacity as Rating Authority.

3.4 Endorsing the Solent Freeport Full Business Case and Memorandum of Understanding is an important and final step in the process towards releasing the potential of a fully operational Freeport with seed capital funding of £25M and agreement of 100% Business Rate Retention over a 25 year period.

4. OVERVIEW OF FREEPORTS

4.1 Freeports are a flagship HM Government programme that play an important part in the UK's post-Covid and post-Brexit economic recovery. Their aim is to contribute to the Government's levelling up agenda by bringing jobs, investment and high value opportunities including to some of the most deprived communities across the country, while at the same time, generating national benefits through trade and innovation.

4.2 In November 2020 HM Government formally launched the bidding process for Freeports in England. This prospectus sets out the objectives of the Freeport Policy, which are threefold:

1. **Establish Freeports as national hubs for global trade and investment across the UK –** bringing new investment into the surrounding region and increase trade through generating trade growth and enable trade processes to become easier and more efficient.
2. **Promote regeneration and job creation –** leveraging ideas and investment from the private sector to deliver jobs, sustainable economic growth and regeneration in the areas which need it most.
3. **Create hotbeds for innovation –** leveraging both public and private investment in R&D to develop and trial new ideas and technologies in and around the Freeport.

4.3 Designated Freeports offer a number of policy levers, including:

a) **Tax sites** giving businesses operating within them access to certain tax benefits i.e. Enhanced Capital Allowances, Enhanced Structures and Buildings Allowance, Stamp Duty Land Tax reliefs, Employers National Insurance Contribution relief, and Business rate relief
b) **Customs sites** giving businesses tariff benefits for non-GB goods imported into them
c) **Retained business rates** allowing local authorities to retain the growth in non-domestic rating income in Freeport tax sites for 25 years, which are expected to be pooled and used to reinvest in supporting Freeport objectives
d) **Seed capital funding** of up to £25m to kick-start delivery of Freeport objectives (see Appendix A attached to this report which contains the list of seed capital projects proposed at Outline Business Case stage)

4.4 As the policy has evolved it has become clear that (a) Tax Sites and (c) Retained Business Rates are the most significant element of the overall package. In the March 2021 Budget, the Chancellor announced that the Solent Freeport bid was one of eight shortlisted by HM Government, marking the start of the Freeport designation process for the Solent region, alongside the other 7 English Freeports.

5. THE SOLENT FREEPORT PROPOSAL

5.1 A large proportion of the overall tax and custom site land lies within New Forest District Council's administrative area. The following table summarises the individual tax and customs sites within the Solent Freeport, and where they sit within the Local Authorities of the Solent region.

Table 1. Solent Freeport tax and customs sites

Local Authority	Tax site	Customs site
Havant Borough Council	**(1) Dunsbury Park**	
New Forest District Council	**(2) Southampton Water, including:** • Marchwood Port • ABP Strategic Land Reserve • ExxonMobil • Fawley Waterside	**(1) Marchwood Port** **(2) Strategic Land Reserve**
Southampton City Council	**(2) Southampton Water, including:** • Redbridge	**(3) Redbridge / DP World Terminal**
Eastleigh Borough Council	**(3) Navigator Quarter**	
Portsmouth		**(4) Portsmouth International Port /Portico**

5.2 Paragraphs 5.3 – 5.6 below set out relevant information relating to the 4 landholdings with the Council's administrative area, which will form part of the Solent Freeport.

5.3 **Marchwood Port**

5.3.1 Marchwood Port has been used as a sea mounting centre for the movement of troops and equipment since 1943 and has also been extensively used as a berth by the Royal Auxiliary in support of the Royal Navy. The port has been identified and safeguarded for port and related use in the previous and current Local Plan. In 2017 the Ministry of Defence awarded Solent Gateway a 35-year concession to manage the military movements through the port whilst also opening the site for commercial port use.

5.3.2 There is a resolution for the grant of part outline/part full planning permission for the phased intensification of Marchwood Port including the construction of hardstanding for storage areas for the movement of materials, vehicles and containers by sea, road and rail. It incorporates open and covered storage, buildings for warehousing, industrial space, offices and associated access improvements and associated infrastructure.

5.3.3 The proposals are for a phased intensification of Marchwood Port including the construction of hardstanding for storage areas for the movement of materials, vehicles and containers by sea, road and rail. It incorporates open and covered, storage, buildings for warehousing, industrial space, offices, security and staff welfare facilities, access improvements, circulation routes, servicing and parking, landscaping, ecological areas, secure boundary fencing and associated infrastructure. The site at Marchwood Port is approximately 64 ha in size. The proposals would increase cargo storage capacity on the site from the current existing available storage of 22.7 ha to 43.8 ha. A condition of the planning permission is that a site specific Employment and Skills Plan is developed and delivered for the life of the development.

5.3.4 The plans are expected to create jobs and bring value for the local area and provide additional port capacity capable of accommodating global vessels and a broad range of cargoes, supported by storage and logistics space.

5.4 ABP Strategic Land Reserve

5.4.1 The international deep-sea gateway Port of Southampton is of national and international economic importance and plays a central role in the economy of southern Hampshire. The main landside operational area is located within the City of Southampton, but the port operator Associated British Ports (ABP) owns a significant land holding within the New Forest District at Dibden Bay.

5.4.2 Dibden Bay is made up through reclaimed land which is designated ‘the Dibden Bay Site of Special Scientific Interest (SSSI)’. The Dibden Bay foreshore is part of the Hythe to Calshot SSSI, forming part of the Solent and Southampton Water Special Protection Area (SPA) and Ramsar site.

5.4.3 The ABP Draft Port of Southampton Master Plan 2016 concludes from trade and shipping volume forecasts that the Port of Southampton will need to grow within the lifetime of the Local Plan. The master plan indicates ABP’s intention to seek consent for port expansion onto Dibden Bay and that they are likely to make an application for a Development Consent Order (DCO) for port use at Dibden Bay during the lifespan of this Local Plan. It is common ground between ABP and the District Council that ABP land at Dibden Bay is the only area of land physically capable of accommodating a significant expansion of the Port of Southampton.

5.4.4 A future application for port use at Dibden Bay would be likely to be of a scale that would qualify as a Nationally Significant Infrastructure Project (NSIP) under the 2008 Planning Act and thereby require an application to be submitted for a Development Consent Order. It would fall to the Planning Inspectorate rather than the District Council to consider a NSIP for port development and to make a recommendation to the Secretary of State whether a Development Consent Order should be made.

5.4.5 In considering a NSIP application for port development, the decision maker would first consider whether the proposal is in accordance with relevant national policy, including that for ports. If in accordance with government policy objectives, the decision maker would then weigh the suggested benefits, including the economic benefits and the contribution that the scheme may make to the national, regional or more local need for the proposed infrastructure, against anticipated adverse impacts, including cumulative impacts.

5.4.6 In cases where nationally significant infrastructure development would affect a protected habitat, and in the absence of alternative solutions, the decision-maker may need to consider whether there are any imperative reasons of overriding public interest (IROPI) in allowing the development to proceed.

5.4.7 The Secretary of State would make the final decision whether or not to issue consent. In the event that a Development Consent Order is made by the Secretary of State, it would most likely fall to the District Council to discharge any requirements imposed in the Order (broadly equivalent to planning conditions).

5.4.8 As part of the examination of a NSIP, the Council would submit a Local Impact Report to the examiner, giving details of the likely positive and negative impacts of the proposed development on the local area and its communities.

5.5 **Exxon Mobil**

5.5.1 Fawley Refinery, operated by Exxon Mobil, is the UK's largest refinery representing 20% of the UK's refinery capacity. Significant investment has been planned to shift to production of ultra - low sulphur diesel. There is considerable areas of undeveloped land that provides opportunity for further employment growth on this site.

5.6 **Fawley Waterside**

5.6.1 The former Power Station, one of the biggest brownfield redevelopment schemes in the south of England has the benefit of a resolution to grant outline planning permission for the comprehensive redevelopment for a residential led mixed use scheme including approximately 10 hectares of land in the northern part of the site for business and industrial uses. Deep-water access provides the opportunity for the site to be developed as a centre of excellence in marine and maritime innovation. A condition of the planning permission is that a site specific Employment and Skills Plan is developed and delivered for the life of the development.

5.7 It is estimated that the policy levers available through Freeport designation will deliver significant benefits to the region, including:

- **Leveraging c£1.6 billion in private sector investment on Solent Tax Sites, based on active discussions with private firms looking to invest in new manufacturing and port based operations and infrastructure,** with this being enabled principally by an estimated **c£225m tax benefits to the private sector,** through a combination of accelerated tax reliefs on new investment, centrally funded business rate reliefs, lower employer national insurance payments on new employees and savings in stamp duty;

- **Providing significant, additional funds** through pooled retained business rates, to deliver supporting infrastructure, innovation, skills, and a steppingstone to net zero programmes. These new funds are generated by an Enterprise Zone type arrangement on the Solent's tax sites, with the revenues being pooled for deployment across the wider Solent freeport area. As with Enterprise Zones, these revenues are dependent on the Tax Sites attracting new investment and thus generating business rate revenues. Based on the private interest in Tax Sites to date, **the pooled business rate revenue potential is currently estimated at over £500m over 25 years;** and

- **Delivering increased port capacity** and throughput of international trade through the region's key ports[1]

[1] Estimated increase provided includes automotive capacity (75%), cruise capacity (100%), container capacity (40%) and bulk capacity (100%+), through a combination of investment on Solent Tax Sites and via released capacity elsewhere along Southampton Water.

5.8 Collectively, the Solent Freeport Proposal is expected to deliver a significant number of jobs both in the Solent and wider UK economy. A top-down economic impact assessment at the time of the original bid, and based on the size of and anticipated activity on tax sites, **results in an estimated 28,000 jobs and £2.0 billion GVA directly in the Solent**. Using ONS multipliers to estimate indirect impacts (i.e. wider supply chain impacts) this results in c57,000 jobs and £3.6 billion in GVA across the UK (see Table 2). Current end-user interest is already estimated to deliver c16,000 jobs on tax sites. This is expected to increase when the Solent Freeport is formally designated, and ecosystem of the Freeport and surrounding area develops. These wider impacts include the expected impact of the Freeport tax site programme on port capacity, especially for cruise traffic. Southampton is the UK's preeminent cruise port, and pre pandemic estimates put the number of jobs created in the Solent area by this activity at some 14,000. The investment in port capacity enabled by the Freeport tax sites is expected to allow Southampton to double the number of cruise passengers it can handle.

Table 2. Estimated job impacts from Solent Freeport (thousands)

	Local Authority	Direct jobs	Indirect jobs	Total
Dunsbury Park	Havant BC	***1.7***	***1.8***	***3.5***
Navigator Quarter	Eastleigh BC	***3.2***	***3.3***	***6.5***
Southampton Water - total		***23.4***	***23.2***	***46.7***
Southampton Water - SCC	*Southampton CC*	*1.8*	*1.7*	*3.5*
Southampton Water - NFDC	*New Forest DC*	*21.7*	*21.5*	*43.2*
Total		***28.4***	***28.3***	***56.7***

5.9 It is expected that the Solent Freeport will generate a socio-economic dividend that will support the levelling up of coastal communities across the Solent, address a number of identified market failures and long-standing structural challenges, and strengthen the Solent's contribution to the UK's path to Net Zero.

6. FREEPORT DESIGNATION PROCESS

6.1 In order for a Freeport to be formally designated, it will require:

1. Government approval of an Outline Business Case (OBC) and Full Business Case (FBC) – 'the Business Case Process'
2. Government approval of proposed tax sites – 'the Tax Site Process'
3. Government approval of proposed customs sites – 'the Customs Site Process'

6.2 The Business Case Process

6.2.1 The Business Case process is led by the Department of Levelling Up, Housing and Communities (DLUHC). The purpose of the Business Case process is to ensure that prospective Freeports fully consider all factors that are critical to the successful delivery of a Freeport, and assure Government that public funding, both directly (such as seed capital funding) and indirectly (such as forgone tax revenue), delivers value for money.

6.2.2 The focus of the OBC was on the overarching strategic vision for the Freeport as a whole, including how the Freeport levers will be used to address longstanding challenges in the region, and was a critical stepping-stone to the approval of the Solent's proposed Tax Sites. The other critical stepping-stone is the agreement of a series of Site-Specific Agreements between the Freeport Company (which has been established to deliver the Freeport), the landowners of each of the landholdings with the Tax Sites, and the relevant Local Authorities. These agreements are designed to ensure that activity on Solent Tax Sites delivers genuinely additional growth and employment for the Solent and that those investing in these sites are fully engaged in the Freeport's supporting skills, innovation, and net zero programmes. These agreements have now been signed.

6.2.3 The FBC involves adding further detail to the vision set out in the OBC, particularly regarding the use of seed capital funding and retained business rates, alongside refining the content of the OBC in line with government feedback.

6.2.4 The OBC was approved by DLUHC at the end of February 2022. This now allows the Solent Freeport to submit a FBC by 8 April 2022 (ahead of the formal deadline of 15 April) and proceed with tax site designation.[2] Approval of the FBC (which may take 6 weeks from submission) will lead to the Solent Freeport company signing a series of Memorandums of Understanding (MoUs) with Government on how the Freeport will operate, which in turn, will unlock the central funding for business rates reliefs on Tax Sites; retained business rates from those sites for 25 years; and the £25m of Seed Capital funding (see further below).

