Freeport East

Policy for managing Retained Business Rates

1. Purpose of the Policy

1.1 The purpose of this policy is to set out Mid Suffolk District Council's arrangements for managing retained business rates generated in the district as a result of the Freeport East Initiative.

1.2 The document outlines how the retained business rates will be apportioned into different 'pots' which will enable Freeport East to deliver against the objectives set out in the Full Business Case. It will also set out the decision making and governance process assocaited with the expenditure of retained business rates in each of the 'pots'.

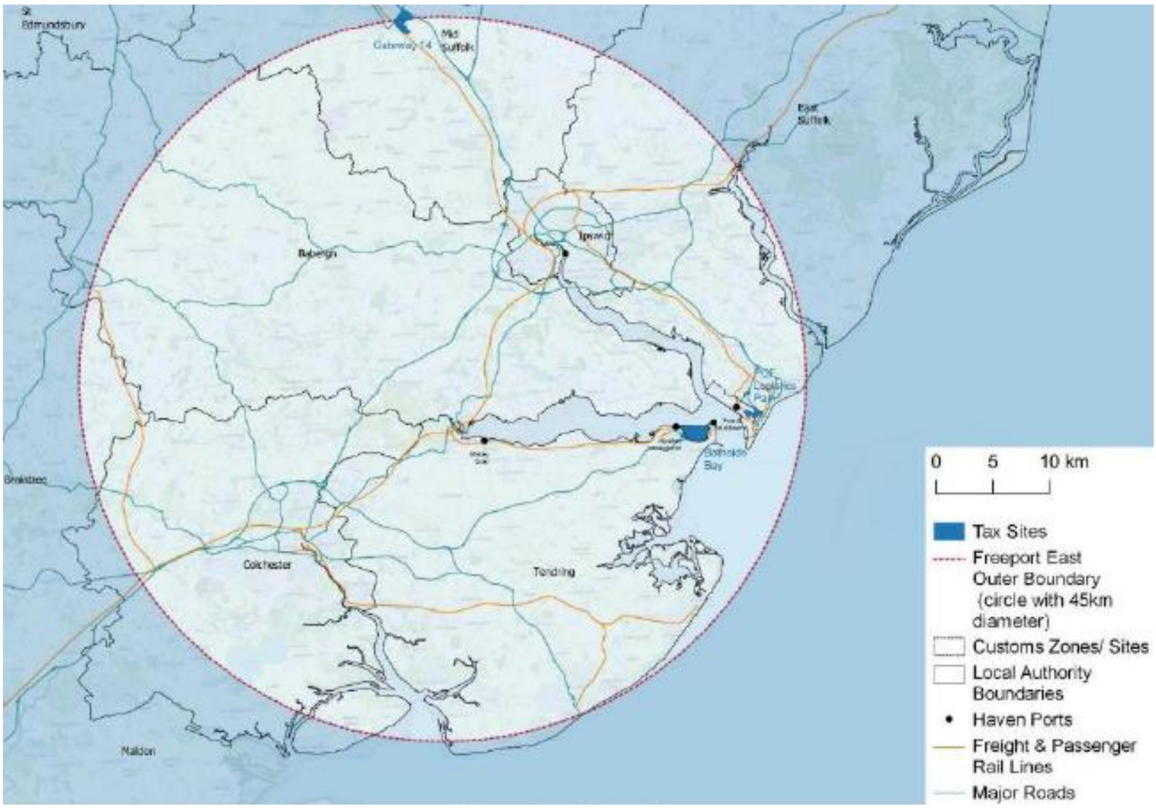
2. Freeport East Tax Sites and Retained Business Rates

2.1 The Freeport East Tax Sites are the areas within the Freeport East Zone where a comprehensive range of tax reliefs will apply. These include:

- 100% relief from **Stamp Duty Land Tax**
- 10% enhanced rate of **Structures and Buildings Allowances**
- 100% **Enhanced Capital Allowances (ECA)** for use in freeport tax sites
- 0% **Employer National Insurance Contributions (NICs)** rate relief up to 9 years & up to £25k
- 100% relief from **Business Rates** for 5 years within Freeport tax sites.

2.2 It is only on these Tax Sites where businesses can apply for up to 100% business rate relief and where the relevant billing authorities (East Suffolk Council, Mid Suffolk District Council and Tendring District Council) can retain 100% of the business rate growth above an agreed baseline. The retained rates will be guaranteed for 25 years to encourage investment in regeneration and infrastructure development to support further sustainable growth. Rate relief and retained rates can only be awarded and generated on new investment within a tax site.

2.3 The Freeport East Tax Site within Mid Suffolk's council area is Gateway 14. The Tax Site was designated by the Government on 30 December 2021. The two maps below firstly show the whole 45km diameter Freeport East Zone and secondly the Mid Suffolk Tax Site in more detail.



3. Retained Business Rates ‘Pots’

3.1 The principle of splitting retained business rates into pots based on how this funding will be used was first adopted by MSDC for the Space to Innovate Enterprise Zone initiative which has also applied to the Gateway 14 site. The government have modelled the Freeport business rate relief and retained rates incentives policy on the Enterprise Zone policy and as such MSDC's Freeport retained policy mirrors this model.

