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**

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**MEMORANDUM OF UNDERSTANDING**

**for the Use of Retained Business Rates**

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**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

1.1 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**" means the four local authorities participating in the Project 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.<br>• 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 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.<br>• 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 Relevant Authorities will manage the Business Rate Growth generated by the designated Tax Sites within the SFCL 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 as set out in Annexe A will be determined annually based on the NDR 3 Return and passed to the Accountable Body within 14 days after the deadline date for the NDR3 Return. Should as part of the audit exercise there be any subsequent adjustments 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 on an annual basis 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.

The value in the Business Rates pool and the forecast receipts up to and including 31 March 2047 will be reported to the SFCL to allocate, as set out in this MOU, including the relevant governance approvals, to promote the Freeport's objectives within the SFCL's outer boundary [as set out in] Annexe E

# 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 SFCL's outer boundary in line with the Maps at Annexe E 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 and 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) would not otherwise occur, or occur at a much slower rate or on a smaller scale,
ii) require public funding (e.g., owing to market failures), and
iii) 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) | Hectares | £m BRR per ha |
|---|---|---|---|---|
| **Dunsbury Industrial Park** | Havant | *76* | *47* | *1.6* |
| **Navigator Quarter** | Eastleigh | *113* | *50* | *2.3* |
| **Southampton Water** | SCC/NFDC | *322* | *333* | *1.0* |
| **Southampton Water - SCC** | Southampton | *30* | *30* | *1.0* |
| **Southampton Water - NFDC** | New Forest | *292* | *303* | *1.0* |
| **Total** | | ***511*** | ***460*** | ***1.1*** |

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

For annual Business Rate Retention 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 on an annual basis in line with the NDR forms submitted to Government and agreed by the SFCL.

## 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 adjusted 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 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 democratically elected member 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

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 viewed as reasonable and additional as result of Freeport designation and ultimately be approved by the Investment Committee.

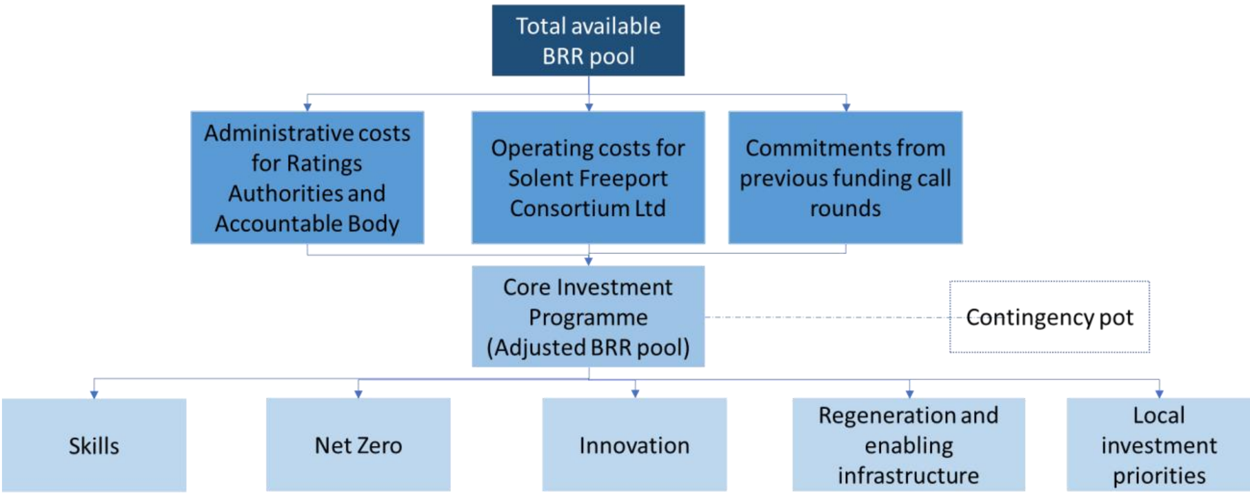
### 2c. Commitments from previous rounds

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 SFCL area and between workstreams. Therefore whilst it is not anticipated that the SFCL will have a predetermined allocation of funding to each theme, over time it is expected that projects across all themes will be funded.

## 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 can't 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.

Any planned borrowing against future income from retained rates including why borrowing is needed, when it occurs, who will borrow and from whom.