6.3 The Tax Site Process

6.3.1 The tax site process is led by the HM Treasury (HMT), and its purpose is to verify that prospective Freeports' proposed tax sites adhere to the criteria set out in the Bidding Prospectus, in terms of both physical size and shape and potential to meet the policy objectives. This is important to ensure that the selected tax sites maximise the benefits of the Freeport whilst minimising any deadweight or displacement and the case provided by prospective Freeports will help the Government and Freeport governing bodies evidence the value of the policy. As noted above and as previously reported, the Solent is using Site Specific Agreements with landowners to mitigate risks in this respect. The Statutory Instruments (SIs) have now been laid for the Dunsbury Park and Southampton Water tax sites and they are expected to be designated on 22 March 2022 in line with the convention that SIs need to be laid at least 21 days before coming into effect. From this date, eligible businesses will be able to benefit from the tax reliefs available in Freeport tax sites. The tax site maps have also now been published on gov.uk website. Alongside this, an indicative SEED Capital allocation of £25 million has been confirmed, subject to the Government's acceptance of the the Full Business Case.

6.4 The Custom Site Process

6.4.1 Each Freeport customs site will need to be approved by HM Revenue and Customs (HMRC) prior to designation. This will involve HMRC checks to ensure the operator is legitimate, the location is secured, and that the businesses operating within the customs site are complying with relevant security standards. There are also additional checks relating to specific conditions of designation, for example IT system to ensure it can keep records in specified format. Businesses wishing to access the customs benefits of a Freeport will need a separate Freeport Business Authorisation. Each customs site operator is responsible for liaising with HMRC through its application process.

[2] Tax sites are designated via secondary legislation

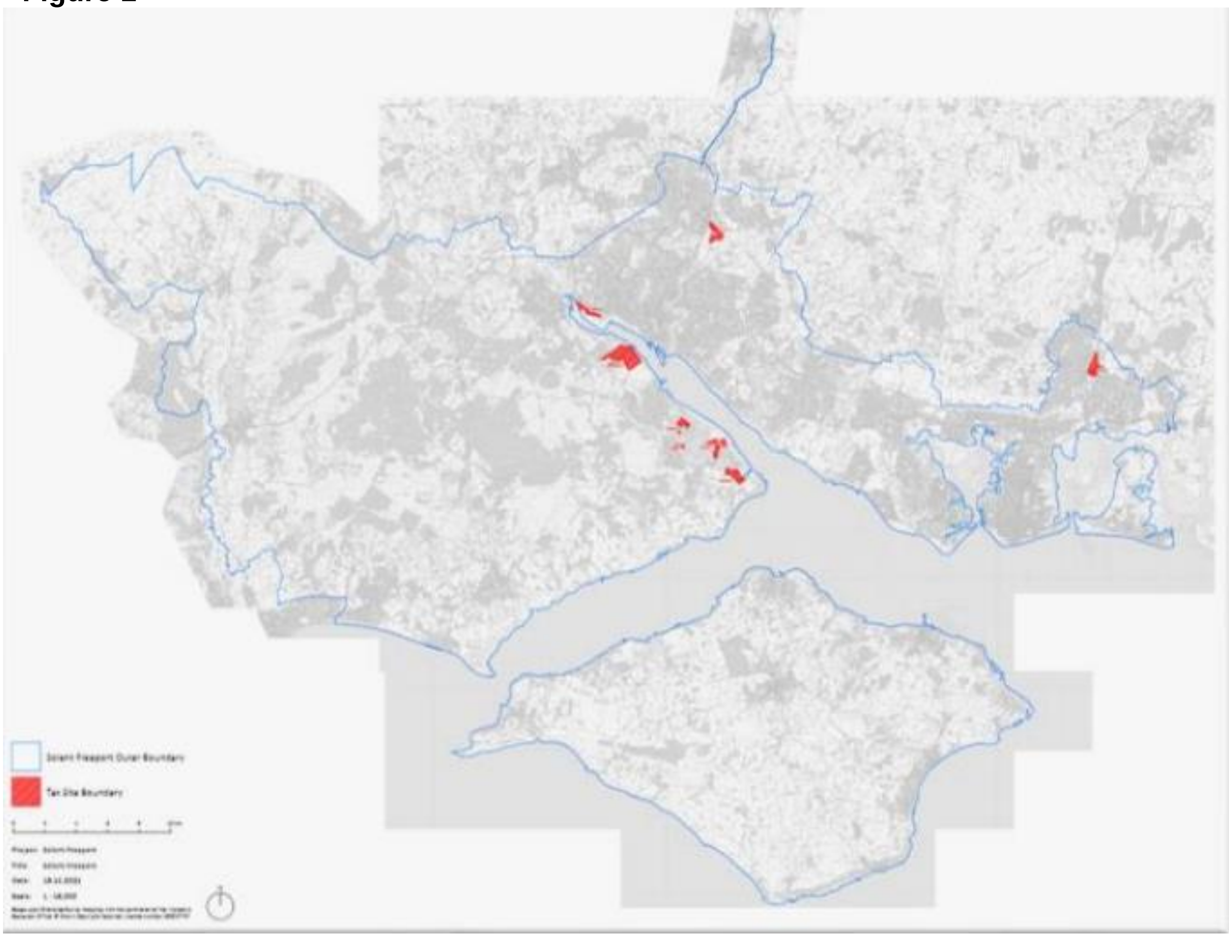
6.4.2 In order for the FBC to be approved, the Solent Freeport will need at least one customs site designated by the FBC deadline (15 April 2022). As noted above, there is no time limit on when other Solent customs sites can be brought forward once the Freeport is formally established following the approval of the Full Business Case.

7. BUSINESS RATE RETENTION, RELIEF AND POOLING ARRANGEMENTS

7.1 Business Rate Retention (BRR)

7.1.1 Local authorities will be permitted to retain the growth in non-domestic rating income in the Freeport tax sites, guaranteed for 25 years but such rates will be pooled by all the relevant rating authorities for distribution, in line with the Memorandum Of Understanding (see further section 7.3 below). Locally retained rates will comprise growth in rates above an agreed baseline[3]. This 100% retention of Business Rates amounts to a significant step change in funding available to the region (current estimate in excess of £500m over 25 years). In return, the revenue raised from BRR is expected to be spent on Freeport objectives across the wider Freeport boundary (dictated by the blue line as per Figure 1 below). Where local authorities choose to do so, they will be able to borrow against future Business Rates Retention under the Prudential Framework to expedite the delivery of key projects and initiatives

Figure 1



[3] Baseline is made up of properties already sited within Tax Sites, and so will continue to pay Business Rates under the current national scheme

7.1.2 BRR forecasts over the 25 year period vary across the individual Solent Freeport Tax Sites due to the differing scale of the sites across the Freeport. Current BRR estimates into the pool from each rating authority is shown within table 3. Members should note that estimating Business Rate growth over a 25 year period on individual sites is complex, and should be regarded as indicative:

Table 3: Estimated Business Rate Retention over 25 years

	Local Authority	Estimated BRR over 25 yrs (£m)	Hectares	£m BRR per hectare
Dunsbury Park	Havant BC	***76***	***47***	***1.6***
Navigator Quarter	Eastleigh BC	***113***	***50***	***2.3***
Southampton Water - total		***322***	***333***	***1.0***
Southampton Water - SCC	*Southampton CC*	*30*	*30*	*1.0*
Southampton Water - NFDC	*New Forest DC*	*292*	*303*	*1.0*
Total		***511***	***460***	***1.1***

7.2 Business Rate Relief

7.2.1 For new properties and extensions to existing buildings, a business rate relief of 100% will be available to give to qualifying businesses for up to 5-years. Compensation for this relief will be given by additional section 31 grant from the Government, which would be pooled. After rate relief comes to an end, 100% of the additionality collected (paid by the end-users), will be pooled. This is covered in more detail in section 8.4 of this report.

7.3 Pooling Arrangements

7.3.1 The Government expects rates to be pooled in order to ensure funding is used most effectively and in line with the Freeports objectives.

7.3.2 New Forest District Council will continue to receive payments for baseline properties located on the Waterfront Tax Site and will account for these business rates in line with the current retention scheme. All growth above the baseline will be pooled.

7.3.3 At the end of each financial year, the Business Rates that have been collected (or paid by the Government through s31 grant) from the new (above baseline) hereditaments will be passed to the Accountable Body (Portsmouth City Council). The focus, modelling and governance of the pool are all key steps that are covered within the draft Memorandum of Understanding which is attached at Appendix B to this report.

8. SUBMISSION OF DOCUMENTS TO GOVERNMENT

8.1 The Full Business Case

8.1.1 The Full Business Case (FBC) for the creation of the Solent Freeport is due to be submitted by the Solent Freeport Company to Government by 15th April 2022. The primary purpose of the FBC is to ensure that prospective Freeports have duly considered all the factors critical to successful delivery of a Freeport. However, it is also the mechanism through which prospective Freeports must provide final assurance to the Government that public funds granted to the Freeport will be effectively managed.

8.1.2 FBC approval is required in order to access seed capital funding, central funding for business rate reliefs on tax sites, and retained business rates. Therefore, much of the additional requirements of the FBC (relative to OBC) relate to these areas.

8.1.3 At FBC stage, prospective Freeports need to elaborate on the high-level plan provided in the OBC and set out a policy for using income from retained business rates. This must cover three areas:

(1) Strategic Focus

- The objectives of the retained business rates fund and the rationale behind them, including how they relate to the objectives of the Freeport and the Freeport's programme more widely.
- The criteria that projects must meet in order to be eligible for funding and how these uphold the DLUHC's requirements and align with the objectives of the retained business rates fund.

(2) Financial Modelling

- The overall expected value of retained business rates profiled over time and an indicative allocation between workstreams.

(3) Governance

- How decisions regarding the use of retained rates will be taken and the process for prioritising and selecting projects for funding.
- Where ownership of the business rates policy lies and including how and when it will be reviewed and evaluated. This should make clear how the Freeport governing body will ensure delivery of the policy.

8.1.4 It is proposed that the Council's Chief Executive, in consultation with the Council's Section 151 Officer and the Deputy Leader of the Council, is given delegated authority to endorse the final FBC on behalf of the Council.

8.2 The Memorandum of Understanding

8.2.1 In tandem with the Full Business Case, Ratings Authorities are required to endorse the Memorandum of Understanding (MoU) on the issue of business rates retention. This document sets out how Ratings Authorities will manage the growth/uplift in Business Rates generated by the designated tax sites within the Solent Freeport to achieve the aims and objectives of the Freeport, as set out by the Government. This includes pooling of the rate receipts, funding criteria and the strategy for reinvestment in the Wider Solent Freeport area. The current draft MOU is attached at Appendix B.

8.2.2 Following FBC submission by the Solent Freeport, DLUHC will set out the process for agreeing variations to its terms as required and appropriate before finalising and signing the MOU agreement between Solent Freeport and DLUHC.

8.2.3 It is proposed that the Council's Chief Executive in consultation with the Council's Section 151 Officer and the Deputy Leader of the Council, is given delegated authority to endorse the final MOU on behalf of the Council.

8.3 The Retained Rates Investment Committee Terms of Reference

8.3.1 Annexed (D) to the Business Rates MOU is the draft Terms of Reference of the Solent Freeport Retained Rates Investment Committee (RRIC). The RRIC is the forum through which the Solent Freeport Consortium Limited and relevant Rating

Authorities will work together to agree on the use of retained rates generated at tax sites.

8.3.2 Membership of the Investment Committee shall consist of six members with voting rights comprising of the following:

- The Leaders (or other Councillor as nominated by the Leader) of the Four Freeport Rating Authorities
- The Chair of the Investment Committee (to be a member of the Freeport Board)
- The Chief Financial (S151) Officer of Portsmouth City Council, the Accountable Body to the SFCL or their nominated representative (voting right restricted to veto on affordability grounds)

8.3.3 Ex-officio Members will include the Chief Financial (S151) Officers of the Four Freeport Rating Authorities or their nominated representatives and the Chief Executive Officer of the SFCL / The SFCL Senior Responsible Officer.

8.3.4 The Retained Rates Investment Committee will lead on the strategy and prioritisation of investments and make recommendations to the Freeport Board for final decision. This will include:

- Developing the prioritisation matrix to be used to evaluate proposed projects for retained rates funding
- Assessing projects against the eligibility criteria and prioritisation matrix
- Allocating funding to specific projects by workstream and ensuring equity of use, both across workstreams and geographic spread across the Solent

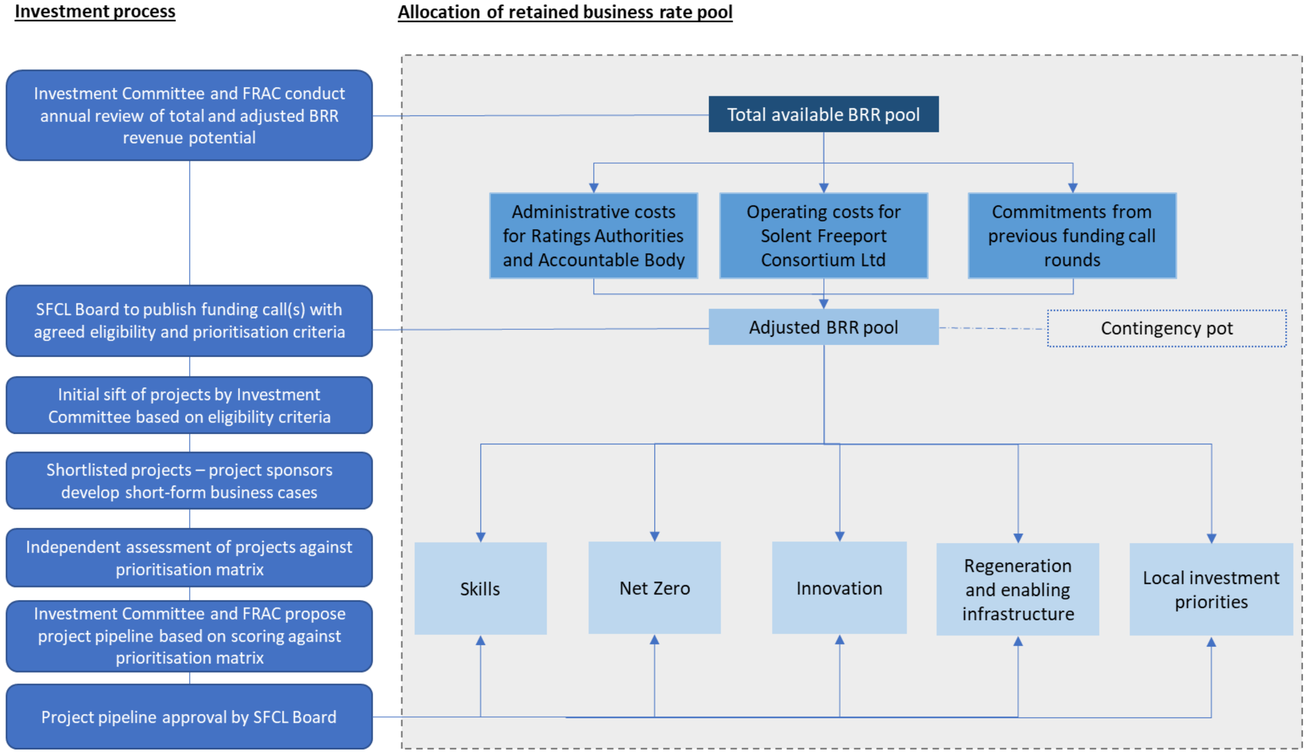
8.3.5 The role of the Retained Rates Investment Committee is both advisory and decision making, and there is an expectation that they will provide recommendations on matters relating to the use of retained rates for consideration by the main SFCL Board and the Chief Finance Officer of the accountable body for the SFCL. It is expected that the advice and recommendations of the Committee will normally be reached by consensus, but if a vote is required decisions shall be made on the basis of a majority of those members attending and voting.

