

MEMORANDUM OF UNDERSTANDING

Between

The Secretary of State for Levelling Up, Housing and Communities

-and-

[insert Accountable Body name]

As the Accountable Body for **[Name of Freeport]** Freeport

-and-

[insert name of Freeport Governing Body]

As the Governing Body responsible for the delivery of the Freeport

-and-

[insert name of Billing Authorities]

As the Billing Authorities responsible for collecting business rates in Freeport
Tax Sites

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Attached

- Appendix 1: [Freeport name] Freeport FBC with Annexes
- Schedule 1: Spend Profile
- Schedule 2: Milestones
- Schedule 3: DLUHC Communications and Joint Branding Guidance for Levelling Up Initiatives (tbc)
- Schedule 4: Freeports Performance Management, Security Audit and Assurance Framework ('the Freeports Framework')
- Schedule 5: Monitoring and Evaluation Indicators and Guidance

Version history

Version	Date agreed	Update summary
1.0	XX	

1. Introduction

1.1. Purpose

- 1.1.1. This Memorandum of Understanding ('MoU') sets out the terms, principles and practices that will apply to the working relationship between: the Secretary of State of the Department for Levelling Up, Housing and Communities ('DLUHC'); [Accountable Body] ('the Accountable Body'); and the [Name of Freeport] Governing Body ('the Governing Body') (collectively 'the Parties'), regarding the delivery and administration of the [Freeport Name] Freeport ('the Freeport'), including the use of Seed Capital grants; the use of Capacity Funding grants; and [Billing Authorities] (collectively 'the Billing Authorities') for collecting business rates in the Freeport Tax Sites.
- 1.1.2. These parties have agreed to collectively deliver a public policy intervention – [Freeport name] Freeport – with aims rooted in the public good. This carries with it certain expectations of the parties, their behaviour, and the consideration they will give to those aims given the financial and other public support they stand to receive from Her Majesty's Government of the United Kingdom of Great Britain and Northern Ireland ('HMG'). This MoU details those expectations and provides for a shared understanding of what it means to participate in the delivery of public policy.
- 1.1.3. Eight prospective Freeports in England were announced at the March 2021 Budget. The [Freeport name] Freeport was successful in its bid to become a Freeport, as set out in the Freeports bidding prospectus.¹
- 1.1.4. An Outline Business Case ('OBC') and a Full Business Case ('FBC') were developed to demonstrate how the Freeport will achieve the policy objectives set by HMG.
- 1.1.5. Following submission and appraisal of its OBC, HM Treasury ('HMT') tax site assessment and HM Revenue & Customs ('HMRC') authorisation of a custom site, the Freeport became operational on [Date Freeport became operational]. An operational Freeport is a Freeport with designation of at least one tax site and one customs site, and an approved OBC.
- 1.1.6. On [date FBC submitted], the FBC for the Freeport was received by DLUHC. Following consultation with DLUHC and other government departments, on [insert date of HMT approval of FBC] HMG approved the FBC and DLUHC notified the Freeport of the outcome. A copy of the FBC and its Annexes are attached at Appendix 1, unlocking Seed Capital from FY2022/23 to FY2024/25.

¹ HM Treasury and Ministry of Housing, Communities and Local Government, Freeports bidding prospectus (2020), <https://www.gov.uk/government/publications/freeports-bidding-prospectus>

1.1.7. HMG has approved the FBC on the understanding that the Accountable Body and Governing Body will oversee the development of individual business cases for Seed Capital projects in accordance with best practice principles, namely those outlined in the HMT Green Book (2020),² IPA Cost Estimating Guidance and Cabinet Office's The Construction Playbook.^{3 4}

1.1.8. Following FBC approval, DLUHC provided the [Freeport Name] Freeport with the following list of outstanding actions that should be achieved within the agreed timeframes. DLUHC will review the status of these actions through the processes set out in Section 6 of this MoU:

a) [Outstanding list of actions following FBC approval]

1.1.9. This MoU formalises the key commitments made by the Freeport throughout the FBC and outlines what support it can expect from DLUHC and other HMG departments, including the Department for Business, Energy and Industrial Strategy ('BEIS'), Department for Education ('DfE'), the Department for Work and Pensions ('DWP'), Department for International Trade ('DIT'), HMT, and HMRC.

1.1.10. While this MoU is not legally enforceable, it is expected that all parties will aim to, as far as possible, honour their obligations under this memorandum, as per Section 7 of this MoU.

1.2. Definitions

1.2.1. It is agreed that:

- a) "Accountable Body" means the local authority organisation(s) accountable for the delivery and administration of Freeport Seed Capital and Capacity Funding grants and for ensuring the good functioning of the Freeport Governing Body. Depending on local agreed business rates retention arrangements, the Accountable Body may also be accountable for the use of the retained business rates across the Freeport.
- b) "Governing Body" means the primary governance body responsible for delivering the Freeport, which is accountable to the Accountable Body. The Governing Body may take different organisational forms based upon how the Freeport company or entity is set up. The Accountable Body is a member of the Governing Body.

