

# Solent Freeport Retained Rates Investment Committee

## Draft Terms of Reference

(March 2022)

### Background

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

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

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

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

### Objectives

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

- the overall quantum of funding that is to be made available to the SFCL for the Core Investment Programme and Solent Freeport Operations
- protocols by which retained rates collected by different rating authorities within the Solent Freeport Area may be pooled;

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

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

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

### Relationship with SFCL Governance Structure

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

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

The Investment Committee sits below the SFCL Board with its main focus on the deployment of the SFCL resources with a key role in terms of the use of retained business rate growth to deliver the SFCL objective as set out in the Full Business Case.

It will provide advice to the Board on strategic and operational matters related to retained rates.

### Membership and Structure

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

- The Leaders (or other Councillor as nominated by the Leader) of the Four Freeport Rating Authorities
- The Chair of the Investment Committee (to be a member of the Freeport Board)

- The Chief Financial (S151) Officer of Portsmouth City Council, the Accountable Body to the SFCL or their nominated representative.

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

Ex-officio Members:

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

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

### Directions on Appointments to the SFCL Investment Committee

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

### Quorum

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

### Decisions and Voting

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

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

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

## Attendance by Others

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

## The Role and Responsibilities of the SFCL Retained Rates Investment Committee

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

- The methodology to enable an element of growth to be retained by the local authority for increased capacity and local priorities that go towards achieving the objectives of the Freeport
- a joint decision-making process relating to the assessment of applications for Retained Rates Funding and
- how the costs of rating authorities and the Solent Freeport Consortium Limited incurred in administering such funding and business rates relief will be funded.

## Deployment of Funding

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

## Prioritisation Principles for Business Rate Retention Funding

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

- Deliverability - evidence that the initiative is deliverable within an agreed timescale, with the appropriate level of procurement strategy, project management and governance in place
- Value for money statement- benefits generated against costs of the project (benefits delivered will vary by workstream e.g. skills developed, productivity uplift, reduced carbon emissions, employment unlocked, land value uplift, agglomeration)
- Strategic fit with Solent policy objectives and relevant national guidance

- Solent LEP e.g. world leading marine & maritime economy, decarbonisation, coastal renaissance, thriving visitor economy, world class talent base, outstanding business environment
- Central Govt e.g. Levelling up, Net Zero, Innovation, Green Growth, Global Britain
- Additionality – clear market failure that cannot be addressed by the private sector alone or through alternative public sector funding streams (to also consider subsidy control)
- Private sector leverage – private sector contributions unlocked. Preference of 50% or more but a minimum of 20% in exceptional circumstances where the Investment Committee considers appropriate
- Public sector contributions – further public sector funding unlocked. Preference of 50% but a minimum of 20% in exceptional circumstances where the Investment Committee considers appropriate
- Availability of alternative funding – given the objective of closing gaps in wider funding mechanisms
- Affordability – scale of the funding ask
- Delivering the strategic outcomes across the whole geography of the Freeport

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)

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

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

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

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

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

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

## Investment Process

- Recommend a risk appetite for retained rates investment to the SFCL - to be agreed and reviewed at least annually by SFCL Board / AB (who will underwrite borrowing risk)

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

### Monitoring and Reporting

- The Accountable Body will hold and account for pooled business rates on a separate area of its balance sheet and report the status on a regular basis in an agreed format to the Finance, Resources and Audit Committee, the Retained Rates Investment Committee and the Solent Freeport Consortium Board.  
To include:
  - Rates received
  - Rates deployed
  - Rates committed
  - Rates expected
  - Status of reserves
- The Solent Freeport Consortium will publish an annual report, approved by the Accountable Body, on decisions, progress, expected costs and benefits, delivery and evaluation of projects, programmes and initiatives supported through retained business rates

### Policy and Review Process

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

### Governance and Risk Management

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

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

### **The Role of the Chair**

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

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

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

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

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

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

### **Conduct of SFCL Investment Committee Members**

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

### **Deputations at meetings**

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

- Notice of the intended deputation stating its purpose must be received in writing by 12 noon on the working day preceding the meeting.
- Decisions on whether to receive deputations on a matter will be made by the Chair and the Chair may waive the giving of notice in any case they consider appropriate.
- When the deputation is given it must relate to the agreed purpose in respect of which it is made.
- No person may speak for more than 6 minutes per deputation.

- The total time for those in favour and against a proposal will be 12 minutes respectively. If more than 2 people wish to speak for or against a proposition, the time allocated to each will be reduced proportionately, unless they agree otherwise amongst themselves how to apportion the 12 minutes.
- Those attending may make a written or verbal presentation which may be supplemented by a modest visual aid such as a single plan, photograph or video recording. This will be retained by the SFCL. Video recording presentations are included within the time allowed to deputations.
- Questions to deputations will be permitted, but only to clarify a statement.

### **Support and Administration Arrangements**

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

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

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

### **Working Arrangements and Meeting Frequency**

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

### **Declarations of Interest**

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