8.3.6 The Accountable Body representative will have the ultimate veto on any investment under financial grounds but will not have voting rights on the type of geography of investments are agreed as long as they are compliant with financial regulations and within the risk appetite of the Accountable Body.

8.3.7 The representative from the rating authority will have the right to veto an investment that lies solely or with significant majority inside their respective local authority boundary.

8.3.8 The following diagram (figure 2) summarises process for deciding how retained business rates are invested:

Figure 2



8.4 The Business Rate Relief Policy

8.4.1 In its role as Rating Authority, the Council is required to establish a Business Rate Relief Policy. The proposed NFDC policy (which is at Appendix C) reflects the guidance issued by the Department for Levelling Up, Communities and Housing, but is a discretionary policy.

8.4.2 The Policy outlines the eligibility criteria that businesses who occupy new hereditaments within the Tax Sites must adhere to in order to be awarded business rate relief, for a maximum period of 5 years, subject to occupation occurring before 30 September 2026.

8.4.3 The eligibility criteria are consistent with the end-user meeting the Freeport Objectives, with businesses being required to demonstrate best endeavours to adhere to one or more of the high-level Freeport objectives before being considered as eligible for relief. Those objectives being:

- establish the Solent Freeport as a hub for global trade and investment
- promote productivity, regeneration, and job creation
- create hotbeds of innovation and skills, pioneer approaches to climate change adaption and decarbonisation and accelerate the transition to a "Net Zero" economy

8.4.4 Businesses which expand after moving into the Freeport site will, in addition to any existing relief, be eligible for relief on any additional hereditaments they occupy in the relevant Freeport tax site, again subject to occupation before 30 September 2026.

8.4.5 The Council has a discretion to apply additional tests for freeport rates relief to avoid or not incentivize the displacement of business activity from within the freeport or the surrounding area. The draft policy includes the following condition:

a) reducing the award of relief in cases where a ratepayer’s occupation of a space arises in whole or in part from them vacating another space in the Freeport or surrounding area unless they can demonstrate a net gain in terms of jobs and business floorspace or wider economic, environmental or social benefits, or there are exceptional circumstances for the relocation which benefits the Freeport area or the surrounding area.

8.4.6 Any rate relief granted by the Council, in accordance with the Policy, will be fully reimbursed by the UK government to the Council via section 31 grant.

9. DELIVERING THE OPPORTUNITIES AND BENEFITS OF THE SOLENT FREEPORT PROPOSITION TO NEW FOREST DISTRICT COUNCIL

9.1 Economic growth, job creation and skills

9.1.1 From an economic perspective the District can be broadly defined by three sub-areas: Avon Valley, Core Forest & Coastal and Totton & the Waterside. The nature of the New Forest physical geography and its demographics affects local demand, investment and the type of activity that takes place in the area. Skills affect the labour market utilisation rates, labour mobility and investment in the area. Quality of local transport infrastructure affects investment levels and commuting to and from neighbouring labour markets. Labour market utilisation rates, economic activity, employment, and unemployment rates in the New Forest are similar to the Hampshire average and compare favourably with the national average. Working age population in the New Forest and its economic sub-areas, is proportionally much smaller than in Hampshire. There is significant out commuting for jobs with a large and growing skills deficit at the top and the bottom of the skills distribution. This is reflected in Totton and the Waterside as the most urbanised, industrial and densely populated sub-area of the New Forest.

9.1.2 Totton and the Waterside experiences a net outflow of people (7,200), with some 69% of commuting by car or van. The local economy is characterised by concentrations of manufacturing and distribution-related activities, with manufacturing primarily concentrated in lower value-added activities. The whole of the New Forest suffers from a low proportion of knowledge intensive employment. Sectors such as ICT and finance/insurance are significantly underrepresented in the area relative to the UK and Hampshire. In terms of sectors, the Waterside has, unsurprisingly, a high concentration of marine and maritime businesses, however this is a sector that is currently in decline rather than growing in the Waterside.

9.1.3 Whilst the New Forest is one of the least deprived local authority areas in England six neighbourhoods have been identified from the Index of Multiple Deprivation data. Three of the neighbourhoods are within Totton and the Waterside one falls within the 10% of the most multiple deprived areas in England with a 2nd falling within the 20% most multiple deprived areas in England.

9 1.4 It has been acknowledged that the growth at both Fawley and Marchwood Port provide the opportunity to deliver much needed additional employment floorspace within the District and provide real opportunity for residents to access training and job opportunities within a local area. The Freeport will accelerate the delivery of this floorspace and potentially attract inward investors from a global market due to the incentives for growth through the Freeport policy levers.

9.1.5 Access to waterfront employment sites is a key factor in the marine and maritime sector reaching its future potential to capitalise on the Solent's globally leading assets. Marchwood Port and Fawley both have the deep-water access and are seen as key sites to support the growth of the marine sector. Whilst these sites are 'planned growth' the fiscal incentives offered by the tax site status aim to encourage investment, particularly by the marine sector in need of deep-water access, bringing about accelerated delivery of this employment land and looking to reverse the decline in this sector.

9.1.6 The Freeport will be expected to address the economic challenges that face the Waterside giving residents greater opportunity to access sustainable employment and training opportunities through a range of practical policy measures. This includes but is not limited to:-

- Apprenticeships
- Work placements
- Targeted recruitment through the local job centre
- Employability training
- Coaching and mentoring
- Guaranteed interview to residents
- Work experience

9.2 Delivery of Infrastructure Projects

9.2.1 The Vision for Totton and the Waterside, produced and approved by NFDC, HCC and the NPA identifies the unique opportunity to lead a national green recovery, embedding the principles set out in the Government's 25 year Environment Plan by delivering a World Class Economy in a Word Class Environment. The ambition is to increase environmental benefits by:

- Planning, designing and managing the environment as vital infrastructure
- Investing in Natural Capital
- Creating a connected green network
- Connecting the coast to the forest
- Creating healthy towns and villages
- Building strong communities and integrating the new with the old
- Building resilience and adaptivity to climate change
- Enhanced environmental benefits (environmental net gain)
- Connected ecological sites and species (nature recovery networks)
- Creating and enhancing community spaces and places
- Delivering coastal renaissance in Totton and Waterside village centres
- Improving cycling and walking and connections to Southampton
- Linking to Southampton's Green City Charter

9.2.2 To support the delivery of the Freeport and to ensure that communities can access the employment and training opportunities brought about by the Freeport, investment in a strategic approach to transport needs is required, which can be funded in part from the retained business rates.

9.2.3 The strategic approach to transport needs across the Waterside will encompass the following key objectives:

- Developing a fully integrated multimodal transport strategy to improve connectivity across the Waterside area and with the wider region;
- Reducing dependence on the private car by enhancing choice and the accessibility of public transport, cycling, and walking routes;
- Providing a high quality cycling and walking corridor to and from Southampton and to and from Totton to Lepe;
- Enhanced access between communities and to key destinations by reducing the barrier the A326 represents;
- The reduction of congestion and improve journey time reliability on the A326 by providing critical network resilience, especially for the existing national assets on the Waterside including the Fawley Refinery and Marchwood Military Port and for the proposed growth in the capacity of the Port of Southampton;
- Enhanced efficiency of multimodal trade routes from the Waterside to the manufacturing regions of the Midlands and North. An Integrated Environmental Infrastructure Vision.

9.3 Local Investment Priorities

9.3.1 As part of the MOU the rating authorities require a proportional allocation from the retained business rates pool for local investment priorities for the Waterside and the rest of the District. The designation of the Waterside sites as tax sites will support the delivery of the Council's largest employment allocation at Fawley and Marchwood Port in the adopted Local Plan. The new business development will consolidate and reinforce the reputation of the Waterside as a centre for the marine sector.

9.3.2 The Freeport Programme will directly support a number of the priorities and objectives of the Corporate Plan, the Local Plan and the Vision for Totton and the Waterside.

9.3.3 The Freeport Programme will support the ambitions and priorities set out in the Council's recently adopted Climate and Nature Emergency Action Plan, including promotion of opportunities for green growth, environmental net benefit and scope to deliver a range of net zero initiatives.

9.4 Seed Funding

9.4.1 Subject to FBC approval, seed funding of up to £25m has been allocated to kick start delivery of the Freeport objectives. A table of the overall allocation is appended to this report at Appendix A with the following allocations to the tax sites within the Waterside.

- Marchwood Port - allocated £4.4m for site remediation
- Fawley Waterside – allocated £4.6m for transport infrastructure, site remediation and demolition, utilities, and flood defences

9.5 **Project Pipeline of wider interventions**

9.5.1 A project pipeline of wider interventions is being developed which will include a number of projects within the District promoted by both the tax site land owners, the District Council and HCC. The pipeline of projects will include a number of green infrastructure and environmental enhancement and habitat creation projects together with a package of transport improvements cycling and walking improvements.

10. FINANCIAL & RISK IMPLICATIONS

10.1 There are a wide range of financial implications for the Council as a result of Tax Site designation across the Waterside Tax Site. The fundamental intention of the freeport programme is to create a range of fiscal benefits, generate financial uplift through increased retained business rates and to encourage inward investment.

10.2 Additional resourcing requirements and increased administrative costs for Business Rate collection and accounting, as a result of the Freeport designation, will be met from the retained rates pool.

10.3 As a result of the Tax site designation, the Council will forego its share of business rates that would have been retained under the current retention scheme. The current headline position of the 50% retention scheme ultimately sees the Council retain around 9% of the overall value of the Business Rates liability across the District. The 9% retained by the Council (£6m) breaks down into two elements; 6% being a baseline (£4m) which is increased with inflation each year, and 3% which represents the Council's share of growth (£2m) under the current retention scheme. It is unclear at this stage to what extent the Council's share of accumulated growth will be redistributed across the Country in the expected 2022 Fair Funding Review, but it is more than likely that the Council will lose the majority of this growth in the next reset, and that this will be a repeated pattern in future resets.

10.4 The Local Investment Priorities allocation will enable a proportion of pooled funds to be returned to the Council. The likely mechanism will be a percentage return from the adjusted business rate pool, with the percentage being applied on the size of the Local Authority contribution into the pool. Although not a direct comparison to retained growth, (which is entirely within the Council discretion to utilise), this element of the MOU should be regarded a key component to seeing new business rates collected by the authority, spent by the authority on local priorities that still meet the outline objectives of the Freeport (including regeneration, job creation, innovation and climate change adaption and decarbonisation).

10.5 Portsmouth City Council, in their role as Accountable Body for the Solent Freeport, will take on the responsibility for external borrowing, against future business rates growth, as a means of pump-financing projects. The Council also has the option to take on borrowing, if it so chooses.

10.6 The Council previously resolved (19 July 2021) that up to £50,000 per annum for a 3 year period be made available by this Council (as guarantor to prudential borrowing or cash) to support the delivery of the Freeport. A £50,000 contribution was made in 2021/22.

10.7 It is recognised that there will inevitably be a series of risks associated with the Freeports Programme and some of these may have a direct impact on the Council. These are likely to fall into the following categories.

- Financial – risk of estimates being under / overstated to an extent that the Freeport objectives are not realised and risk of financial benefit from the retained rates pool being insufficient to outweigh the foregone business rate.
- Legal – any legal risks arising from contractual obligations or liabilities.
- Quality – risks associated with non-delivery of objectives of the programme and lack of quality.
- Reputational – risk to the Council's in terms of relationships and reputation.

10.8 Risks will be kept under review and at this stage are considered to be within acceptable levels and are weighed against the benefits of the Freeport to the New Forest and wider geographic area.

10.9 By way of immediate mitigation, the Council will maintain its voting representation on both the Solent Freeport Consortium Limited Board and Investment Committee and will therefore be in a position to help shape the delivery of the Freeport and programme objectives.

11. CRIME AND DISORDER IMPLICATIONS

11.1 There are none directly associated with this report.

12. EQUALITY AND DIVERSITY IMPLICATIONS

12.1 The Freeport designation is expected to bring about positive economic and social benefits to the area, through the creation of a whole new growth agenda in an area where pockets of deprivation exist. There will be new job opportunities in constructing facilities and infrastructure within the freeport's boundaries, employment in the new industries and businesses that take root and drive innovation, economic growth, urban regeneration and environmental improvements which in time, will bring about better local job prospects including improved schooling, healthcare and amenities and new housebuilding for local people.