² HM Treasury, The Green Book (2020), <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

³ Infrastructure and Projects Authority, Cost Estimating Guidance (2021), <https://www.gov.uk/government/publications/cost-estimating-guidance>

⁴ Cabinet Office, The Construction Playbook (2020), <https://www.gov.uk/government/publications/the-construction-playbook>

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- c) “Billing Authority” means the local authority responsible for the collection of business rates within a Freeport designated tax site.
- d) “Freeport” means the area, and all operations within, outlined in maps provided to, and agreed by, HMG during the business case approval process;
- e) “Operational Freeport” means a Freeport with designation of at least one tax site and one customs site, and an approved OBC;
- f) “Tax Site” means Freeport tax sites that are designated and recognised in law as geographical areas where businesses can benefit from tax reliefs to bring investment, trade and jobs to regenerate regions across the country that need it most;
- g) “Seed Capital” means the capital grant which is HMG’s contribution towards capital investment for the delivery of the Freeport proposal. This is disbursed through the Accountable Body;
- h) “Capacity Funding” means the revenue grant which is HMG’s contribution towards day-to-day resources and administration for the delivery of the Freeport proposal. This is disbursed through the Accountable Body;
- i) “Spend Profile” means the forecast spend of grants as set out in the Schedule 1: Spend Profile, demonstrating how grants will be spent and the assumptions on how projects will be financed;
- j) “Confidential Information” means any information which has been designated as confidential by either party in writing or that ought to be considered as confidential (howsoever it is conveyed or on whatever media it is stored) including information the disclosure of which would, or would be likely to, prejudice the commercial interests of any person or trade secrets and all personal data and sensitive personal data within the meaning of applicable legislation. Confidential Information shall not include information which:
 - i. was public knowledge at the time of disclosure (otherwise than by breach of a duty of confidence by either party);
 - ii. was in the possession of the receiving party, without restriction as to its disclosure, before receiving it from the disclosing party;
 - iii. is received from a third party (who lawfully acquired it) without restriction as to its disclosure; or
 - iv. is independently developed without access to the Confidential Information.
- k) “Crown” means the government of the United Kingdom (including the Northern Ireland Executive Committee and Northern Ireland Departments, the Scottish Executive and the National Assembly for

Wales), including, but not limited to, government ministers, government departments, government offices and government agencies.

- l) “Data Protection Legislation” means (i) the UK GDPR as amended from time to time; (ii) the Data Protection Act 2018 as amended from time to time; (iii) regulations made under the Data Protection Act 2018; (iv) all applicable law about the processing of personal data;
- m) “UK GDPR” means the General Data Protection Regulation (Regulation (EU) 2016/679) as transposed into United Kingdom national law by operation of section 3 of the European Union (Withdrawal) Act 2018, together with the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019.

2. Governance

2.1. Roles and Responsibilities

- 2.1.1. [Freeport Name] Governing Body is accountable to DLUHC for the delivery of [Freeport Name] and achieving its strategic objectives as set out in Sections 4 and 5 of this MoU and the approved FBC, attached at Appendix 1. Where the Governing Body is accountable for an aspect of Freeport delivery, but contracts this out, it is incumbent upon the Governing Body to put in place the necessary mechanisms to hold partners to account for Freeport delivery.
- 2.1.2. [Accountable Body] is the Accountable Body for [Freeport Name] and is accountable to DLUHC for the use of Seed Capital, Capacity Funding grants and for ensuring the good functioning of the Freeport Governing Body. The Accountable Body is required to be a member of the Governing Body.
- 2.1.3. ‘Billing Authorities’ refers to the [Billing Authorities], responsible for the collection of business rates in Freeport Tax Sites.
- 2.1.4. DLUHC as the HMG body accountable for coordinating the delivery of the Freeports Programme, agrees to support the parties in the delivery of commitments as set out in the FBC, and particularly in the realisation of the strategic objectives as set out in Section 5 of this MoU.
- 2.1.5. The Parties agree to work together, cooperate in good faith and fully participate in the delivery of the Freeport as articulated through the FBC, attached at Appendix 1, in addition to this MoU, or any subsequent revisions to the FBC agreed through the change process as referenced in Section 6.9 of this MoU.

2.1.6. For the avoidance of doubt, the Parties shall be accountable to DLUHC for the acts of its external delivery partners where delivering public money, including any consequences of poor performance arising from their conduct, as per Section 7.3 of this MoU.

2.2. Freeport governance

2.2.1. The Governing Body will adopt the governance structures for the delivery of the Freeport as set out at 5(a) in the Management Case of the FBC attached at Appendix 1, including:

- a) [membership, powers and decision-making mechanisms of the governing body – found in Management Case 5a of the FBC]

2.2.2. The Governing Body will notably, in this regard:

- a) Commit to appropriate levels of transparency, propriety, and inclusivity with respect to governance and adherence to the Seven Principles of Public Life ('the Nolan Principles'). This includes but is not limited to the publication of board papers, minutes, and register of members' interests to ensure any actual or perceived conflicts of interest are recorded and managed appropriately. Where publication of Board papers, minutes and registers of members and directors' interest are subject to commercial confidentiality, the Accountable Body will need to establish a publication criterion for commercial confidentiality with the Governing Body. This will need to provide rationale that publication of a particular document or part of that document has been prevented in favour of protecting commercial interests directly connected to the objectives of the Freeport balanced against wider public interest in Freeport governance, in line with principles⁵ set out by the Information Commissioners Office ('ICO'). All items need to be maintained if not publicly published and must be provided to DLUHC if requested for assurance purposes.
- b) Within reasonable endeavours, ensure that sufficient financial and human resources are available to support the successful delivery of the Freeport; and
- c) Inform the DLUHC Freeport Lead of any changes to these governance structures and if required, take any changes (such as changes to the Terms of Reference or articles of association) through the change process referenced in Section 6.9 of this MoU and as per Schedule 4 'the Freeports Framework'.

⁵ <https://ico.org.uk/for-organisations/guidance-index/freedom-of-information-and-environmental-information-regulations/section-43-commercial-interests/#publicinterest>

2.2.3. The Governing Body will adopt the structures referred to in Section 2.2 within the timeframes set out in the FBC Management Case. The Governing Body will inform their DLUHC Freeport Lead of any changes to these timeframes.

2.2.4. The Accountable Body will:

- a) Be accountable for any HMG Freeport-specific grant funding if paid through a Section 31 grant and unless stated otherwise, including monitoring and reporting against the use of these funds and upholding procurement practices, as per Section 3.5 of this MoU;
- b) Maintain appropriate records relating to Freeport delivery, including, but not limited to project plans and risk registers for HMG funded activity; and
- c) Ensure the Governing Body operates in line with appropriate levels of transparency, propriety and inclusivity, abiding by the Nolan Principles, as referenced above in Section 2.2.2(a).