## Use of Borrowing

- Borrowing will be used to invest in projects recommended by the Investment Committee and approved by the SFCL Board within the geography (see maps at Annexe E) of the Solent Freeport as set out in the FBC approved by Government
- 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 reinvestment into The allocation of retained rates 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.
  In exceptional circumstances there could be occasions where borrowing could be jointly underwritten with the relevant Billing Authority where either 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
- Borrowing should be undertaken on the most favourable terms
- Borrowing needs to be tested for subsidy control compliance before any investment is agreed

## 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 (Terms of Reference are included at Annexe D)

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

- Prioritisation to 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.
- Prioritisation matrix and to be used by the Investment Committee
- Scoring Matrix to be reviewed annually

## 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

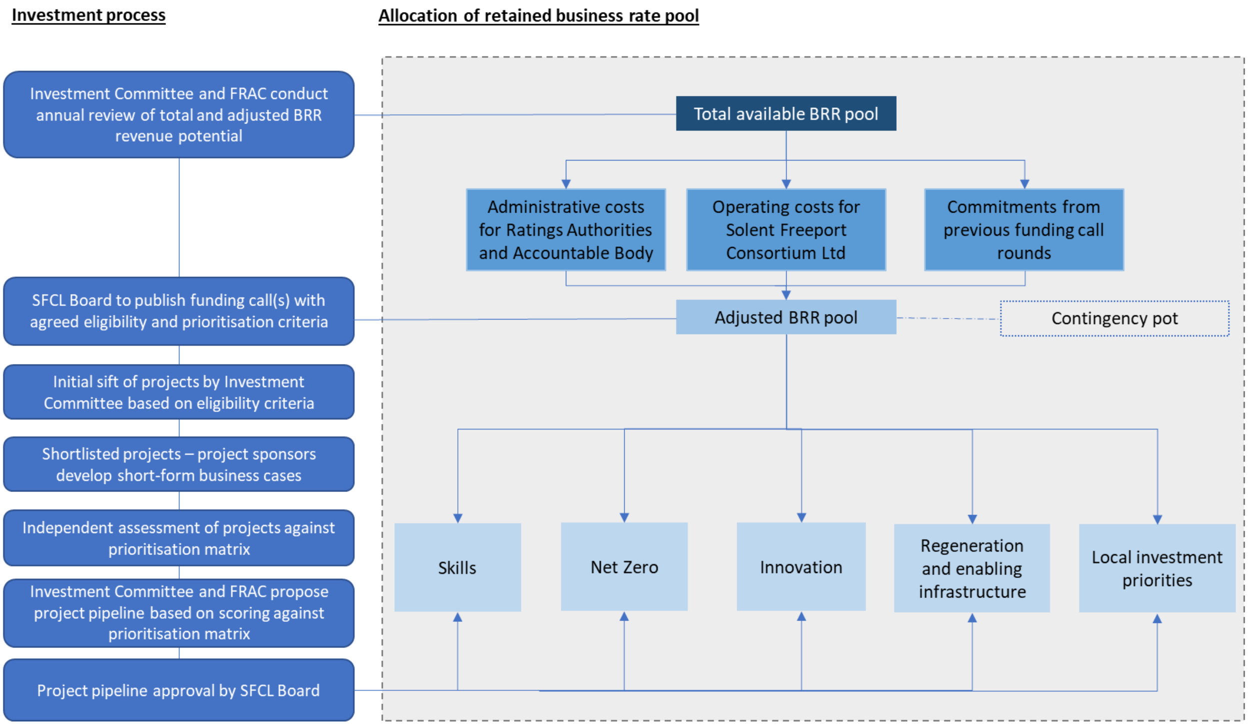
**Consideration will be given to prioritising projects which address an issue within the immediate geography of a tax and customs site in order to maximise returns to the retained rates pool. We will also keep in mind the geographic balance of projects across the Wider Solent Freeport area**

**and benefits across the wider SFCL area and between workstreams (i.e. Infrastructure, Skills, Net Zero, Innovation, local investment priorities)**

## Investment process

- Agree risk appetite for SFCL - to be agreed and reviewed at least annually by SFCL Board / Accountable Body (who will underwrite borrowing risk)
- SFCL 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
- 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 approval by SFCL Board including a pipeline of projects

**Figure 2. BRR 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.
  To include:
    - Rates received
    - Rates deployed

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

Note: 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 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

- 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
- Delivery of benefits realisation review - published in the SFCL 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
    - Review of Borrowing risk appetite to take place annually or by exception should circumstances dictate
- Changes to government policy - trigger for all parties to review

## 7. Term and Termination

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

## 8. Dispute Resolution

8.1 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.

8.2 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

10.1 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:
……………………………………

**Annexe A - Agreed Baselines**

| **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* |

**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
(what about cumulative??)

**Annexe C - Business Rate Growth (retained) Forecast**

| 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** |

**Annexe D - Investment Committee Terms of Reference**

Document provided to s151s for comments - to be added

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

**Annexe F - Business Rates Growth Calculation Worked Example**

Work in progress with s151s - to be added when complete