13. ENVIRONMENTAL IMPLICATIONS

13.1 It is recognised that any development at the tax sites will have impact on the environment and through the Fawley planning application and the Marchwood Port planning application it has already been demonstrated what mitigation needs to be delivered as part of the development to ensure there is no adverse impact on the environment. Both development proposals have demonstrated how they will mitigate the impact of development as well as making a positive benefit to the environment through Biodiversity net gain.

13.2 The Strategic Land Reserve, if granted consent to develop, will need to demonstrate how it will mitigate and compensate impacts to the environment which includes designated sites. The designation of a Freeport does not impact on the statutory process that the landowner will need to go through, to seek consent to develop the site.

13.3 The Solent Freeport Greenprint Framework has a number of key priorities to bring about greater environmental benefits. They include the following themes:-

- **Net zero with nature** – providing the leadership necessary to reduce carbon emissions and build zero carbon economy and communities.

- **Natural health service** – improving physical and mental health and wellbeing and tackling health inequalities through greater access to world class natural environments.

- **World class blue/green environments** – protecting, restoring and improving distinctive environments, enabling their eco-system services to contribute to a strong economy and a healthy inclusive society.

- **Creating great places through equality in design and build** – encouraging an innovative approach to creating high quality, inclusive and sustainable places for people and nature.

- **Centre for excellence in green skills and jobs –** tackle local skills gaps and economic inequalities by building a future workforce which can seize the opportunities offered by innovation in key sectors of the economy.

13.5 The Local Investment Priorities 'fund' could target projects in line with the Council's emerging Climate Change and Nature Emergency Action Plan and be of real assistance in making significant progress in this corporate priority.

14. CONCLUSION

14.1 Participation in the Freeport programme is deemed to be the preferred way forward given the opportunity for the District to actively participate in a flagship Government initiative. The principal rationale being the opportunity to accelerate delivery of employment floorspace, address local need and bring significant economic benefits in terms of local employment opportunities, increased trade, innovation and new investment to the District supported by the opportunity to deliver physical and green infrastructure across the area.

14.2 To not participate in the Freeport programme is not considered the preferred option as effectively the District would forego the economic and fiscal opportunities identified in this report. This could also potentially undermine the District's standing within the Solent economic sub-region and the ability to attract inward investment and reverse the growth trend in the marine sector.

15. PORTFOLIO HOLDER COMMENTS (DEPUTY LEADER OF THE COUNCIL)

15.1 I am pleased to support these recommendations that see the New Forest District Council play a key role in the Solent Freeport proposal. This report outlines the ambition and the opportunities which will boost the economic growth of the Waterside, and will provide a focus for securing future funding for the much needed infrastructure and wider enhancements that will allow our local communities to benefit from the development of the sites within the wider area. It also covers the implications of the Freeport status for this Council and I am pleased to be able to bring forwards the Business rate retention policy that will facilitate the retention of the growth in non-domestic rating income in the Freeport tax sites to be pooled by the relevant rating authorities, including this Council, in line with the Memorandum Of Understanding. This 100% retention of Business Rates amounts to a significant step change in funding available to the region and I welcome the potential benefit this will bring.

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Appendix A: Seed capital projects

The purpose of seed capital funding is to facilitate or enhance the effectiveness of other Freeport levers in the early stages of designation (e.g. increasing the viability or value proposition of a tax or customs site). The Government has earmarked a maximum of £25m of seed capital funding for each Freeport. Given its purpose Government expects seed capital funding to be primarily spent on land assembly, site remediation and small-scale infrastructure. There is scope to use funding on digital or skills where a Freeport can demonstrate well-evidenced expected benefits in line with the Freeport objectives.

The following table summarises the seed capital projects at OBC stage.

Table A1. Solent Freeport seed capital projects

Project Name	Project type	Project Summary	Local Authority area	Practical completion date of the project DD/MM/YY	Seed capital spend FY22/23 (£m)	Seed capital spend FY23/24 (£m)	Total seed capital £ ask (£m)
Redbridge (Phase 1)	**Transport Infrastructure**	The Redbridge project will deliver a transformative improvement to the Port of Southampton, cementing its position as a global trade and investment hub, enabling a significant expansion of the Port's rail capacity and supporting the increased capability of the container terminal within the Redbridge site boundary. The full project will include the development of a Maritime Business Park. This will be in the form of an industrial campus of dedicated warehousing, manufacturing, distribution, and support facilities. Opportunity will also be explored for the provision of a zero-emission HGV fuelling facility. Redbridge Phase 1 consists of enabling works to fast-track the redevelopment of the Redbridge site. Phase 1 will include land assembly, site remediation, and low / zero carbon transport infrastructure. A programme of site clearance, land assembly, resurfacing and internal road and junction reconfiguration will be undertaken to improve the efficiency of, and connectivity to, the site.	Southampton	01/09/2024	£4.8	£0.0	£4.8
Dunsbury Business Park - Phase 1	**Transport and supporting site infrastructure**	This project is for infrastructure and transport needed to deliver the current masterplan of Dunsbury. That is work needed to take the site up to plot 7. This includes laying of a road, realigning a bridleway, electric car charging, ground improvement/stabilisation and work around services.	Havant Borough	31/03/2024	£2.2	£2.2	£4.4

Project Name	Project type	Project Summary	Local Authority area	Practical completion date of the project DD/MM/YY	Seed capital spend FY22/23 (£m)	Seed capital spend FY23/24 (£m)	Total seed capital £ ask (£m)
Navigator Quarter	**Transport Infrastructure**	Construction of bridge between land parcels on site and supporting road to enable access to Navigator Quarter site	Eastleigh BC	31/03/2024	£2.5	£3.3	£5.7
Solent Gateway - Phase 1	**Site Remediation**	The full development of Marchwood Port creates of new, high-quality space for this tax site area. Phase 1 includes: a new port entrance/exit to accommodate commercial traffic volumes; improved walkways and cycle lanes to local roads; improved drainage, lighting, internal roads and other infrastructure to enable the full development; the enhancement of 35 ha of ecological space to deliver a bio-diversity net gain +10%; and development of 20ha of unused space.	New Forest District	30/04/24	£3.5	£0.9	£4.4
Fawley Waterside enabling infrastructure - Phase 1	**Transport infrastructure, site remediation and demolition, utilities and flood defences**	Investment to unlock full capacity at Fawley Waterside location within the Waterfront cluster. Work includes a new access road, provision of energy supply and service trenches, remediation of contaminated land, flood defence barrier and demolition of on-site structures to provide an unobstructed site.	New Forest District	01/09/2023	£3.9	£0.6	£4.6
Rudmore Square junction upgrade	**Transport Infrastructure**	The port is proposing the modification of the traffic lights and junction just outside the Ports freight entrance and exit (Rudmore Square). This will enable PIP to send general Port traffic and Import articulated lorries to our sister terminal 'Portico', by having a right turn installed. This will improve the flow of such traffic to Portico by removing its need to go around the Rudmore roundabout which is a main public highway that is also the most critical in and out route of traffic onto and off the island of Portsmouth. With the reduction of heavy goods vehicles moving at slow speed around a stop/start roundabout with traffic signal controls, the port will also aid in reducing the emissions from these vehicles by reducing their travel distance and time, along with engine idling. *Please note this project is subject to transport modelling and discussion with the Highway Authority.*	Portsmouth	31/12/2023	£0.7	£0.0	£0.7

Project Name	Project type	Project Summary	Local Authority area	Practical completion date of the project DD/MM/YY	Seed capital spend FY22/23 (£m)	Seed capital spend FY23/24 (£m)	Total seed capital £ ask (£m)
Innovation hub	**Innovation**	The Solent Freeport Innovation Hub will be a high profile, creative, flexible and multi-user facility that fosters the innovation strengths of the Solent Freeport area. It will bring together existing and new businesses, alongside our three Universities and wider research assets such as the National Oceanography Centre. The hub will provide a focal point for the Solent's world-leading maritime innovation ecosystem, which is currently being mapped by the Connected Places Catapult and provide a physical presence for the Solent Maritime Innovation Gateway, which was launched as part of LISW 2021. It will crowd in our innovators and assets, and form an integral part of our value proposition to new investors at our tax and customs sites and so form a deliverable of both our Freeport Innovation Strategy and our Freeport Trade and Investment Strategy. The facility will also support the delivery of the Government's Clean Maritime Plan and support collaboration between the 10 Solent based organisations that were successful through the Clean Maritime Competition. Particular areas of focus will include clean maritime fuels, new methods of maritime proposition, autonomous marine vessels, subsea vessels, as well as port productivity innovations.	Solent Wide	31/03/2023	£0.4	£0.0	£0.4
				Total	**£18.0**	**£7.0**	**£25.0**

Appendix B: Draft Memorandum of Understanding

Portsmouth CITY COUNCIL

Dated: ____2022

PORTSMOUTH CITY COUNCIL (acting as Accountable Body for the Solent Freeport Consortium Limited)

And

The Department of Levelling Up, Housing and Communities

MEMORANDUM OF UNDERSTANDING

for the Use of Retained Business Rates

THIS MEMORANDUM OF UNDERSTANDING is dated of 2022

PARTIES

(1) PORTSMOUTH CITY COUNCIL of Civic Offices, Guildhall Square, Portsmouth, Hampshire PO1 2AL (acting as Accountable Body for The Solent Freeport Consortium Limited ("SFCL") with company number 13266664; **AND**

(2) The Department of Levelling Up, Housing and Communities

(each a "**Party**" and together the "**Parties**")

BACKGROUND

(A) The Parties have agreed to work together to manage the Growth in Business Rates generated by the designated tax sites within the Solent Freeport [designated area as set out in Annex E] to achieve the aims and objectives of the Freeport as set out by HM Government (**Project**).

(B) The Parties wish to record the basis on which they will collaborate with each other on the Project. This Memorandum of Understanding (**MOU**) sets out:

1. the key principles of the Project;
2. the strategic focus of the collaboration;
3. the financial modelling; and
4. the governance structures of the Project.

THE PARTIES AGREE:

1. Interpretation

In this MOU the following expressions shall have the following meanings:

"**Accountable Body**" means Portsmouth City Council acting as Accountable Body for the SFCL;
"**Business Rates**" means the levy charged on non-domestic properties by local ratings authorities;

"**Business Rates Relief**" means relief from Business Rates granted by the Rating Authority under section 47 of the Local Government Finance Act 1988 (as amended) to End Users occupying Eligible Premises;

"**Business Rate Growth**" means the increase in Business Rates collected by a Relevant Authority over and above the agreed baseline for a Tax Site, and Section 31 grants collected for Business Rates Relief

"**Investment Committee**" means the committee set up by the Solent Freeport Consortium Limited to provide advice to the SFCL Board as set out in the Terms of Reference in Annexe D

"**Relevant Authority or Rating Authority**" means the four local authorities responsible for collecting Business Rates at tax sites namely: Eastleigh Borough Council, Havant Borough Council, New Forest District Council and Southampton City Council;

"**Retained Business Rates**" means the means the aggregate of:

Business Rates Relief granted by Ratings Authorities in the Solent Freeport Area to (i) End Users; and (ii) eligible end users of premises at other tax sites in the Solent Freeport Area which, are reimbursed to the applicable ratings authorities by HM Government during the term of this Agreement; and

Business Rates paid to Ratings Authorities in the Solent Freeport Area by such end users (once eligibility for Business Rates Relief has expired) and by any other end users of the tax sites in the Solent Freeport Area for a period of up to 25 years from the Commencement Date (to the extent that such Business Rates exceed the baseline level of rates as established by the Rating Authority received at those tax sites prior to the Commencement Date);

which, in each case, local authorities are entitled to retain to fund local investment and infrastructure projects for the purposes of furthering the Freeport Objectives;

"Solent Freeport Consortium Limited (SFCL)" means the Solent Freeport Company of 1 London Road, Southampton, United Kingdom with company number 13266664.

"**Solent Freeport Designation**" means the power to enable tax sites within Freeport locations to be designated and recognised in law as geographical areas where businesses can benefit from tax reliefs to incentivise investment and to boost employment.
"Solent LEP" means Solent Local Enterprise Partnership Limited;

"Tax Site" means a map of tax sites as set out in Annexe E;

"Wider Solent Freeport Area" means the area set out in the Map at Annexe E

2. Purpose of this MOU

The local retention of incremental business rates generated on Tax Sites is expected to be one of the most valuable elements of the Freeports package in terms of delivering the SFCL's medium and long-term objectives for the Solent's economy and communities.

Retained business rates over a 25-year period provides a step-change in resource funding available for initiatives that are key to the Solent's success and the objectives of the SFCL, including skills, infrastructure, net zero initiatives and innovation. This funding will be targeted to deliver sustainable growth, productivity and regeneration across the Wider Solent Freeport Area, supporting meaningful and sustained levelling-up of harder to reach coastal communities and ensuring more of the benefits of the Solent's nationally significant port infrastructure and marine connectivity are retained within the region. The funding will be deployed in conjunction with other funding streams and be designed to gear in contributions from the private sector. The approach will also take advantage of the resource nature of a retained business rate stream, which means it can plug gaps in what is possible through central or devolved capital funding alone, and to act as a multiplier in terms of the benefits of that funding for the Solent.

The purpose of this MOU is to set out the SFCL's plans on the use of retained business rates generated on Tax Sites. This includes:

(1) Strategic Focus	• The objectives of the retained business rates fund and the rationale behind them, including how they relate to the objectives of the SFCL and the Freeports programme more widely. • The criteria projects must meet to be eligible for funding and how these uphold the DLUHC's requirements and align with the objectives of the retained business rates fund.
(2) Financial Modelling	• The overall expected value of retained business rates profiled over time and and the approach to determining how funds will be allocated between workstreams
(3) Governance	• How decisions regarding the use of retained rates will be taken and the process for prioritising and selecting projects for funding. • Where ownership of the business rates policy lies and including how and when it will be reviewed and evaluated.