2.2.5. The Billing Authorities will:

- a) Be accountable to DLUHC for the management of the retention of Business rates in line with the Local Government Accountability System.
- b) Be responsible for allocating all business rates collected on the Freeport tax sites to the decision-making process and purposes outlined in the FBC. [Any exclusions]

2.2.6. The Governing Body, the Accountable Body and the Billing Authorities agree to work collaboratively and proactively to manage any actual or perceived conflicts of interest in decision-making as set out in the Management Case of the FBC, and in particular on the use of Seed Capital, Capacity Funding and collected business rates. The Governing Body, the Accountable Body and the Billing Authorities agree to provide DLUHC with evidence of these processes when requested as part of the Freeports Framework as set out in Section 6 of this MoU.

2.3. Ways of working

2.3.1. The Freeport will be assigned a lead within the DLUHC Freeports Delivery Team who will act as a central interface for the Governing Body to interact with HMG on the delivery of the Freeport and its strategic objectives. This will help ensure that the Freeport is receiving the

expertise and input it needs from across HMG departments to enable the Freeport to deliver against its FBC. In addition, DLUHC will support Freeports through:

- a) Continuous improvement and policy learning, for example by using monitoring and evaluation to generate evidence and insights to inform improvements in Freeport delivery and adaptation of policy;
- b) Providing sector support, exploring areas where Freeports strongly align with national and sectoral economic strategies;
- c) Exploring opportunities to access further benefits across HMG, considering areas to leverage policies, schemes, and support for the Freeport;
- d) Cross-programme collaboration, enabling opportunities for Freeports to collaborate, facilitating lesson-learning and shared programme learning;

2.3.2. BEIS will hold quarterly meetings with the Freeport innovation lead(s) to understand progress on the innovation strategy and the barriers to innovation the Freeport is facing. We will help the Freeport address these barriers where possible, including by ensuring the Freeport is connected to the correct teams across government to provide them with support.

2.3.3. On trade and investment, the Freeport will be supported by the Department for International Trade (DIT) in leveraging the export and support services which the Department offers to provide additionality above and beyond what the Freeport is able to deliver itself.

2.3.4. The DIT Freeports team will act as the central contact point for accessing DIT services and capabilities, and the Freeport commits to ensuring regular dialogue with DIT through bi-monthly check-in meetings. DIT will ensure the Freeport is consulted in relation to strategic investment and export promotion activity conducted by DIT and will ensure the Freeport is notified of enquiries relating to the Freeport arising from DIT lead generation activity.

2.3.5. The Freeport is responsible for maintaining capability to independently support exporters and the end-to-end investor journey, including functions for prospecting and generating leads, enquiry handling, project management and support, as well as the management and retention of existing investors. The Freeport is also expected to notify DIT of investment enquiries and export wins required for programme monitoring & evaluation in a timely manner. Accessing DIT resource and support is

contingent on the Freeport sharing information on investment enquires and export wins as they arise.

2.3.6. The Freeport will engage with the Freeport Security Forum as per section 2.5.6 of this MoU, in line with the requirements of the annual Freeport security audit. This is a cross-government group consisting of security stakeholders from the Home Office, Border Force, National Crime Agency, the Police, DfT HM Treasury and HMRC.

2.4. Public sector equality duty

2.4.1. Recognising its role regarding the public sector equality duty under the Equality Act 2010, the Governing Body commits to devoting appropriate resources to the delivery of a full Equalities Impact Assessment as set out at Annex O of the FBC.

2.4.2. The Governing Body commits to using this data to help ensure that the Freeport is optimised to advance equality and foster good relations by highlighting any key areas for improvement, ensuring that adverse aspects of Freeport delivery relating to equality are mitigated and limited, and ensure that any opportunities to reduce inequalities are maximised.

2.5. Risk management and security

2.5.1. The Governing Body will ensure the documentation and active management of all overall delivery risks related to the Freeport and the dedication of proportionate resources to ongoing risk management.

2.5.2. The Governing Body commits to ensuring suitable escalation to address, mitigate and resolve significant risks through the governance procedures put in place and will flag any escalation of risk to DLUHC.

2.5.3. The Governing Body will regularly and thoroughly maintain the Freeport's risk register(s) and will inform DLUHC of risks, associated mitigations, progress and removal through the measures set out in the Management Case of the FBC.

2.5.4. Recognising HMG's priority to ensure Freeports uphold the UK's reputation of high standards for tax integrity and probity, port security and combatting illicit activity, the Parties commit within the scope of Freeport activities to fully support and cooperate with HMG in honouring the obligations set out in the OECD Code of Conduct for Clean Free Trade Zones,⁶ and the UK's Money Laundering, Terrorist Financing and

⁶ OECD, Recommendation of the Council on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones (2019), <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0454>

Transfer of Funds (Information on the Payer) Regulations 2017.

2.5.5. The Governing Body commits to ownership and management of the security and illicit activity risk assessment at Annex B of the FBC, and to implementing an appropriate risk management and mitigation plan on this basis. Recognising this, and the commitment from Freeport customs site operators to counter illicit activity included in Annex H of the FBC, the Governing Body commits to the establishment, ownership and management of the appropriate structures, governance arrangements, and establishing effective processes for coordinating the management of security risks outlined in the Management Case of the FBC. This includes coordinating active management across physical, personnel and cyber domains, working with HMG and other relevant agencies as required.

2.5.6. The Governing Body will carry out an annual audit of Freeport security measures in place and any breaches with local security stakeholders as required by the Freeports Framework.

