

CABINET

THURSDAY 8 DECEMBER 2022

SOLENT FREEPORT - HM GOVERNMENT MEMORANDUM OF UNDERSTANDING

Joint Report of the Executive Head of Planning and Economy and the Executive Head of Finance and Housing

Recommendations

It is recommended that Cabinet delegates authority to the Chief Financial Officer (S151) and the Leader of the Council to sign the Memorandum of Understanding on behalf of the Council as part of the Freeport designation process.

Summary

On 24 March 2022, Cabinet was presented with a detailed report on the Solent Freeport, its positive progress and details related to the Eastleigh element (Navigator Quarter). Since this date, the owners of Eastleigh Railway works, Diageo, withdrew from being part of Navigator Quarter, the Full Business Case for Solent Freeport was then reworked and submitted to DLUHC, Solent Freeport was subsequently launched and Navigator Quarter was formally designated as a tax site on 14 October 2022.

Within the March 2022 Cabinet report, recommendation 4 was to approve the principles of the final draft Business Rate Retention Memorandum of Understanding (MOU) and delegate final approval to the Executive Head for Finance and Housing and the Leader of the Council. Following the approval of this local districts MOU, as part of the final approval stages of the Freeport designation process, there is a requirement for all Rating Authorities, to enter a further Memorandum of Understanding with Government. The terms of the Government MOU do not undermine the previously agreed local MOU and consequently the Council is being asked to sign up to this.

Statutory Powers

s.1 Localism Act 2011 (general power of competence which allows the Council to do anything a private individual may do provided it is not otherwise prohibited by law)

s.111 Local Government Act 1972 (power to do anything calculated to facilitate, conducive to or incidental to the discharge of any of the Council's functions).

Finance Act 2021

Strategic Implications

1. The recommendations in this report support the Prosperous Place and Healthy Community objectives in the Corporate Plan 2015-2025 through supporting the delivery of significant areas of economic redevelopment and employment creation in accordance with the emerging Eastleigh Borough Local Plan (2016 – 2036). The report is also supportive of the Council's Climate Change and Environmental Emergency action plan with Freeport targeting Green Energy Initiatives which will have a positive impact on the environment.

Introduction

2. In the summer of 2022, the Solent Freeport was launched at an event held at the Port of Southampton. Whilst there has been some turbulence at national Government level, Freeports remain the flagship of the HM Government programme for economic recovery.
3. The purpose of this report is to provide members of the Cabinet with an update on the progress of the Solent Freeport, and to seek approval for HM Government Memorandum of Understanding, to which this Authority will be a signatory.

Background

4. At its meeting on 24 March 2022, Cabinet 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:-

- (1) Note the approved Outline Business Case as submitted to the Department of Levelling Up, Communities and Housing (DLUHC);**
- (2) Note the completion of the Site-Specific Agreement with Southampton Airport and Network rail and support the principle of staff working with Diageo to agree suitable wording with the Site Specific Agreement for Eastleigh Railway works;**
- (3) Delegate the decision to support the Full Business Case for Solent Freeport to the Executive Head of Planning and Economy in consultation with the Portfolio Lead for Economy to enable its submission to DLUHC before 15 April 2022;**
- (4) Approve the principles of the final draft Business Rate Retention Memorandum of Understanding and delegate final approval to the Executive Head for Finance and Housing and the Leader of the Council; and**

(5) Approve the principles of the final draft Terms of Reference to the Investment Committee and delegate final approval to the Executive Head of Planning and Economy in consultation with the Cabinet Member for Economy;

(6) Approve the draft Business Rates Freeport Rate Relief Scheme detailed at Appendix 5.

5. The reference to the Memorandum of Understanding set out in recommendation 4 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). The MOU covered 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.
6. 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 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.
7. Having considered the terms of the Government MOU, the internal staff team are of the view that there is nothing within it that 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. The section below sets out a summary of its principal terms.

HM Government Memorandum of Understanding

8. The Government MoU that Rating Authorities, along with the Solent Freeport Company 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.
9. 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 Company 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.

10. 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.
11. The Council's Chief Financial Officer has reviewed the Government MOU and considers 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. The Council will work through these issues with colleagues from other relevant authorities, including through the Freeport Finance Officers' Group and Rate Retention Investment Committee (RRIC) at which the Council are represented by the Leader and the Chief Financial Officer. The status of all actions will be reviewed during the first annual review in 2023.
12. 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.

Financial Implications

13. The report to the Council meeting on 24 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.

Risk Assessment

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

Equality and Diversity Implications

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

Climate Change and Environmental Implications

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

Conclusion

17. It is recommended that Cabinet delegates authority to the Chief Financial Officer (S151) and the Leader of the Council to sign the Government Memorandum of Understanding on behalf of the Council as part of the Freeport designation process.

ANDY GRANDFIELD & ANDY SMITH
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Appendices Attached: 1

LOCAL GOVERNMENT ACT 1972 - SECTION 100D

The following is a list of documents which disclose facts or matters on which this report or an important part of it is based and have been relied upon to a material extent in the preparation of this report. This list does not include any published works or documents which would disclose exempt or confidential information.

Appendix 1 Memorandum of Understanding between Government, Solent Freeport and Ratings authority.

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