In recognition of the pan-Solent approach to delivery of the SFCL, this plan has been developed by the four Relevant Authorities that will collect Retained Business Rates within the Tax Sites, Portsmouth City Council in its role as Accountable Body, the Solent LEP and the SFCL.

This MOU sets out the terms by which the SFCL will manage the Business Rate Growth generated at the Solent Freeport Designated Tax Sites to achieve the aims and objectives of the Freeport as set out by HM Government.

3. Key Principles

This MOU is to be without detriment to the financial resources that would have been available to each Relevant Authority under the current local government finance regime in 2021/22 and any future changes that may arise out any Review of the Business Rate Retention Scheme. Details of this arrangement are set out in Annexe B

From the date of Solent Freeport Designation any Business Rate Growth within an approved Tax Site above the agreed baselines (indicative estimates set out in Annexe A) will be determined annually based on the NDR3 Return and passed to the Accountable Body within 14 days after the deadline date for the NDR3 Return. Should there be any subsequent adjustments as part of the audit exercise to any of the NDR3 returns that result in a change to the amounts transferred a reconciliation will take place and payments will be made to or from the Relevant Authority as necessary.

Portsmouth City Council will pool all such receipts, and both formally and informally report the status of the pool to the SFCL and relevant subgroups at a minimum twice a year and in accordance with HM Government requirements. In addition to this each Relevant Authority will be required to provide an annual updated forecast of business rates expected to be received in each Tax Site for the period up to [31 March 2047].

Any remaining balance of Business Rate Growth funds beyond [31 March 2047] will be transferred to SFCL and will be expected to be used for the purposes of promoting the objectives of the Freeport. An updated MOU will be developed to inform how residual Retained Business Rates will be used beyond [31 March 2047]. We also reserve the right to update the MOU in the event of a substantive policy change (e.g. HM Government rates review).

The value of the Retained Business Rates pool and the forecast receipts up to and including [31 March 2047] will be reported to the SFCL and ultimately be used to promote the Freeport's objectives within the Wider Solent Freeport Area, in adherence to the relevant governance approvals set out in this MOU.

4. Strategic Focus

The objectives of the use of retained business and the criteria projects to be eligible for funding are set out below.

Objectives

The objective the business rates programme is to allocate retained business rate revenues to maximise long-term, sustainable, and inclusive economic net gains to the Solent, by supporting public and private initiatives within the Wider Solent Freeport Area that promote:

- skills and employment,
- productivity, including through innovation,
- trade and investment,

- regeneration, and
- a successful net zero transition.

Project eligibility

Consistent with the Government's guidance on its expectations for the use of retained business rates, a potential investment will need to fall within one or more of the following categories in order to be eligible for support from the business rates programme:

- Freeport operating costs (in accordance with an SFCL approved operating budget).
- Physical or digital infrastructure that will facilitate investment in the Freeport area or wider area of impact.
- Land assembly or site remediation works that will facilitate investment in the Freeport area or wider area of impact.
- Skills and workforce development.
- Innovation initiatives.
- Regeneration or the development of economic assets within the Freeport area or wider Solent area.
- Mitigating any displacement and/or negative externalities associated with the Freeport.
- Activity in support of the SFCL's Net Zero ambitions.
- The delivery of Freeport-specific planning measures.
- Co-funding project and programme development and design.

Furthermore, to be eligible for investment from the business rates programme, potential schemes and/or initiatives will need to demonstrate to the SFCL Board that they meet all three of the following requirements:

i) They would not otherwise occur, or occur at a much slower rate or on a smaller scale,
ii) They require public funding (e.g. owing to market failures), and
iii) They are most appropriately funded from retained business rates, wholly or in part.

The SFCL will be open to making funds available to public sector entities, private sector entities, not-for-profits, charities and other types of organisation. In all cases, appropriate due diligence of recipients will be undertaken prior to the release of funds.

Investments will be considered that take the form of a one-off grant, a multi-year grant (for example to support borrowing undertaken by the project's sponsor), equity investments, co-investment, and - in exceptional circumstances - loans. Investments of both a capital and revenue nature will be considered.

It is expected that the promoters of potential investments will be required to demonstrate their commitment to the project, especially through the availability of matched funding to support a contribution from the business rates programme, and complete a Value for Money assessment in accordance to HM Treasure Green Book guidance.

5. Financial Focus

This section summarises the current expected value of retained business rates and proposed approach to any planned borrowing against future income from retained rates.

Value of Business Rate Growth

The following table summarise outputs from financial modelling on the size and profile of the business rates programme. This is broken down by Tax Site and Relevant Authorities.

Table 1. Summary of estimated retained business rates revenue (as of 8 March 2022)

Tax site	Rating Authority	Estimated BRR over 25 years (£m)	Size of tax site (hectares)	£m BRR per ha
Dunsbury Industrial Park	Havant Borough Council	*76*	*47*	*1.6*
Navigator Quarter	Eastleigh Borough Council	*113*	*50*	*2.3*
Southampton Water	Southampton City Council and New Forest District Council	*322*	*333*	*1.0*
Southampton Water - SCC	Southampton City Council	*30*	*30*	*1.0*
Southampton Water - NFDC	New Forest District Council	*292*	*303*	*1.0*
Total		***511***	***460***	***1.1***

Note: table subject to further review, figures may be updated

For forecasted annual Retained Business Rates cash flows refer to Annexe C. These figures remain forecasts only and will in practice be driven by the timing and pace of investment, the rateable values determined by the Valuation Office Agency (subject to appeals and review), and any future reform of the business rates system (including changes to the multiplier).

This forecast will be updated by the Investment Committee (with input from Ratings Authorities) on an annual basis in line with the NDR forms submitted to Government and agreed by the SFCL Board.

Allocation of the retained business rate pool

Prior to the commencement of each investment round, the Investment Committee will consider the overall quantum of funding that is to be made available to the SFCL for investment during the 25-year rates retention period, based on information provided by the Accountable Body as to the retained business rates receipts on each Tax Site.

The allocation of the retained business rate pool is expected to be in two key areas: (1) Core Investment Programme and (2) Solent Freeport Operations.

1. <u>Core investment programme</u>

The principle purpose of retained business rates is to support a suite of investments designed to deliver the freeport objectives of the programme. The investment workstreams are expected to be:

a. Skills
b. Net Zero
c. Hotbeds of innovation
d. Regeneration and enabling infrastructure
e. Local investment priorities

Local Investment Priorities

An element of the business rates pool will be allocated to the Freeport Rating Authorities on a proportionate basis in line with Business Rate Growth to support the delivery of the Freeport and minor project delivery within the administrative boundary taking into account the geographical spread of the Wider Solent Freeport Area (Annex E). This will ensure the enhanced Business Rate Growth will build capacity within the Local Authority to ensure a wide community benefit is delivered according to local priorities. The allocation of Local Investment Priorities will be ratified by the Investment Committee.

2. Solent Freeport Operations

2a. Contribution to SFCL operating costs

The first priority for allocation from the business rates pool will be any contribution required to support the ongoing operating costs of the SFCL.

The quantum of business rates allocated for this purpose will be based on consideration of a budget and forward financial plan for the period submitted by Finance Resource Audit Committee (FRAC), alongside key assumptions and sensitivity analysis, which will indicate the contribution to SFCL operating costs that is requested from the business rates pool.

2b. Administrative costs for Relevant Authorities and Accountable Body

As set out in its Terms of Reference, the membership of the Investment Committee will comprise

- The Leaders (or other Councillor as nominated by the Leader) of the Four Freeport Rating Authorities
- The Chair of the Investment Committee (to be a member of the Freeport Board)
- The Chief Financial (S151) Officer of Portsmouth City Council, the Accountable Body to the SFCL or their nominated representative.

In addition we will have Ex-officio Members of the Investment Committee:

- The Chief Executive Officer of the SFCL / The SFCL Senior Responsible Officer
- The Chief Financial (S151) Officers of the Four Freeport Rating Authorities or their nominated representatives

Given the time commitments of members to developing and administering the Investment Process (see Figure 2) funding will be agreed by the Investment Committee towards administrative costs for Relevant Authorities and Accountable Body. Cost of collection, accounting and administration of Business Rates will also be factored in as applicable costs for Rating Authorities and the Accountable Body. These administrative costs must be viewed as reasonable and additional as result of Freeport designation and ultimately be approved by the Investment Committee.

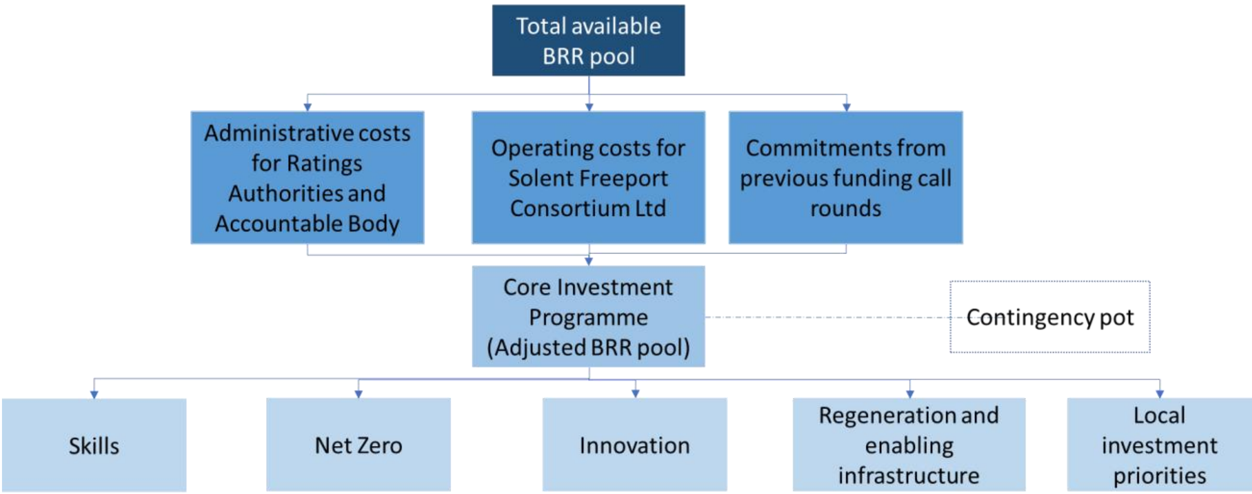
2c. Commitments from previous rounds

Where allocations from the business rates programme are provided on a multi-year basis which outlast a single investment plan period, these will need to be accounted for in subsequent rounds.

2d. Contingency

The Accountable Body will determine a reasonable amount of funding be kept aside within each investment round for contingency, which will be subject to final approval by the Investment Committee.

Figure 1. Allocation of retained business rate pool



The SFCL have not developed an indicative allocation between workstreams at this stage. This is because we consider that doing so now would be premature as there are likely to be overlapping initiatives (e.g. a Green Skills project) and it will ultimately depend on the funding needs on a project-by-project basis. In addition, as set out in the Governance section of this document, one of the key considerations of prioritising projects for BRR funding is the balance of projects across the Wider Solent Freeport area and between workstreams. Therefore whilst it is not anticipated that the SFCL will have a predetermined allocation of funding to each theme at this time, the role of the Investment Committee will be to ensure that the projects funded through Retained Business Rates programme cut across all themes.

Financial Risk

The Accountable Body will underwrite the borrowing risk in line with the following:

- The actual rates growth received, and the forecast of rates growth will be reviewed on a regular basis to inform any investment decisions in terms of affordability and risk. The expectation is that borrowing will be more front ended as it cannot exceed the life of the pool.
- The approach to risk will include the certainty of business rate growth forecasts including the strength of covenant of tenancies in the tax sites. This approach should ensure that funding can be deployed early to stimulate growth and deliver the Freeports objectives.
- The Accountable Body will ensure that the fund is not over committed over the life of the Freeport and any interest costs on advance commitments will be charged to the Pool.
- No investment will take place unless it is recommended by the Investment Committee, and ultimately agreed by the Accountable Body and SFCL board
- Should the rates pool fall into deficit (actual or forecast) the first call on future pooled rates will be to bring the pool back into a surplus position.
- Where business rates are proposed to support capital projects or initiatives with uncertain costs and revenues, contributions from the business rate pool may need to be capped and only approved subject to an agreed full allocation of risks. The Investment Committee will provide advice to the Board should this situation arise.

The Accountable Body will invest any uncommitted rates held in the pool in line with its Treasury Management Policy which will be reported to the Investment Committee for oversight on a regular basis but annually as a minimum. The Investment Committee can at any point request a third-party review of this investment process for further assurance.

So long as the Accountable Body follows the agreed Treasury Management Policy any loss on investments will be borne by the business rate pool however if the Accountable Body deviates from the agreed policy without the approval of the Investment Committee then the Accountable Body would be liable for any loss on those specific investments.

Use of Borrowing

- Borrowing will be used to invest in projects recommended by the Investment Committee and approved by the SFCL Board within the Wider Solent Freeport
- Borrowing will be used to enable and accelerate development
- Borrowing will be used to meet the key priorities and themes priorities set out in the FBC
- Projects and programmes to be funded from borrowing will be considered by the Investment Committee in line with the eligibility criteria in section 4 and the scoring / prioritisation matrix referred to in section 6 and agreed by the Investment Committee.

Pooling Mechanism

- Each Relevant Authority will be required to pass on the actual growth in business rates over the agreed baseline within 14 days after the deadline for the NDR3 (or equivalent) return
- The Accountable Body will hold and account for these pooled business rates on a separate area of its balance sheet and report the status of the pooled rates on a regular basis to the Finance, Resources and Audit Committee, the Investment Committee and the SFCL Board.
- Any interest earned on pooled rates held will be added to the pool on an annual basis and become available for allocation in line with the arrangements as outlined in section 5.

Borrowing

The Accountable Body will undertake all of borrowing on behalf of the SFCL at the most favourable, subsidy control compliant rate and on the condition that the Relevant Authorities have passed on the growth in Business Rates every year. Borrowing should be undertaken on the most favourable terms and needs to be tested for subsidy control compliance before any investment is agreed.