2.6. Data retention and intellectual property

2.6.1. Documents and data should be retained for a minimum of 7 years. As a general principle, personal data should not be collected and processed at all unless strictly necessary, and if personal data is processed, the Parties will enter into such arrangements as necessary to comply with the Data Protection Legislation.

2.6.2. Where relevant data is held by third parties, the Governing Body should ensure mechanisms are put in place to ensure they also keep documents and data for a minimum of 7 years and provide the information to the Governing Body if required.

2.6.3. If requested, the Governing Body will work within best endeavours to enter into an intellectual property licensing agreement whereby the Freeports will grant DLUHC a perpetual royalty-free licence to use the OBC(s) and FBC(s). Agreement would be gained from all Parties before publication and any published documents would be subject to commercial confidentiality.

2.6.4. The Governing Body will manage the Freeport's data and its stakeholders' data effectively and commit to complying with [Local Authority/Mayoral Combined Authority Name] data retention policies and Data Protection Legislation.

2.6.5. HMG will manage any data provided by the Freeport effectively and commit to complying with Data Protection Legislation.

2.7. Communications and Branding

- 2.7.1. DLUHC will provide the Governing Body with guidance on the Branding and Communication associated with Freeport seed capital funded projects - Schedule 3: DLUHC Communications and Joint Branding Guidance for Levelling Up Initiatives (tbc). The Parties agree to adhere to the guidance and any updates subsequently released by DLUHC.
- 2.7.2. The Governing Body should work to best endeavours to inform DLUHC of major upcoming public announcements and publications. Where appropriate, DLUHC will use HMG platforms to promote and support the work of the Freeport.

3. Financial Arrangements

- 3.1. The Governing Body will aim to deliver the Freeport in line with the Financial Case as set out in the FBC. DLUHC recognises that the Financial Case may adjust as the Freeport develops. If significant changes are to be made to the Seed Capital or Capacity Funding, DLUHC should be notified in advance through the change process set out in Section 6.9 of this MoU.
- 3.2. The Governing Body commits to the Freeport being self-funding by FY2025/26, enabled by Capacity Funding available from FY2021/22 through to FY2024/25, or alternative means where necessary.

3.3. Freeport Seed Capital and Capacity Funding

- 3.3.1. The Seed Capital (capital grant) is part of HMG's capital investment for delivery of the [Freeport Name] Freeport proposal. The Capacity Funding (revenue grant) is to support the Freeport to ensure there is sufficient organisational capacity in place for the set up and the delivery of the Freeport. DLUHC expects the Accountable Body to use the allocated funding for activities outlined in the approved FBC attached at Appendix 1 and that the relevant evidence of spend and delivery is provided to DLUHC through the reporting requirements as set out in Section 6 of this MoU. DLUHC expects the Governing Body to fully support and cooperate with the Accountable Body to deliver the Seed Capital and Capacity Funding to achieve the objectives of the Freeport.
- 3.3.2. As part of its support for the Freeport, DLUHC considered the FBC for the Freeport proposal at [Site Name] and agreed to allocate Seed Capital (paid as capital grant funding) up to £[Total Seed Capital over FYs] and Capacity Funding (paid as revenue grant funding) up to a total of £1m from FY2021/22 to FY2024/25. An indicative allocation for each year, based on the FBC and any additional information provided to the Department to date is set out in Table 1 below. The profile of grants should be aligned to planned delivery and spend arrangements during that financial year. There will be opportunities to request changes to the proposed profile of this

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funding through the process referenced in Section 6.9 of this MoU. As DLUHC will also need to consider the financial profile across the overall Freeports Programme, adjustments may not always be possible.

Table 1

Financial Year	Seed Capital (capital grant)	Capacity Funding (revenue grant)
2021/22	-	[Capacity Funding for FY]
2022/23	[Agreed Seed Capital for FY]	[Capacity Funding for FY]
2023/24	[Agreed Seed Capital for FY]	[Capacity Funding for FY]
2024/25	[Agreed Seed Capital for FY]	[Capacity Funding for FY]
Total 2020/21 – 2024/25	£[Total Seed Capital over FYs]	£1,000,000

3.3.3. The FBC sets out the details of projects comprising the delivery of the Freeport, including their: budget; Spend Profile; scope; key assumptions; outputs; timeline; key milestones; and risks. Together these project parameters set out what is expected by the Parties, and these are set out in Table 2 below.

Table 2

Funded Projects	[Projects from FBC with a sentence on what it is, using Asterisk (*) to indicate 'not fully developed': Project 1) Project 2) Project 3)]
Spend Profile	Schedule 1: Spend Profile
Project Outputs & Outcomes	The Governing Body will deliver on the outcomes presented in the FBC, but a final, more detailed set of project outputs and outcomes will be agreed following the baselining exercise which is to be conducted at the start of the M&E as set out in Section 6 of this MoU.
Projected Timeline & Key Milestones	Appendix 1: FBC Annex C – Project Plan
Risk Management	Appendix 1: FBC Annex D – Risk Register

3.3.4. The FBC identified the projects marked above with an asterisk as not fully developed at the time of signature of this MoU. The process the Parties will take business cases for the Asterisk-marked projects through will be [Business case process for undeveloped projects as set out in the FBC].

3.3.5. By agreeing to this MoU, the Accountable Body and the Governing Body commit to full compliance with the process referred to in the 3.3.4

subsection, unless changes have otherwise been mutually agreed as per the change process set out in Section 6.9 of this MoU.

- 3.3.6. Assurance on project progress shall be carried out through the Freeports Framework, as set out in Section 6 of this MoU.

