

SOLENT FREEPORT - HM GOVERNMENT MEMORANDUM OF UNDERSTANDING

1. RECOMMENDATIONS

- 1.1 Cabinet is asked to recommend to Council that delegated authority is given to the Chief Executive, in consultation with the Section 151 Officer and Leader of the Council, to sign the Memorandum of Understanding on behalf of the Council as part of the Freeport designation process.

2. PURPOSE OF REPORT

- 2.1 To provide members of the Council with an update on the progress of the Solent Freeport, and to seek approval to sign HM Government Memorandum of Understanding, to which this Authority will be a signatory.

3. BACKGROUND

- 3.1 At its meeting on 21 March 2022, Council received a comprehensive report ([Report available here](#)) on the Solent Freeport proposition and resolved to continue to support the development of the Freeport bid to Full Business Case (FBC) stage. The following recommendations were agreed by members at that time:-

- 1. That continued support is given to the Solent Freeport, noting the benefits and opportunities within the New Forest.**
- 2. That 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.**
- 3. That 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.**
- 4. That 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.**

- 3.2 The reference to the Memorandum of Understanding set out in recommendation 3 above specifically related to the local Memorandum of Understanding that had been drawn up collectively between the Rating Authorities, the Solent Freeport Company and the Accountable Body (Portsmouth City Council) covering how the Rating 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 local MOU also set out arrangements in respect of the pooling of rate receipts, funding criteria and the strategy for reinvestment in the Wider Solent Freeport area.

- 3.3 As part of the final approval stages of the Freeport designation process, there is a requirement for all Rating Authorities, including the parties set out in 3.2 above, to enter into a further Memorandum Of Understanding with the Government. The current draft of this MOU is at Appendix 1 of this report.
- 3.4 Having considered the terms of the Government MOU, Officers are of the view that there is nothing within it, which goes against anything the Council has previously decided when making decisions on the Freeport. It repeats many of the key elements of the Full Business Case principles, which the Council has already endorsed. However, for completeness, the Council is being asked to give its approval to sign up to the Government MOU as part of the final stages of the Freeport designation process. Section 4 below sets out a summary of its principal terms.
- 3.5 In October, the Leader of the Council sent a letter to the Secretary of State expressing an interest in the Solent Freeport becoming an Investment Zone in order to have the potential to realise additional tax incentives to further encourage the location of new businesses to the Freeport tax sites. A firm condition was attached to the expression of interest that any Investment Zone designation would not include a streamlining of planning, deregulation, or a dilution of the environmental protections that are currently in place. The government has said it will refocus the Investment Zones programme and will use this programme to catalyse a limited number of the highest potential knowledge-intensive growth clusters. The Leader will continue to work closely with the Solent Freeport Board to make the case to Government that there remains significant economic rationale for continuing the offer of the extended fiscal incentives that come with Investment Zones, including the securing of tax incentives over a 10 year period to 2032, rather than the current period which expires in September 2026. The main focus at this time however is to ensure the crystallisation of the benefits that the Freeport designation brings to the Solent and wider New Forest District area.

4. HM GOVERNMENT MEMORANDUM OF UNDERSTANDING

- 4.1 The Government MoU which Rating Authorities, along with the Solent Freeport Co and the Accountable Body will be requested to sign, covers:
 - The role and responsibilities of the Accountable Body;
 - The role and responsibilities of the Freeport Governing Body; and
 - The planned use of retained business rates by the Freeport.
- 4.2 The MoU is intended to formalise the Government's expectations that the Freeport Governing Body delivers the Freeport proposition as articulated in the FBC. It will not affect the local MOU already agreed between the Rating Authorities, the Solent Freeport Co and the Accountable Body, which seeks to protect the District Council's interests with the Council being able to draw upon pooled retained rates to meet local priorities, still aligned to Freeport objectives.
- 4.3 The Solent Freeport FBC has been considered by the Treasury Approval Panel and is now with Ministers for final approval. In anticipation of this DLUHC have provided the

Government MoU based upon the Council's approved FBC content, along with several schedules covering aspects from seed funding spend profiles, to communications packs to Monitoring and Evaluation indicators and guidance.

- 4.4 The Council's Section 151 Officer and Monitoring officer have both reviewed the Government MOU and consider that the contents are acceptable. There are still matters that require further discussion with the Government principally around clarification over the 'no detriment' business rates position and setting the rates retention baseline. Senior Officers of the Council will work through these issues with colleagues from other relevant authorities, including through the Freeport Finance Officers' Group and RRIC. The status of all actions will be reviewed during the first annual review in 2023.
- 4.5 The signing and return of the MoU effectively leverages the release of the £25M seed capital funding, which would start to be received in early 2023, in line with the project delivery timescales as included within the MoU itself.

5. FINANCIAL IMPLICATIONS

- 5.1 The report to the Council meeting on 21 March 2022 set out Financial Implications arising from the creation of the Freeport. There are no additional considerations as a direct result of this report.

6. CRIME AND DISORDER / EQUALITY AND DIVERSITY

- 6.1 There are no direct implications as a result of this report.

7. ENVIRONMENTAL IMPLICATIONS

- 7.1 The report to the Council meeting on 21 March 2022 set out detailed Environmental Implications arising from the creation of the Freeport. There are no additional considerations as a direct result of this report.

8. PORTFOLIO HOLDER COMMENTS

- 8.1 I am pleased to see progress being made with the final approval process for the Solent Freeport and support the signing of the Government MoU with the District as the billing authority responsible for collecting business rates in Freeport tax sites in addition to the local arrangements considered previously. This Council supports the Freeport proposal as a much-needed 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.

For Further Information Please Contact:

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Background Papers:

Cabinet 21 March 2022 -
Solent Freeport