3.2 Ahead of any allocation of retained rates Freeport East's operational costs will be 'top sliced' from all rates income generated by the three Tax Sites across the Freeport East zone. The amount of funding required to cover both Freeport East's and ESC's costs will be reviewed annually. The remaining retained rates will then be split into the following four pots:

Pot A1 – 16% of retained rates. This pot will partially reimburse MSDC for the foregone income it would have received if this investment had taken place in the absence of the Freeport initiative. In any non-Freeport location around 50% of the retained business rates are retained by local authorities and used in the general fund budget.

Pot A2 – 4% of retained rates. This pot reimburses the County Council again for 'lost' income it would have gained in the absence of the Freeport initiative.

Pot A3 – 10% of retained rates. This pot is proposed to "compensate" New Anglia Local Enterprise Partnership (NALEP) for "lost" Enterprise Zone income. This allocation is subject to detailed negotiation with NALEP. This will not affect the monies that will be available for Pot A or Pot B, but will reduce the overall sums available in Pot C. Once agreement is reached, this pot will remain in place unless any changes occur which result in NALEP no longer being responsible for Enterprise Zone retained rates. If this were to occur, these funds would be reallocated into Pot C.

Pot B – 35% of retained rates. This pot will be used to develop tax sites in a way which maximises business investment and thereby maximise future retained rates generation. Broadly, this pot will fund infrastructure investment or projects which support the acceleration and maximisation of business investment on any/ all of the tax sites as well as on adjacent areas, with priority access to the Pot for the site on which the monies are generated. Use of this Pot is subject to project approval by Freeport East to ensure that it is used to deliver on Freeport East aspirations.

Pot C – 35% of retained rates. This pot is for use across the whole of the Freeport East zone to deliver the objectives of the Freeport East initiative as set out within the Full Business Case. These include but are not limited to enhancing trade & inward investment, enhancing workforce skills, infrastructure investment, achieving net zero and promoting business innovation.

The geographical focus for each pot is as follows:

- Pot A1 –East Suffolk, Mid Suffolk and Tendring billing authorities
- Pot A2 – Essex and Suffolk County Councils
- Pot A3 - NALEP
- Pot B – For use on all tax sites and local initiatives that will provide wider benefit to these sites and the businesses within it with priority access given to the site on which the monies are generated.

- Pot C – Focused on the Freeport Economic Area, supporting interventions that aim to support projects and programmes including inward investment, skills, innovation, trade, net zero, levelling up and regeneration

3.3 **Pot B principle**: As stated above Pot B retained rates will focus on infrastructure and other investment which accelerates and maximises inward investment. Decisions taken on which tax sites to make this investment will also need to be mindful of those which will maximise the contribution to Pot C. Priority access to this fund will be given to the site on which the monies are generated. This will assist with the collective buy in of individual billing authorities and wider Freeport East partners to Pot B investment decisions as Pot C will be used to benefit the whole Freeport East zone through meeting the objectives set out in the Full Business Case and Memorandum of Understanding. All projects that are put forward for Pot B funding will have to develop a full business case which will be assessed by the Freeport East Management Committee and Supervisory Board before funding is confirmed.

4. Governance and decision making on retained rates spend

4.1 Legal agreements between Freeport East, the Billing and County Council authorities will be established to provide the legal basis for the 3 pots, A, B &C and any relevant sub pots. These will build on best practice from enterprise zone agreements, detailing definitions, commencement & term, fund splits, escalation, freedom of information, intellectual property, termination, change control and governing law and jurisdiction.

4.2 As stated above Pot A1 and A2 will be a simple reimbursement to the billing authorities and county councils for foregone business rates income.Pot A3 is subject to ongoing negotiation with NALEP which will be concluded prior to the wider legal agreement being completed. Decisions on Pot B and C expenditure will initially be a matter for the Freeport East Management Committee, a forum comprising all Freeport partners. It is this group which will receive proposals for Pot B and C spend which will subsequently be subject to an assessment process undertaken by the Freeport East executive and the accountable body. The outcome of the assessment will then be reoported back to the Management Committee for dicsussion and decision, if it falls within the delegated powers of the committee. Descisions which sit outside these delegated powers will be escalated to the Supervisory Board. In all cases all decisions, whether delegated or not will be reported to the Board.

4.3 East Suffolk Council, as accountable body, will be required to approve Pot B and C spend to ensure it meets the Freeport policy objectives which are set out in the Memorandum of Understanding.

4.4 Subgroups for each thematic area of the Freeport Policy will be tasked with the development of funding criteria that complies not only with the Freeport Policy objectives, Monitoring & Evaluation and Memorandum of Operation agreements but also aligns to local strategies and overarching programs relevant to each theme. Pot C will only be committed to projects/programmes that are within the Freeport area.

4.5 ESC, in its role as accountable body, will also manage the Pot C pooled business rate contribution of all the Freeport East billing authorities.

4.6 In assessing the value and suitability of the projects to be approved for funding from Pots B and C, Freeport East will conduct a cost benefit analysis against the measurable targets in the Monitoring and Evaluation criteria following best practice in programme management. As such the outputs to be considered could include:

- Business Growth
- Job Creation
- Apprentices
- Investment enquiries
- Development land allocated
- Land change use
- Planning applications
- Commercial floorspace developed
- Private Sector investment
- Trade volumes
- Foreign investment
- Skills outcomes
- Collaboration projects
- Net Zero indicators

4.7 Repayments on any loan to support the development of any tax site, would only come in the form of Pot B funding. Pot B's % share will be set at a sustainable ratio that would allow the site to come forward in agreement with the billing authority and any parties that would be facilitating the availability of finance in advance of business rate income.