3.4. Grant Arrangements

- 3.4.1. Seed Capital and Capacity Funding (see Table 1) will be issued to the Accountable Body as non-ringfenced grant payments under Section 31 of the Local Government Act 2003, for expenditure as set out in Table 2 above.
- 3.4.2. The Accountable Body will manage grant payments to deliver and operate the Freeport, including the financial and fraud risks associated with this and upholding the principles of Managing Public Money.
- 3.4.3. Grant payments to the Accountable Body will normally be made annually by DLUHC, towards the beginning of each Fiscal Year (6 April), as agreed between DLUHC and HMT. Annual amounts for each Fiscal Year will be agreed in principle by the Parties before the payment is made.
- 3.4.4. The Accountable Body (or managed by the Governing Body) will provide quarterly project, financial, and financial risk reporting to DLUHC, demonstrating spend against the previous funding and that outputs are being delivered, including site delivery, in line with the approved FBC, as per Section 6.2.3 of this MoU. This should include updates on the development or approval of the individual business cases for any seed capital projects not locally approved prior to the approval of the FBC.
- 3.4.5. The release of subsequent Seed Capital and Capacity Funding will be subject to an annual review as outlined in the Freeports Framework and set out in Section 6 of this MoU. DLUHC reserves the right to make appropriate adjustments to payments and may withhold payments where it has significant concerns regarding the delivery of the Freeport, as per Section 7 of this MoU.
- 3.4.6. Should the Accountable Body wish to amend the annual Spend Profile at Schedule 1 of this MoU, the Accountable Body will give notice to DLUHC by the last working day of September of the previous financial year. Requests for amendments will be considered by DLUHC, with DLUHC's approval of such requests subject to the availability of resources. There are no guarantees that such requests will be accommodated.
- 3.4.7. The Accountable Body will consult in good faith with the Governing Body on matters related to the delivery of grants to end users and strive to amicably find a mutually acceptable resolution of any differences, with due transparency and expeditiousness.

3.5. Procurement

3.5.1. On the use of public funds, the Accountable Body will ensure:

- a) It is compliant with all relevant regulations and best practice standards;
- b) That value for money is achieved; and
- c) That the Freeport objectives as set out in Section 5 are delivered.

3.5.2. Before releasing public funding associated with the Freeport Programme to Freeport delivery partners, the Accountable Body will assure themselves that all relevant regulations and approved standards, [procurement controls as set out in the Commercial Case of the FBC are met], that value for money is achieved, and that the policy objectives are, in its estimation, likely to be delivered. Where not directly procuring goods or services, the Accountable Body will satisfy themselves that they are content with the approach taken.

3.6. Subsidy Control

3.6.1. Before releasing public funding associated with the Freeport Programme to end users in the Freeport, the Accountable Body will satisfy itself that doing so is compliant with UK legislation on subsidies and if necessary, demonstrate how any associated risks are being managed, through [Subsidies controls as set out in the Commercial Case the FBC].

3.7. Collected Business Rates

3.7.1. Under paragraph 39(1) (designation of areas) of schedule 7B to the Local Government Finance Act 1988 – local retention of non-domestic rates, the Freeport is to be classed as a designated area with effect from [1 April 20xx] for a fixed term of 25 years ending on [31 March 20xx]. The Billing Authorities, signatory to this MoU, will retain 100% of the collectible business rates in excess of a baseline set in the regulations.

3.7.2. The Billing Authorities, in collaboration with the Governing Body, will use the income received from collected business rates to promote the Freeport and the Freeports Programme's objectives within the Freeport geography or wider 'travel to work area', and for activity which:

- a) Would not otherwise occur;
- b) Demonstrably requires public funding; and
- c) Is most appropriately funded from collected business rates, rather than other public funding, as per the Retained Business Rates Strategy.

- 3.7.3. The Billing Authorities and the Governing Body will ensure the collected business rates fund will help meet the [criteria and objectives as set out in the Strategic Case of the FBC], including through the detailed investment plan for retained rates (the Retained Business Rates Strategy) to be provided to DLUHC following the approved FBC.
- 3.7.4. The Billing Authorities and the Governing Body will ensure that decisions relating to the use of collected business rates will be made [business rates spend governance processes as set out in the Management Case of the FBC, explicitly noting the Accountable Body(s)]. This includes the prioritisation and selection of projects for funding, and where ownership of the business rates policy lies, including on how it is to be reviewed and evaluated.
- 3.7.5. As per the FBC, the Billing Authorities will allocate all rates collected on Freeport tax sites to the Freeport, meaning they will be subject to the decision-making process and used for the purposes outlined in the FBC. [If relevant, exclusions]
- 3.7.6. The [Accountable Body(s) for Retained business rates] will manage the retained business rates as per the Business Rates Strategy including the any financial and fraud risks associated with this and upholding the principles of Managing Public Money.

4. Freeport Delivery

4.1. Progress Milestones

- 4.1.1. Overall Freeport delivery progress milestones will be set out by DLUHC and will be agreed with all Freeports. In cases where the overall progress milestones are not applicable, DLUHC will mutually agree the specific nature and timescales of progress milestones with individual Freeports.
- 4.1.2. The Governing Body is accountable to HMG for delivery of the Freeport according to agreed delivery milestones. Delivery milestones, attached at Schedule 2, will be monitored through regular check-in meetings, data reporting and contribute to the annual review process, as set out in Section 6 of this MoU.
- 4.1.3. The Governing Body and DLUHC will mutually agree any changes to delivery milestones or timescales.