In exceptional circumstances there could be occasions where borrowing could be jointly underwritten with the relevant Billing Authority, for example where the investment might exceed the risk appetite of the SFCL and Accountable Body or where the investment might generate financial and or economic benefits beyond the life of the pool upon which the underwriting is then passed over in full. In some circumstances this approach could generate additional business rates in the area but outside of the tax site which should then make the ability to borrow more flexible. Any proposal of this nature would be separately considered by the Investment Committee.

Any borrowing for Investment will be a full financial appraisal and appropriate due diligence and in accordance with the Accountable Body's Treasury Management Strategy. Borrowing will be used for Projects of a lower risk nature however projects of a higher risk nature may be required to be funded from cash receipts to the Pool. The risks associated with this will be assessed on a case-by-case basis by the Accountable Body.

Any borrowing undertaken will be for periods not exceeding the life of the Pool or the life of the economic benefits generated by the investment, whichever is the shorter

Worked Example

A worked example of how Business Rate Growth will be calculated by each Relevant authority at the end of each financial year is set out at Annexe F

6. Governance

This section sets out how decisions regarding the use of retained rates will be taken, the process for prioritising and selecting projects for funding, and where ownership of the Business Rates policy lies.

Investment Committee

The SFCL Investment Committee will lead on the strategy and prioritisation of investments and make recommendations to the SFCL Board for final decision. Terms of Reference of the Investment Committee are included at Annexe D. The Investment Committee will be responsible for:

- Prioritisation of projects and programmes to be funded through Retained Business Rates
- Ensuring an equity of use of Retained Business Rates, including:
    - Allocation towards significant investment priorities
    - Allocation for Rating Authority Programmes / Projects which will consider proportionate levels of investment in line with Business Rate Growth
    - Allocation across investment workstreams (i.e. net zero, skills, innovation, regeneration and enabling infrastructure, and local investment priorities)
- Developing and using the prioritisation matrix to select projects and programmes to be funded through Retained Business Rates
- Reviewing the prioritisation matrix on an annual basis

Principles of prioritising projects for Retained Business Rate funding

The plan is to prioritise Projects using the following criteria:

Pass / Fail - is the project eligible based on the objectives of Retained Business Rate funding

1) Deliverability - evidence that the initiative is deliverable within an agreed timescale, with the appropriate level of procurement strategy, project management and governance in place
2) Value for money statement- benefits generated against costs of the project (benefits delivered will vary by workstream e.g. skills developed, productivity uplift, reduced carbon emissions, employment unlocked, land value uplift, agglomeration)
3) Strategic fit with Solent policy objectives and relevant national guidance
    - Solent LEP e.g. world leading marine & maritime economy, decarbonisation, coastal renaissance, thriving visitor economy, world class talent base, outstanding business environment
    - Central Govt e.g. Levelling up, Net Zero, Innovation, Green Growth, Global Britain
4) Additionality – clear market failure that cannot be addressed by the private sector alone or through alternative public sector funding streams (to also consider subsidy control)
5) Private sector leverage – private sector contributions unlocked. Preference of 50% or more but a minimum of 20% in exceptional circumstances where the Investment Committee considers appropriate
6) Public sector contributions – further public sector funding unlocked. Preference of 50% but a minimum of 20% in exceptional circumstances where the Investment Committee considers appropriate

7) Availability of alternative funding – given the objective of closing gaps in wider funding mechanisms
8) Affordability – scale of the funding ask
9) Delivering the strategic outcomes across the whole geography of the Freeport

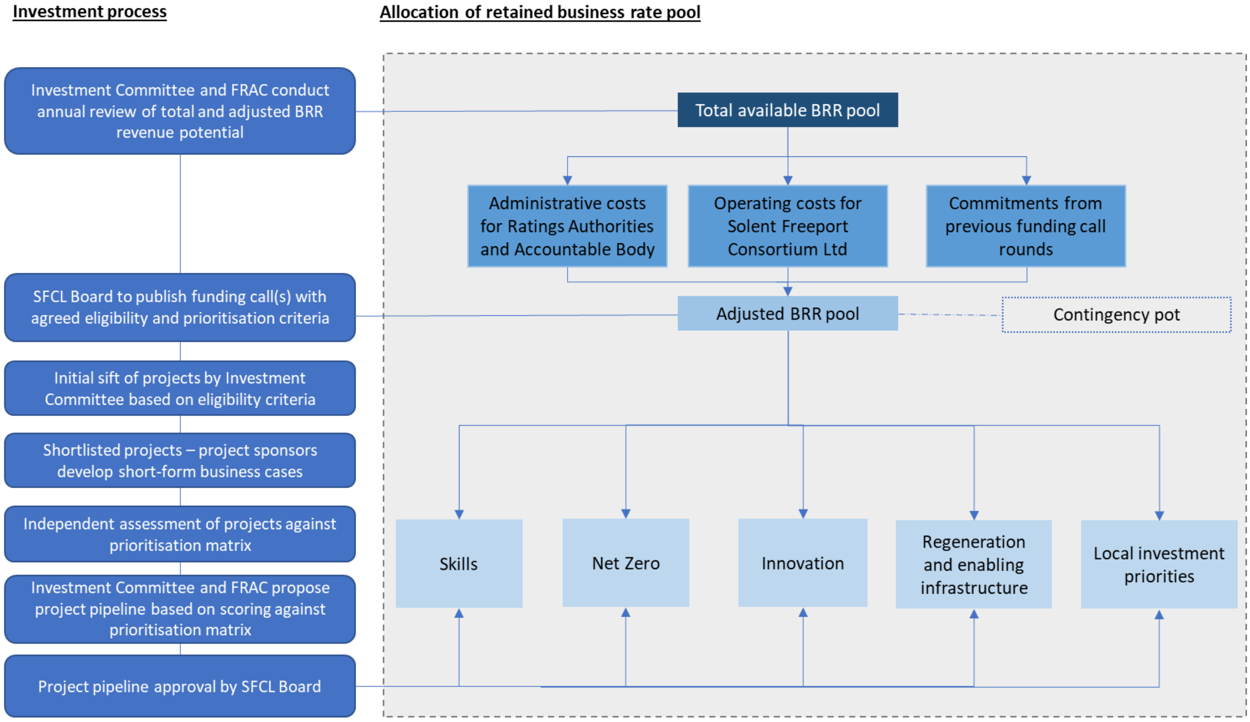
[We will prioritise projects which address the scale of enabling work required to ensure the successful delivery of tax sites in order to maximise returns to the Retained Business Rates pool. Consideration will also be given to the geographic balance of projects across the Wider Solent Freeport area and between workstreams (i.e. Infrastructure, Skills, Net Zero, Innovation, local investment priorities)]

Investment process

The process to investing Retained Business Rates is summarised in Figure 2, and broadly covers the following steps:

- SFCL Board and the Accountable Body (who will underwrite borrowing risk) will agree the risk appetite for SFCL and review on an annual basis at the minimum
- SFCL Board to agree appropriate allocation for priority projects based on recommendations from the Investment Committee and the Finance, Resources and Audit Committee.
- SFCL to agree allocation for Solent Freeport Operations (see Section 5, Allocation of the retained business rate pool) based on ratification from the Investment Committee.
- SFCL Board to agree and publish funding call(s) with upfront agreed eligibility and prioritisation criteria developed by the Investment Committee
- Initial internal assessment against funding call criteria via the Investment Committee before external, independent assessment starts to ensure projects meet the eligibility criteria.
- Full project assessment by external independent experts with broad range of skills (appointed by the SFCL)
- Independent expert assessment presented to the Investment Committee and the Finance, Resources and Audit Committee with recommendations to SFCL Board (Relevant Authority S151 officers to brief their Board members)
- Project / programme investment approval by SFCL Board

Figure 2. Retained Business Rates investment process



Monitoring and Reporting

The Accountable Body will hold and account for pooled business rates on a separate area of its balance sheet and report the status on a regular basis in an agreed format to the Finance, Resources and Audit Committee and the SFCL Board. This will include:

- Rates received
- Rates deployed
- Rates committed
- Rates expected
- Status of reserves
- Interest Earned and Accountable Body Treasury Management Policy

In accordance with the Government's Statutory Guidance on Investments, the Accountable Body's Treasury Management Policy prioritises security of capital and liquidity in that order. Only after these requirements have been met, does the Accountable Body consider yield. The Investment Committee will be able to request a third-party review of the Accountable Body's investment process should they require to do so.

The SFCL will publish an annual report, approved by the Accountable Body, on decisions, progress, expected costs and benefits, delivery and evaluation of projects, programmes and initiatives supported through retained business rates.

Policy and Review Process

A rolling agenda item in FRAC meetings will involve a status update on Retained Business Rates, including:

- Minimum annual forecast update
- Rates received / deployed / due, broken down by tax site
- Benefits delivered / forecasted

- Comparison rates received / updated forecasts to FBC forecasts
- Investment recommendations to SFCL Board
- Review of borrowing risk appetite (to take place annually or by exception should circumstances dictate)

In addition to this the SFCL Board will commission an independent formal review on the effectiveness of the Investment Committee on an annual (or exceptional) basis, as advised by the FRAC. FRAC will be responsible for considering the findings of the independent formal review and making a recommendation to the SFCL Board if a new Investment Committee must be established.

Ultimate ownership of the retained rates policy is with the SFCL Board, advised by Accountable Body, in line with the principles set out in this MoU. The review of delivery of benefits realisation from the Retained Business Rates investment programme with be published as part of the SFCL Annual Report.

We also reserve the right to update the MOU in the event of a substantive policy change (e.g. HM Government rates review).

7. Term and Termination

7.1 This MOU shall commence on [DATE], and shall expire on[[DATE].

8. Dispute Resolution

If any issues, concerns or complaints arise of in or in connection with the MOU, that Party shall notify the other Parties and the Parties shall then collectively seek to resolve the dispute by a process of consultation. If the dispute cannot be resolved within a reasonable period of time, the matter shall be escalated to the SFCL Board, which shall decide on the appropriate course of action to take. If the matter cannot be resolved by the SFCL Board within 14 days of notification of a dispute, the matter may be escalated to the senior officers of each respective Party.

If any Party receives any formal inquiry, complaint, claim or threat of action from a third party (including, but not limited to, requests for information made under the Freedom of Information Act 2000) in relation to the Project, the matter shall be promptly referred to the Investment Committee (or its nominated representatives). No action shall be taken in response to any such inquiry, complaint, claim or action, to the extent that such response would adversely affect the Project, without the prior approval of the Investment Committee (unless otherwise required by law

9. Variation

This MOU, including the Annexes, may only be varied by written agreement of the Parties.

10. Status

This MOU is not intended to be legally binding, and no legal obligations or legal rights shall arise between the Parties from this MOU. The Parties enter into the MOU intending to honour all their obligations.

10.2 Nothing in this MOU is intended to, or shall be deemed to, establish any partnership or joint venture between the Parties, constitute any Party as the agent of the other Party, nor authorise any of the Parties to make or enter into any commitments for or on behalf of the other Party.

11. Governing Law and Jurisdiction

This MOU shall be governed by and construed in accordance with English law and, without affecting the escalation procedure set out in paragraph 8, each Party agrees to submit to the exclusive jurisdiction of the courts of England and Wales.

Signed for and on behalf of Portsmouth City Council

Signature:
....
Name:
....
Position:
....
Date:
....

Signed for and on behalf of The Department For Levelling Up, Housing and Communities

Signature:
....
Name:
....
Position:
....
Date:
....

MOU Annexe A - Indicative Baselines as of [8 March 2022]

Relevant Authority	Tax Site	Agreed Baseline
Eastleigh Borough Council	Navigator Quarter	*£506,584*
Havant Borough Council	Dunsbury Park	*£385,280*
New Forest District Council	Southampton Water	*£1,116,160*
Southampton City Council	Southampton Water	*£694,361*

MOU Annexe B - Calculating 'No-Detriment'

The pooling and use of the growth in the retained business rates from each Freeport Tax Site is without detriment to the resources that would have been available to each Relevant Authority prior to full designation of each tax site within the Solent Freeport.

To the extent that in any individual financial year the business rates collected in any tax site falls below the agreed baseline then no sum would be required to be added to the business rates pool that year.

The 'no detriment' calculation will be undertaken as part of the end of the financial year reconciliation [refer to worked example / NNDR forms?]

Principles:

To calculate whether the 'no detriment' clause is triggered, for each authority within each designated tax site there will be a comparison between (A) and (B) for each financial year, where:

(A) Are the actual rates received for an individual tax site by a Relevant Authority at the end of each financial year [refer to calculation / worked example?], and

(B) Is the baseline for the same tax site for the same relevant Authority as set out in Annexe A

If the sum of (A) minus (B) is zero or a negative figure then no business rates will be required to be paid into the pool that financial year
[cumulative position to be given further thought]

MOU Annexe C – Annual Retained Business Rates Forecast [as of 8 March 2022]

Tax site	Total (£m)	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33
Dunsbury Park	**76**	**-**	**0.0**	**0.9**	**1.5**	**2.4**	**2.5**	**2.5**	**2.5**	**2.6**	**2.7**	**2.9**	**3.1**
Navigator Quarter	**113**	**-**	**-**	**-**	**-**	**1.1**	**3.0**	**4.5**	**4.6**	**4.7**	**4.8**	**4.9**	**5.0**
Southampton Water	**322**	**-**	**-**	**0.2**	**1.3**	**3.1**	**9.1**	**10.9**	**11.8**	**12.7**	**13.3**	**13.9**	**14.2**
Southampton Water - SCC	*30*	-	-	-	-	*0.6*	*1.1*	*1.2*	*1.2*	*1.2*	*1.2*	*1.3*	*1.3*
Southampton Water - NFDC	*292*	-	-	*0.2*	*1.3*	*2.5*	*7.9*	*9.7*	*10.6*	*11.5*	*12.1*	*12.7*	*12.9*
Total	**511**	**-**	**0.0**	**1.1**	**2.8**	**6.6**	**14.5**	**17.8**	**18.9**	**20.0**	**20.7**	**21.7**	**22.3**

Tax site	FY 2033/34	FY 2034/35	FY 2035/36	FY 2036/37	FY 2037/38	FY 2038/39	FY 2039/40	FY 2040/41	FY 2041/42	FY 2042/43	FY 2043/44	FY 2044/45	FY 2045/46	FY 2046/47
Dunsbury Park	**3.3**	**3.3**	**3.4**	**3.5**	**3.5**	**3.6**	**3.7**	**3.7**	**3.8**	**3.9**	**4.0**	**4.0**	**4.1**	**4.2**
Navigator Quarter	**5.1**	**5.2**	**5.3**	**5.4**	**5.5**	**5.6**	**5.7**	**5.8**	**5.9**	**6.0**	**6.2**	**6.3**	**6.4**	**6.5**
Southampton Water	**14.5**	**14.8**	**15.1**	**15.4**	**15.7**	**16.0**	**16.3**	**16.7**	**17.0**	**17.3**	**17.7**	**18.0**	**18.4**	**18.8**
Southampton Water - SCC	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.7	1.7
Southampton Water - NFDC	13.2	13.5	13.7	14.0	14.3	14.6	14.9	15.2	15.5	15.8	16.1	16.4	16.7	17.1
Total	**22.8**	**23.3**	**23.7**	**24.2**	**24.7**	**25.2**	**25.7**	**26.2**	**26.7**	**27.3**	**27.8**	**28.4**	**28.9**	**29.5**

MOU Annexe D – Draft Investment Committee Terms of Reference

Solent Freeport Retained Rates Investment Committee

Draft Terms of Reference

(March 2022)

Background

The Solent Freeport represents a major opportunity to transform the Solent region, Britain's gateway to the world. It will rejuvenate our local areas and industrial clusters and will be the centrepiece for the Solent's strategy to build back better. The Freeport will directly:

- **deliver increased capacity and throughput of international trade** through the region's three ports, facilitating the growth of industries and supply chains in other UK regions, as well as locally within the Solent;
- **leverage significant levels of private investment** to unlock un/under-developed sites for development by facilitating new infrastructure and enabling private enabling investment;
- **catalyse the growth of innovative new industries** that will provide solutions for the challenges of our times, including how to deliver the benefits of growth to our hard to reach and left behind coastal communities, and also generate significant regional and national economic value, for which a strong pipeline private sector of proposals and enquiries already exists. These include examples of international additionality for the UK; and
- provide both a platform and significant additional funds, not least through pooled retained business rates, **to deliver supporting infrastructure, innovation, skills and a steppingstone to net zero programmes**, coordinated through a dedicated Freeport Company supported by appropriate and robust management resources and governance.

The local retention of incremental business rates generated on Tax Sites is expected to be one of the most valuable elements of the Freeports package in terms of delivering the Solent Freeport's medium and long-term objectives for the Solent's economy and communities.

The Retained Rates Investment committee has been established to ensure that the retained business rates growth is deployed in the most effective way to ensure that the overarching objectives of the Solent Freeport are realised.

Objectives

The Retained Rates Investment Committee is the forum through which the Solent Freeport Consortium Limited and relevant Rating Authorities will work together to agree:

- the overall quantum of funding that is to be made available to the SFCL for the Core Investment Programme and Solent Freeport Operations
- protocols by which retained rates collected by different rating authorities within the Solent Freeport Area may be pooled;
- a process to agree how retained rates will contribute to enhanced local authority capacity and local priorities that go towards achieving the objectives of the Freeport;

- a joint decision-making process relating to the assessment of applications for Retained Rates Funding;
- a reasonable amount of funding be kept aside within each investment round for contingency, with input from the Accountable Body; and
- how the costs of rating authorities and the Solent Freeport Consortium Limited incurred in administering such funding and business rates relief will be funded.

The work of the Retained Rates Investment Committee will include advising the Board of Solent Freeport Consortium Limited on:

- a proposed Core Investment Programme, which includes
    - The prioritisation of workstreams / specific projects for investment of retained rates funding
- Equity of Use
    - Allocation towards significant investment priorities
    - Allocation for Rating Authority Programmes / Projects which will consider proportionate levels of investment in line with Business Rate Growth.
- projects and programmes within the Core Investment Programme to be funded from borrowing
- The prioritisation matrix used to inform investment decisions in the Core Investment Programme, including weightings on criteria
- Scoring Matrix to be reviewed annually or for each funding call
- The content and management of funding calls
- Financial reporting on the availability and use of the pooled retained business rate growth.

Relationship with SFCL Governance Structure

The Investment Committee is an Investment Committee that is appointed by and reports and provides advice to the main SFCL Board.

The Investment Committee sits within the SFCL Governance Structure. This Committee will have regard for, and act in accordance with, the relevant scheme of delegation and any SFCL Assurance Framework established by Solent Freeport Consortium Limited or HM Government.

The Investment Committee sits below the SFCL Board with its main focus on the deployment of the SFCL resources with a key role in terms of the use of retained business rate growth to deliver the SFCL objective as set out in the Full Business Case.
It will provide advice to the Board on strategic and operational matters related to retained rates.

Membership and Structure

Membership of the Investment Committee shall consist of six members with voting rights comprising of the following:

- The Leaders (or other Councillor as nominated by the Leader) of the Four Freeport Rating Authorities
- The Chair of the Investment Committee (to be a member of the Freeport Board)
- The Chief Financial (S151) Officer of Portsmouth City Council, the Accountable Body to the SFCL or their nominated representative.

The s151 of the Accountable Body will have the ultimate veto on any investment under financial grounds but will not have voting rights on the type of geography of investments are agreed as long as they are compliant with financial regulations and within the risk appetite of the Accountable Body.

Ex-officio Members:

- The Chief Executive Officer of the SFCL / The SFCL Senior Responsible Officer
- The Chief Financial (S151) Officers of the Four Freeport Rating Authorities or their nominated representatives.

The Four Freeport Rating Authorities will be entitled to a membership with a voting right, and the membership ratio will remain the same for each Rating Authority. Any additional members to the Investment Committee will be subject to the agreement of all Four Freeport Ratings Authorities.

Directions on Appointments to the SFCL Investment Committee

Retained Rates Investment Committee membership is at the discretion of the Board of Solent Freeport Consortium Limited. The Committee Chair must always be the Solent Freeport Senior Responsible Officer (SRO) and rating authorities must always be entitled to a membership with a voting right. Committee Members may nominate substitutes from their relevant organisations in the event that they are unable to attend a Retained Rates Investment Committee meeting. Nominees will have full voting rights. Members of the Retained Rates Investment Committee may resign their position at any time by giving notice in writing to the Chair.

Quorum

For the Investment Committee to be quorate at least four members will need to be present at meetings. This must include the Chair; two Rating Authority Leaders, and the Chief Financial Officer of Portsmouth City Council, or their nominated representatives.

Decisions and Voting

The role of the Retained Rates Investment Committee is both advisory and decision making, and there is an expectation that they will provide recommendations on matters relating to the use of retained rates for consideration by the main SFCL Board and the Chief Finance Officer of Accountable body for the SFCL. It is expected that the advice and recommendations of the Committee will normally be reached by consensus, but if a vote is required decisions shall be made on the basis of a majority of those members attending and voting.

The Accountable Body will always have the right to veto an Investment on affordability grounds so as to not place the SFCL at financial risk.

The representative from the rating authority will have the right to veto an investment that lies solely or with significant majority inside their respective local authority boundary.

Attendance by Others

The work of the Retained Rates Investment Committee will be supported by the attendance of the SFCL Executive and Accountable Body Finance Team, supplemented by other representatives where agreed by the Chair. These attendees will not have any voting rights.

The Role and Responsibilities of the SFCL Retained Rates Investment Committee

The Freeport Retained Rates Investment Committee is the forum through which the Solent Freeport Consortium Limited and relevant Rating Authorities will lead work together to agree:

- The methodology to enable an element of growth to be retained by the local authority for increased capacity and local priorities that go towards achieving the objectives of the Freeport

- a joint decision-making process relating to the assessment of applications for Retained Rates Funding and
- how the costs of rating authorities and the Solent Freeport Consortium Limited incurred in administering such funding and business rates relief will be funded.

Deployment of Funding

- Ensure that the deployment of retained rates funding made by the SFCL is being used to deliver the agreed outcomes
- To receive and consider quarterly reports on progress against the deployment of retained rates funding, taking any necessary action within the limits of the delegated authority as granted by the Board
- The prioritisation of workstreams / specific projects for investment of retained rates funding
- Developing the Prioritisation Matrix and Scoring Matrix related to the use of retained rates
- The content and management of any funding calls related to retained rates as outlined in the MoU
- Financial reporting on the availability and use of the pooled retained business rate growth.
- Equity of Use
    - Allocation for agreed significant investment priorities
    - Allocation for Rating Authority Programmes / Projects
- To receive reports from other Solent Freeport committees as appropriate to inform consideration of retained rates related matters
- Providing advice to the SFCL Board on Retained Rates funding more generally

Prioritisation Principles for Business Rate Retention Funding

Funding calls to attract projects for retained rates investment will use the following criteria:

- Deliverability - evidence that the initiative is deliverable within an agreed timescale, with the appropriate level of procurement strategy, project management and governance in place
- Value for money statement- benefits generated against costs of the project (benefits delivered will vary by workstream e.g. skills developed, productivity uplift, reduced carbon emissions, employment unlocked, land value uplift, agglomeration)
- Strategic fit with Solent policy objectives and relevant national guidance
- Solent LEP e.g. world leading marine & maritime economy, decarbonisation, coastal renaissance, thriving visitor economy, world class talent base, outstanding business environment
- Central Govt e.g. Levelling up, Net Zero, Innovation, Green Growth, Global Britain
- Additionality – clear market failure that cannot be addressed by the private sector alone or through alternative public sector funding streams (to also consider subsidy control)
- Private sector leverage – private sector contributions unlocked. Preference of 50% or more but a minimum of 20% in exceptional circumstances where the Investment Committee considers appropriate
- Public sector contributions – further public sector funding unlocked. Preference of 50% but a minimum of 20% in exceptional circumstances where the Investment Committee considers appropriate
- Availability of alternative funding – given the objective of closing gaps in wider funding mechanisms
- Affordability – scale of the funding ask
- Delivering the strategic outcomes across the whole geography of the Freeport

[We will prioritise projects which address the scale of enabling work required to ensure the successful delivery of tax sites in order to maximise returns to the Retained Business Rates pool. Consideration will also be given to the geographic balance of projects across the Wider Solent Freeport area and between workstreams (i.e. Infrastructure, Skills, Net Zero, Innovation, local investment priorities)]

Prioritisation / scoring matrix will be used by the Retained Rates Investment Committee and will include (but not exhaustive):

- Scale of matched funding investment would attract
- Private Sector investment (min %) / risk
- Level of Freeport resources required
- Deliverability
- Speed of delivery
- Job Creation
- Additional GVA
- Benefit Cost Ratio
- Geography

Projects with existing commitments to be honoured (e.g., s106) but could be topped up with pooled rates if agreed

Government Approved Business Case Templates will be required to be completed depending on size of the bid and should be Green Book compliant

- Low Value / Risk
- Medium Value / Risk
- High Value / Risk

Templates are available here: https://www.gov.uk/government/publications/the-green-book-templates-and-support-material

Investment Process

- Recommend a risk appetite for retained rates investment to the SFCL - to be agreed and reviewed at least annually by SFCL Board / AB (who will underwrite borrowing risk)
- Recommend allocation of funding for significant priority projects and for rating authority programmes
- SFCL Board to agree and publish retained rate funding call(s) with agreed eligibility and prioritisation criteria
- Initial internal assessment against retained rate funding call criteria via the Retained Rates Investment Committee before external, independent assessment starts to ensure projects meet the eligibility criteria.
- Full project assessment by external independent experts with broad range of skills (appointed by the Solent Freeport)
- Independent expert assessment presented to the Investment Committee with recommendations to SFCL Board (Relevant Authority S151 officers to brief their Board members)
- Project approval by Board including a pipeline of projects

Monitoring and Reporting

- The Accountable Body will hold and account for pooled business rates on a separate area of its balance sheet and report the status on a regular basis in an agreed format to the Finance, Resources and Audit Committee, the Retained Rates Investment Committee and the Solent Freeport Consortium Board.
  To include:
    - Rates received
    - Rates deployed
    - Rates committed

    - Rates expected
    - Status of reserves
- The Solent Freeport Consortium will publish an annual report, approved by the Accountable Body, on decisions, progress, expected costs and benefits, delivery and evaluation of projects, programmes and initiatives supported through retained business rates

Policy and Review Process

- SFCL Board to review the effectiveness of the Investment Committee on an annual basis
- Ultimate ownership by SFCL Board advised by AB in line with the principles set out in the MoU
    - Formal review on an annual (or exceptional) basis - advised by the FRAC
- Delivery of benefits realisation review - published in Freeport Annual Report
    - Regular item on FRAC to include:
    - Minimum annual forecast update
    - Rates received / deployed / due
    - Summary and broken down by tax site
    - Benefits delivered / forecast
    - Comparison to FBC
    - Recommendations to SFCL Board

- Changes to government policy - trigger for all parties to review

Governance and Risk Management

- Monitoring compliance with all terms and conditions attached to retained rates funding awards and recommending action where they are not fully complied with.
- Monitor and evaluate performance of retained rates funding investment against the SFCL Full Business Case and subsequent policies and strategies
- Annual review of the SFCL risk appetite to the use of borrowing against the growth in retained rates

Any other issues that are specifically delegated to the Investment Committee by the Board.

The Role of the Chair

The Chair will be responsible for agreeing the agenda for each meeting and deciding the order of matters to be discussed.

The Chair will agree in partnership with the SFCL Executive at the start of the new financial year the programme for the forthcoming year.

The Chair will chair all the meetings of the Retained Rates Investment Committee. If the Chair is unable to attend a meeting, the Chair will nominate a representative to attend and Chair the meeting on their behalf.

The Chair will decide the order in which members will be called to speak ensuring that all members present, who wish to, are given an opportunity to speak and also seeking to ensure that all views are fairly represented.

The Chair may suspend the meeting if in his or her view this is necessary; for whatever period of time, he or she thinks appropriate.

The Chair will act as an ambassador for the SFCL and the work of the SFCL in relation to the Retained Rates Investment Committee.

Conduct of SFCL Investment Committee Members

All SFCL Members are expected to follow "The 7 principles of public life" code of conduct and a SFCL Code of Conduct has been established which all Retained Rates Investment Committee Members are required to sign. A copy of the SFCL Code of Conduct is available here

Deputations at meetings

The Retained Rates Investment Committee may receive deputations on a matter from any organisation or individual, where notice has been given, which is deemed relevant to the role of the Committee. The following rules will apply:

- Notice of the intended deputation stating its purpose must be received in writing by 12 noon on the working day preceding the meeting.
- Decisions on whether to receive deputations on a matter will be made by the Chair and the Chair may waive the giving of notice in any case they consider appropriate.
- When the deputation is given it must relate to the agreed purpose in respect of which it is made.
- No person may speak for more than 6 minutes per deputation.
- The total time for those in favour and against a proposal will be 12 minutes respectively. If more than 2 people wish to speak for or against a proposition, the time allocated to each will be reduced proportionately, unless they agree otherwise amongst themselves how to apportion the 12 minutes.
- Those attending may make a written or verbal presentation which may be supplemented by a modest visual aid such as a single plan, photograph or video recording. This will be retained by the SFCL. Video recording presentations are included within the time allowed to deputations.
- Questions to deputations will be permitted, but only to clarify a statement.

Support and Administration Arrangements

The SFCL Executive team will provide the secretariat for the Investment Committee.

Portsmouth City Council is the accountable body for the SFCL and a protocol and service support agreement is in place between the accountable body and SFCL which is available here.

Independent support may be commissioned by the SFCL and Portsmouth City Council to support them with the discharge of their roles and strategic advice in relation to support requirements may, from time to time, be requested from the Retained Rates Investment Committee to inform such commissions. Equally, the SFCL and Portsmouth City Council will welcome, consider and respond to any advice from the Committee in relation to future commissions which have the potential to support the utilisation of retained rates in the Solent Freeport geography.

Working Arrangements and Meeting Frequency

The Investment Committee shall meet four times per year, or as agreed by the Chair in partnership with the SFCL Board.

Declarations of Interest

In accordance with the National Local Growth Assurance Framework, a register of interest has been established by the Solent Freeport Consortium Limited and all Directors have a statutory duty to declare their interests (direct or indirect) in transactions or arrangements involving the Solent Freeport. This requirement has been extended to all Chairs and Members of dedicated advisory committees, Section 151 Officers and Chief Executive Officers of any accountable body organisation operating on behalf of the Solent Freeport and Any other persons with significant influence over the activities of the Solent Freeport (for example, Solent LEP employees and senior points of contact at accountable body organisations such as legal and financial contacts).

MOU Annexe E – Tax site maps and Wider Solent Freeport area

MOU Annexe F - Business Rates Growth Calculation Worked Example

[Work in progress with s151s - to be added when complete]

Appendix C: Solent Freeport Business Rate Relief Scheme

New Forest District Council

Solent Freeport Business Rate Relief Scheme

Contents

Definitions……………………………………………………………………………3
1. Purpose of the Scheme and background……………………………………4
2. Legislation and Funding…………………………………………………………4
3. Eligibility principles – which properties will benefit from the relief…………4
4. Principles for awarding freeport relief for businesses………………………5
5. Principles for establishing the value of the freeport business rate relief....6
6. Sequence of reliefs………………………………………………………………6
7. How will rate relief be provided to businesses..6
8. Subsidy control limits..7
9. Scheme delegation..7
10. Notification of decisions………………………………………………………7
11. Review of decisions..7
12. Complaints...8
13. Managing the risk of fraud...8
14. Recovery of amounts incorrectly paid...8
15. Data Protection and use of data………………………………………………..8

Definitions

The following terms are used within this document:

‘Commencement Date’ means the date on which the Tax Site receives a Tax Site Designation;

‘Displacement’ means a business moving into a Freeport tax site from a non Freeport area, to gain tax benefits where there is no real growth or additionality.

‘Eligible Premises’ means commercial premises on the Land, the owners the developers and occupants of which are eligible for certain tax benefits as a result of the Tax Site Designation;

‘Hereditament(s)’ means the assessment defined within Section 64 of the Local Government Finance Act 1988;

‘Local rating list’; means the list as defined by Section 41of the Local Government Finance Act 1988 compiled and maintained by the Valuation Office Agency

‘Rateable value’ means the rateable value for the hereditament shown in the local rating list on the effective date

‘Ratepayer’ means the person who according to the Council’s records, was liable for occupied rates in respect of the hereditament on the effective date and the person eligible to receive the relief

1. Purpose of the Scheme and background

1.1 At the Budget on 3 March 2021, the government committed to creating new freeports sites in England, where businesses would benefit from more generous tax reliefs, including business rates relief. The announcement confirmed that the Solent Freeport site in England was successful in the bidding process.

1.2 Full business rates relief will be available for a period of 5 years to an eligible business in a freeport tax sites in England, once designated. Relief will be available to all new businesses, and certain existing businesses where they expand, provided occupation commences ahead of 30 September 2026.

1.3 Relief will apply for five years from the point at which each beneficiary first receives relief. This means that if a business first received relief on 30 September 2026, the relief may be applied up to 29 September 2031.

1.4 The purpose of this document is to determine eligibility for rate relief under the Council's Solent Freeport Business Rate Relief scheme. This scheme is effective from 1 April 2022 to 30 September 2026.

2. Legislation and Funding

2.1 The Government is not changing the legislation. Instead, the Government will, in line with the eligibility criteria for the relief, reimburse billing authorities that use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988, as amended, to grant the relief. It will be for individual local authorities, which administer the freeports business rates relief, to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47.

2.2 Central Government will reimburse local authorities for the local share of the relief Scheme (using a grant under section 31 of the Local Government Act 2003).

3. Eligibility principles - which properties will benefit from relief?

3.1 The Freeport objectives are to support public and private initiatives that:

- establish the Solent Freeport as a hub for global trade and investment
- promote productivity, regeneration, and job creation
- create hotbeds of innovation and skills, pioneer approaches to climate change adaption and decarbonisation and accelerate the transition to a "Net Zero" economy

3.2 Businesses should use their best endeavours to meet at least one of the above objectives.

3.3 Freeports business rates relief is available to new and existing businesses moving into the freeport site after the date on which the relevant freeport tax site has been

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formally designated (and on or before 30 September 2026) and occupying new or expanded hereditaments on the rating list.

3.4 Freeports business rates relief is available for 5 years from the date it is first claimed. Businesses will be able to claim the relief, where eligible, from the date on which the relevant freeport tax site has been formally designated (and on or before 30 September 2026).

3.5 New businesses which expand after moving into the freeport site (whether into new or existing buildings) will, in addition to any existing relief, be eligible for relief on any additional hereditaments they occupy in the relevant Freeport tax site.

3.6 In considering what is a new business, we will consider groups of companies to be single businesses.

4. Principles for awarding freeport relief for businesses

4.1 Subject to meeting the eligibility principles, and 4.3 to 4.7 below, full relief is available on a hereditament where a business has occupied the property comprising that hereditament for the first time on or after the date on which the relevant Freeport tax site is designated (and on or before 30 September 2026). This, for example, would include existing businesses expanding into a further property.

4.2 Subject to meeting the eligibility principles, and 4.3 to 4.7 below, partial relief is available on a hereditament where a business has occupied a room or similar within a hereditament for the first time on or after the date the relevant freeport tax site is designated (and on or before 30 September 2026). For example, where an existing business builds an extension or takes on new rooms or floors in their building leading to an expansion of the hereditament.

4.3 Ratepayers cannot generally claim freeport relief merely by expanding their use of an existing room or similar within a hereditament. However, partial relief is available to a business in respect of part of a hereditament on which they were already the occupier or owner prior to the date on which the relevant freeport tax site is designated, provided that the space is within an existing room of a building and has become useable for the first time following development commenced on or after the date on which the relevant freeport tax site is designated (and on or before 30 September 2026). E.g., installation of a mezzanine or access/fire control improvements to bring an existing space into use.

4.4 Improvements to space already or previously in use by the business prior to the date on which the relevant Freeport tax site is designated, are not eligible for freeport relief (e.g., general refurbishment or improved services such as heating and aircon).

4.5 The Council may refuse to award Freeport Rates Relief where the increase in rates bills attributable to these factors is not reasonably ascertainable.

4.6 Local authorities have discretion to apply additional tests for freeport rates relief to avoid or not incentivise displacement of business activity from within the freeport or the surrounding area. This may include:

a) reducing the award of relief in cases where a ratepayer's occupation of a space arises in whole or in part from them vacating another space in the Freeport or surrounding area unless they can demonstrate a net gain in terms of jobs and new business floorspace or wider economic, environmental or social benefit, or there are exceptional circumstances for the relocation which benefits the Freeport area or the surrounding area.

4.7 The freeports business rates relief is available for 5 years from the date it is first claimed. Businesses will be able to claim the relief, where eligible, from the date the relevant Freeport tax site has been formally designated (and on or before 30 September 2026).

5. Principles for establishing the value of the freeports business rates relief

5.1 Subject to 4.6, the value of full relief for hereditaments falling within 4.1 above is 100% of the net chargeable amount.

5.2 Subject to 4.6, the value of partial relief should be 100% of that part of the rates bill attributable to the part of the hereditament falling within 4.2 and 4.3 above where that increase is reasonably ascertainable. In establishing the part of the rates bill attributable to the part of the hereditament falling within 4.2 and 4.3 above, authorities may have regard to:

i. the survey and rating valuation of the hereditament provided by the ratepayer if available (e.g., for hereditaments valued by area on the rental comparison basis).
ii. a change to the rateable value where it is clear that the change is solely due to the addition to the valuation of the parts of the hereditament falling within 4.2 and 4.3 above.
iii. any other information the authority deems appropriate to determine the extent of the parts of the hereditament falling within 4.2 and 4.3 above.

5.3 Local authorities may withhold or reduce the Freeports Rates Relief in cases of displacement.

6. Sequence of reliefs

6.1 The relief shall be applied after mandatory reliefs and other discretionary reliefs have been applied, excluding those where local authorities have used their wider discretionary relief powers introduced by the Localism Act 2011.

7. How will rate relief be provided to Businesses?

7.1 The Council is fully aware of the importance of this scheme to assist businesses and support the local economy. The Freeport rate relief will be paid onto the ratepayer's business rate account in respect of each day of eligibility.

7.2 In all cases businesses will be required to confirm that they are eligible to receive the relief and must complete an electronic application form on the Council's website.

7.3 The Council reserves the right to request any supplementary information from businesses.

7.4 An application for the rate relief is deemed to have been made when a duly completed application form is received via the Council's online procedure, along with any supplementary information.

8. Subsidy control limits

8.1 As outlined in the bidding prospectus, the freeports business rates relief is subject to the UK's domestic and international subsidy control obligations. Businesses located in designated tax sites will need to fulfil any requirements in place to ensure compliance with those obligations in advance of, during, and after claiming relief. See the BEIS guidance for public authorities which explains the subsidies chapter of the TCA (Trade and Cooperation Agreement) World Trade Organisation rules on subsidies, and other international subsidy control commitments.

9. Scheme of Delegation

9.1 The Council has implemented this scheme in line with Government guidance and has been approved by the Council.

9.2 Officers of the Council will administer the scheme and the Service Manager – Revenue and Benefits reserves the right to make minor changes to this scheme as necessary in consultation with the Portfolio Holder for Finance, Investment and Corporate Service to ensure it meets the criteria set by the Council and, in line with updated Government guidance.

10. Notification of Decisions

10.1 Applications will be considered on behalf of the Council by the Revenues and Benefits Service.

10.2 All decisions made by the Council shall be notified to the applicant either in writing or by email and a revised business rate notice will be issued. A decision shall be made as soon as practicable after receiving an application form and any supporting information.

11. Reviews of Decisions

11.1 The Council will operate an internal review process and will accept an applicant's request for an appeal of its decision.

11.2 All such requests must be made in writing or by email to the Council within 28 days of the Council's decision and should state the reasons why the applicant is aggrieved with the decision of the Council. New information may be submitted at this stage to support the applicant's appeal.

11.3 The application will be reconsidered by Service Manager – Revenue and Benefits, as soon as practicable and the applicant informed in writing or by email of the decision. This decision is final.

12. Complaints

12.1 The Council's 'Complaints Procedure' (available on the Councils website) will be applied in the event of any complaint received about this scheme.

13. Managing the risk of fraud

13.1 Neither the Council, nor the Government will accept deliberate manipulation of the scheme or fraud. Any applicant caught falsifying information to gain Freeport rate relief will face prosecution and any relief awarded will be recovered from them. The council will actively participate in any exercises to detect and prevent fraud and will report to and work with the National Investigation Service and the National Anti-Fraud Network.

13.2 Applicants should note that, where a relief is awarded by the Council, details of each individual relief may be passed to Government.

14. Recovery of amounts incorrectly paid

14.1 If it is established that any award has been made incorrectly due to error, misrepresentation or incorrect information provided to the Council by an applicant or their representative(s), the Council will look to recover the amount in full.

15. Data Protection and use of data

15.1 All information and data provided by applicants shall be dealt with in accordance with the Council's Data Protection policy and Privacy Notices which are available on the Council's website. Business will need to give their consent as part of the application process for information to be shared between the four rating authorities in the Solent Freeport area.