4.2. Tax Sites

- 4.2.1. The Governing Body is accountable to HMG for delivery of [Freeport tax sites as set out in the FBC], including optimising development of tax sites which:

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- a) Aligns with the Freeport's target sectors of [target sectors from FBC], objectives, and vision as set out in the FBC;
- b) Would not have occurred without Freeport tax site status and is not displaced from elsewhere in the UK; and
- c) Occurs within the period for most Freeport tax reliefs (i.e. prior to October 2026)⁷

To achieve this, the Governing Body will:

- a) Uphold the [gateway policy/site agreements] defined in the Management Case of the FBC, ensuring that [insert content on gateway policy/site agreement];
- b) Monitor and report to DLUHC on compliance with the aforementioned [gateway policy/site agreements];
- c) Exercise the incentives and [insert details of controls outlined in FBC] in relevant scenarios of noncompliance as defined in the Commercial Case of the FBC;
- d) Monitor and report to DLUHC on the delivery of the tax sites listed in the FBC as part of the formal data reporting requirements, as set out in Section 6 of this MoU; and
- e) Inform DLUHC of any delays to the delivery of the tax sites.

4.3. Customs Sites

4.3.1. The Governing Body will:

- a) Work closely and collaboratively with HMRC and custom site operators to support the delivery of customs sites;
- b) Oversee, monitor, and report to DLUHC on the delivery of the customs sites of [customs site(s) listed in the FBC] and the Project Plan at Annex C of the FBC;
- c) Inform DLUHC of any delay to the delivery of the customs sites; and

⁷ <https://www.gov.uk/government/publications/statement-on-the-designation-of-freeport-tax-sites/statement-on-the-designation-of-freeport-tax-sites>

- d) Make all reasonable efforts to deliver the customs sites to the standards and to the timescales as set out in the FBC.
- e) [and Insert any Freeport-specific conditions if required]

5. Strategic Delivery

- 5.1. As the HMG body accountable for leading the delivery of the Freeports Programme, DLUHC will provide the Governing Body with support to coordinate with HMG on strategic areas of Freeport delivery, including with: the Department for Business, Energy and Industrial Strategy (BEIS); Department for Education (DfE), Department for Work and Pensions (DWP), and the Department for International Trade (DIT).
- 5.2. DLUHC will facilitate across HMG to enable a coordinated approach to the support, guidance and interaction between HMG and Freeports, to ensure support is targeted and appropriate to the needs to each Freeport. The support offered will be tailored to the needs of each Freeport but will include, but is not limited to, capacity support, technical assistance, coordinating the resolution of common or external issues faced by Freeports and working collaboratively to act on common opportunities or interests for Freeports.

5.3. Net Zero

5.3.1. The Governing Body commits to owning, updating and devoting appropriate resources to the delivery of the Net Zero strategy at 1g in the Strategic Case of the FBC, including:

- a) [Insert specific content from the FBC]

5.3.2. The Governing Body will be supported by BEIS's Local Net Zero team which will provide a first point of contact and manage support for the delivery of the Freeport's Net Zero plans. This support may be through ongoing engagement, providing guidance and advice on Net Zero topics and will be either with officials across HMG or through the appropriate Local Net Zero Hub.

5.4. Innovation

5.4.1. The Governing Body commits to owning, updating and devoting appropriate resources to the delivery of the Innovation strategy at Annex L of the FBC, including

- a) [Insert specific content from the FBC]

- b) [Insert FBC content related to Freeports Regulation Engagement Network]

5.4.2. Innovate UK's [X region] Regional Manager will attend the [relevant Freeport board/subcommittee] to provide advice on the development and implementation of the Freeport's innovation strategy, informed by their in-depth understanding of the region's innovation ecosystems. The Regional Manager will help upskill the [Freeport's innovation lead/innovation hub/equivalent] to ensure [it/they] are aware of available funding opportunities and the existing support on offer in the region to help businesses innovate.

5.4.3. BEIS will provide all Freeports with a repository of available public funding and other innovation support schemes with advice on how to apply. BEIS will support DLUHC and the Freeport to develop targeted communications aimed at promoting the Freeport as an attractive prospect for innovative businesses. BEIS, alongside DLUHC, will promote Freeports across HMG to raise awareness of the benefits Freeports have to offer for research, development and innovation focussed activity. BEIS will work with other government departments to explore potential opportunities to expand schemes, and pilot new initiatives within Freeports.

5.4.4. The Freeports Regulation Engagement Network (FREN), as part of HMG's offer on innovation, will engage with the Freeport regularly to review progress of engagement with the FREN to address regulatory barriers. It will support the Freeport to address regulatory barriers in their innovation endeavours and help identify challenges in doing so. It will support the Freeport to address these barriers, including through establishing connections with regulators and other relevant stakeholders to explore approaches.

5.4.5. The Freeport will support the FREN with identifying and testing specific regulatory areas of opportunity and development relating to their innovation objectives. The Freeport will work with relevant regulators and partners through the FREN to advance this, including through regular sharing knowledge, information and lessons learned.

5.5. Regeneration and Levelling Up

5.5.1. The Governing Body commits to best endeavours in owning, updating and devoting appropriate resources to the support the delivery of Regeneration and Levelling Up objectives.

5.5.2. [DLUHC support to Freeports on Levelling Up to be agreed through conversations with Freeports on support needed in the delivery phase.]

This may include business rates support (including around borrowing against future rates income), planning support, site/infrastructure delivery support, facilitating joined up conversations with government about placemaking, coordination across local areas and Levelling Up]

5.5.3. While Local Planning Authorities (LPAs) retain their statutory powers and responsibilities with regards to planning, the Freeport Governing Body is accountable to HMG for supporting tax site LPAs to create a supportive planning environment and hold them to commitments to do so. This includes:

- a) Agreeing planning delivery goals and resourcing commitments with Freeport tax site LPAs and establishing the necessary local governance and risk management structures to oversee delivery of these goals and manage planning risks.
- b) Providing Freeport tax site LPAs with the necessary (financial or other) support to deliver these targets, as agreed between the Freeport Governing Bodies and the LPAs.
- c) Engaging and supporting Freeport tax site LPAs to engage with UK government planning support.
- d) Routinely reporting to UK government through the process detailed below on planning progress across all Freeport tax sites.

5.5.4. The Billing Authorities, where they also function as Freeport tax site LPAs, commit to:

- a) Delivering a planning environment that supports appropriate investment on Freeport tax sites, including by exploring innovative uses of planning tools, and learning from best practice and from other LPAs and sharing expertise and experience with other Freeport tax site LPAs.
- b) Appropriately resourcing this work and agreeing planning delivery goals, and necessary support to deliver them, with the Freeport Governing Body.

5.6. Skills and Workforce Development

5.6.1. The Governing Body commits to owning, updating and devoting appropriate resources to the delivery of the Skills and Workforce Development strategy at Annex N of the FBC, including:

- a) [Insert specific content from the FBC]

5.6.2. [Placeholder: content to follow on how DLUHC and OGDs (DfE and DWP) will support the delivery of strategic objectives (Skills and Workforce Development)].

5.7. Trade and Investment

5.7.1. The Governing Body commits to owning, updating and devoting appropriate resources to the delivery of the Trade and Investment Strategy at Annex K of the FBC:

- a) [Insert specific content from the FBC]

5.7.2. The Freeport is responsible for building and maintaining their own trade and investment capabilities that should be able to operate independently of DIT to support the end-to-end investment journey and support exporters, while drawing upon DIT's expertise and influence where this is additive. The Freeport is responsible for developing and executing their investment strategy and for supporting site-specific projects, while keeping DIT informed of their activity.

5.7.3. DIT's support for the delivery of the Trade and Investment Strategy will be guided by the requirements set out in Annex K of the FBC. All DIT services relevant to the delivery of the Freeport's Trade and Investment Strategy will be extended to the Freeport, within existing budgetary constraints.

5.7.4. DIT will maintain responsibility for articulating and promoting the UK Freeports offer globally. DIT will also support the articulation and promotion of the proposition specific to [Freeport name] to target export and investment markets. DIT's activities will provide additionality to [Freeport name]'s own independent promotional strategy and activities and will neither limit nor replace them.

6. Performance Management, Assurance and Evaluation

6.1. DLUHC will carry out ongoing monitoring of Freeports to assist with delivery, assure the use of public funds and evaluate the impact of the programme. DLUHC has issued:

6.1.1. The Freeports Framework, attached at Schedule 4 to this MoU, which sets out the reporting requirements Freeports are expected to adhere to enable these processes to take place; and

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- 6.1.2. Monitoring and Evaluation Indicators and Guidance, attached at Schedule 5 to assist Freeports with accurately collecting primary data needed as part of the ongoing monitoring and evaluation and to provide information on the overall evaluation approach.
- 6.2. The Governing Body and the Accountable Body will collaborate with DLUHC on the processes and reporting requirements set out in the Freeports Framework. This includes committing to:
 - 6.2.1. Monthly check-ins with the DLUHC Freeport Lead to provide updates on Freeport delivery and operations progress, risk, and governance;
 - 6.2.2. Granting observer status to a representative from DLUHC or another HMG department at the Freeport Governing Body meetings;
 - 6.2.3. Reporting quarterly to update in such a format as DLUHC reasonably requires on Freeport progress; the Project Plan (FBC Annex C, at Appendix 1); Spend Profile (Schedule 1); Key Milestones (Schedule 2); and any live issues and proposed mitigations. These quarterly updates will have particular focus on tax site and infrastructure delivery progress.
 - 6.2.4. Data reporting formally twice a year on inputs, outputs, and outcomes as outlined in Schedule 5, Monitoring and Evaluation Indicators and Guidance and
 - 6.2.5. Participating in a formally recorded annual conversation with HMG to frame the quantitative evidence and provide qualitative updates on the status and effectiveness of the delivery of the strategies of the Freeport on or around such date as DLUHC shall propose.
- 6.3. DLUHC will carry out an annual performance and assurance review of the Freeport's operations, which will be informed by information and data provided through the Freeports Framework processes detailed in this section. This review will inform decisions with regards to any improvement plan or intervention, including the release of future benefits, as per section 7.3 of this MOU.
- 6.4. The Governing Body will be responsible for coordinating the primary level data collection from end users of the Freeport with regards to reporting requirements set out in this MoU including Schedule 4: Freeports Performance Management, Security Audit and Assurance Framework and Schedule 5: Monitoring and Evaluation Indicators and Guidance. DLUHC and the external M&E provider shall assist the Governing Body and if required the Accountable Body where possible through guidance on the required primary level data collection process and requirements, and the Parties will cooperate

in full to satisfy these requirements.

- 6.5. DLUHC will lead the programme-level evaluation for Freeports, which will include a process, impact and value for money evaluation. The Governing Body and the Accountable Body will not be required to lead any wider data collection for the evaluation beyond what is referenced in Section 6, though are expected to assist DLUHC or external suppliers where deemed appropriate by DLUHC for monitoring and evaluation purposes. This may involve working to reasonable endeavours and where appropriate to support site access or arranging interviews with wider Freeport stakeholders.
- 6.6. DLUHC reserves the right to quality assure the data provided and conduct Freeport site visits within reasonable endeavours and Freeport Governing Body office and records verifications. This may include spot checks on governance structures and processes related to the collection, storage and utilisation of said data. DLUHC will aim to notify the Governing Body within a reasonable timeframe to allow for resource planning if a visit is required, but depending on the nature of the visit, this may be at short notice.
- 6.7. In line with the above requirements, the Governing Body will endeavour to promptly share information at appropriate times, as and when requested by DLUHC. The Accountable Body will endeavour to promptly share the required information most notably on HMG funding to the Governing Body to allow for a timely return of the required data.
- 6.8. DLUHC reserves the right to publish relevant, general and/or aggregated data from the Freeport's reporting discussed herein and use it to inform public statements to communicate the outputs, outcomes, and impact of the Freeports Programme. Where this may relate to commercially sensitive information, DLUHC will work closely with the Governing Body to first determine if the data can be public and then if so, determine appropriate handling measures with respect to the use of such data, for example aggregation or anonymisation of data sets to manage commercially sensitive data. The Governing Body will be consulted and notified in advance of any proposed publications by DLUHC.
- 6.9. The Governing Body will notify DLUHC of any significant proposed changes to the approved FBC. This notification shall follow the formal change request process set out in the Freeports Framework. The parameters for a change request are also set out in the Freeports Framework.

7. Ongoing Management

7.1. Duration and Review

7.1.1. This MoU covers the financial years 2021/22 to 2024/2025 (the forecast duration of the grants) and is subject to annual review by the parties through the annual review process. This may result in amendments or extensions to this MoU by mutual agreement in writing, for example to manage the grant profile, ongoing tax reliefs and collected business rates, leading to this document being replaced by an updated version in accordance with the process set out in Section 7.1 of this MoU.

7.1.2. This MoU will come into effect upon signature by the Parties and will remain in effect until it expires or is terminated by one of the Parties by mutual agreement in writing. DLUHC reserve the right to exercise the options set out in Section 7.3 of this MoU in the event of early termination, where appropriate.

7.1.3. Amendments to this MoU may only be made by mutual agreement in writing between the Parties.

7.2. Resolution of disputes

7.2.1. In the event of a dispute arising as to the interpretation or application of this MoU, the Parties will commit to discussion aimed at resolution.

7.2.2. This MoU is not legally enforceable. It describes the understanding between the Parties for delivery of the Freeport. The Parties to this MoU are responsible for ensuring that they have the necessary systems and appropriate resources in place to comply fully with the requirements of this MoU.

7.2.3. The Parties agree to all due, reasonable, and appropriate transparency, open book working and a duty of good faith regarding all matters relating to the Freeport, and this MoU.

7.3. Managing non-compliance and under-performance

7.3.1. Freeport delivery will be managed through the processes set out in the Freeports Framework. Should an issue arise, DLUHC will first attempt to resolve it in collaboration with the Governing Body and if applicable the Accountable Body. For persistent issues which are recorded at the annual review or are the result of other assurance activities DLUHC will seek to agree a tailored improvement plan with the Governing Body and the Accountable Body as outlined in the Freeports Framework.

7.3.2. DLUHC's support for the Freeport is contingent on compliance with this MoU, Appendixes', and Schedules. DLUHC support of the Freeport may be withdrawn where there are significant concerns with the Freeport, for example where there is:

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- a) Consistently poor progress against agreed delivery commitments and/ or limited commitment to full and effective Freeport delivery;
- b) Evidence of the misuse of public funds;
- c) An inability to manage the governance of potential security risks and illicit activity associated with the Freeport;
- d) Non-compliance with commitments on retained business rates and/or tax site delivery;
- e) Failure to comply with the minimum requirements of a Freeport (for example, failing to establish an operational customs site), as set out in HMG Freeports policy documentation;
- f) Activity or negligence leading to the risk of exposure to the wider Freeports Programme to reputational risk (for example, through failures of governance).

7.3.3. The Governing Body, Accountable Body and Billing Authorities accept and agree to all the terms having made full and proper enquiry before agreeing to the statements contained in this MoU.

7.3.4. DLUHC will not resort to performance measures as a first response to address concerns relating to Freeport delivery, except in the high-risk areas of continued concern. Where appropriate, DLUHC will consider:

- a) Engagement with relevant government officials (for example, additional bespoke meeting to understand and rectify problems)
- b) Increased frequency and/or depth of assurance testing
- c) Delay or reduction of capital seed funding and/ or revenue capacity funding: to ensure probity of public funds, funding may be partially or fully withheld until improvements in the Freeport are made. The specific amount and type of funding withheld will depend on the circumstances of the Freeport and the specific concerns which need to be addressed. As part of this process, consideration will be given to the impact that withholding funding may have on the delivery of Freeport projects and operations alongside the risk posed to DLUHC, OGDs and the Accounting Officer of making payments
- d) Withholding or delaying government support (including but not limited to investment promotion and the use of government

branding)

- e) Exclusion from future government benefits (for example, support in accessing future funding)
- f) Revoking current policy levers and benefits

8. Freedom of Information

8.1. Each party will provide to the other party any information in its possession that may be reasonably requested by the other party, subject to any confidentiality constraints, safeguards and statutory rules on disclosure. Each party will consult the other party before making to any third party any significant disclosures of information under the Freedom of Information Act 2000 and/or the Environmental Information Regulations 2004 in relation to this MoU.

8.2. The requirements in this paragraph 8 and paragraph 9 (Confidential Information) below are subject to any Government requirements as to transparency which may apply to either or all Parties from time to time.

9. Confidential Information

9.1. Each party understands and acknowledges that it may receive or become aware of Confidential Information of the other party (which may include information where the other party owes a duty of confidence to a third party) whether in the course of performance of the key commitments as set out in the FBC or otherwise.

9.2. Except to the extent set out in this paragraph 9 or where disclosure is expressly permitted elsewhere in this MoU, each party shall treat the other party's Confidential Information as confidential and safeguard it accordingly (which shall include complying with any protective markings on documents and instructions supplied by the other party). In particular, neither party will do anything that may place the other party in breach of a duty of confidence owed to a third party. A party receiving Confidential information shall not disclose Confidential Information to any non-Crown bodies without the prior consent of the other party.

9.3. The obligations of confidentiality in this paragraph 9 shall continue to apply notwithstanding termination of this MoU.

Signed by the Chair on behalf of the Governing Body:

Name:

Date:

Signed on Behalf of the Accountable Body:

Name:

Date:

Signed on Behalf of the Billing Authority:

Name:

Date:

Signed on Behalf of the Secretary of State of for Levelling Up, Housing and Communities:

Name:

Date: