Freeport East

Policy for managing Retained Business Rates

1. Purpose of the Policy

1.1 The purpose of this policy is to set out East Suffolk 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'.

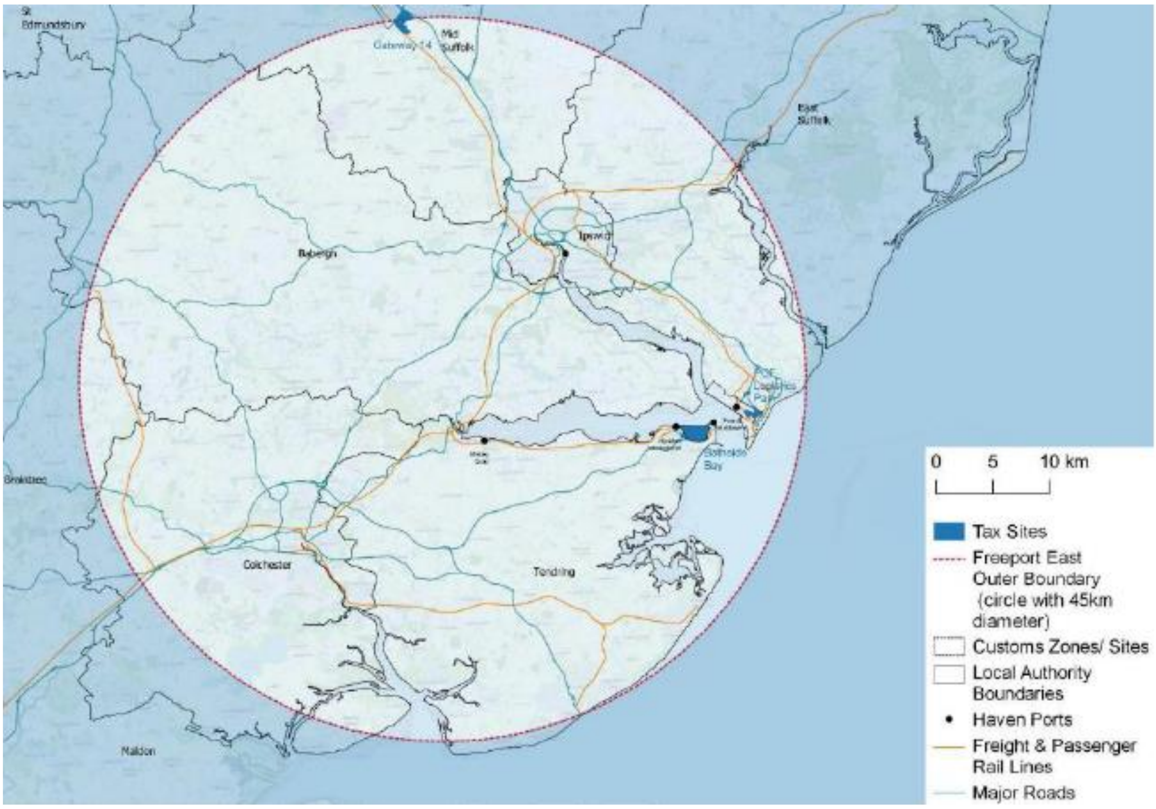
2. Freeport East Tax Sites and Retained Business Rates

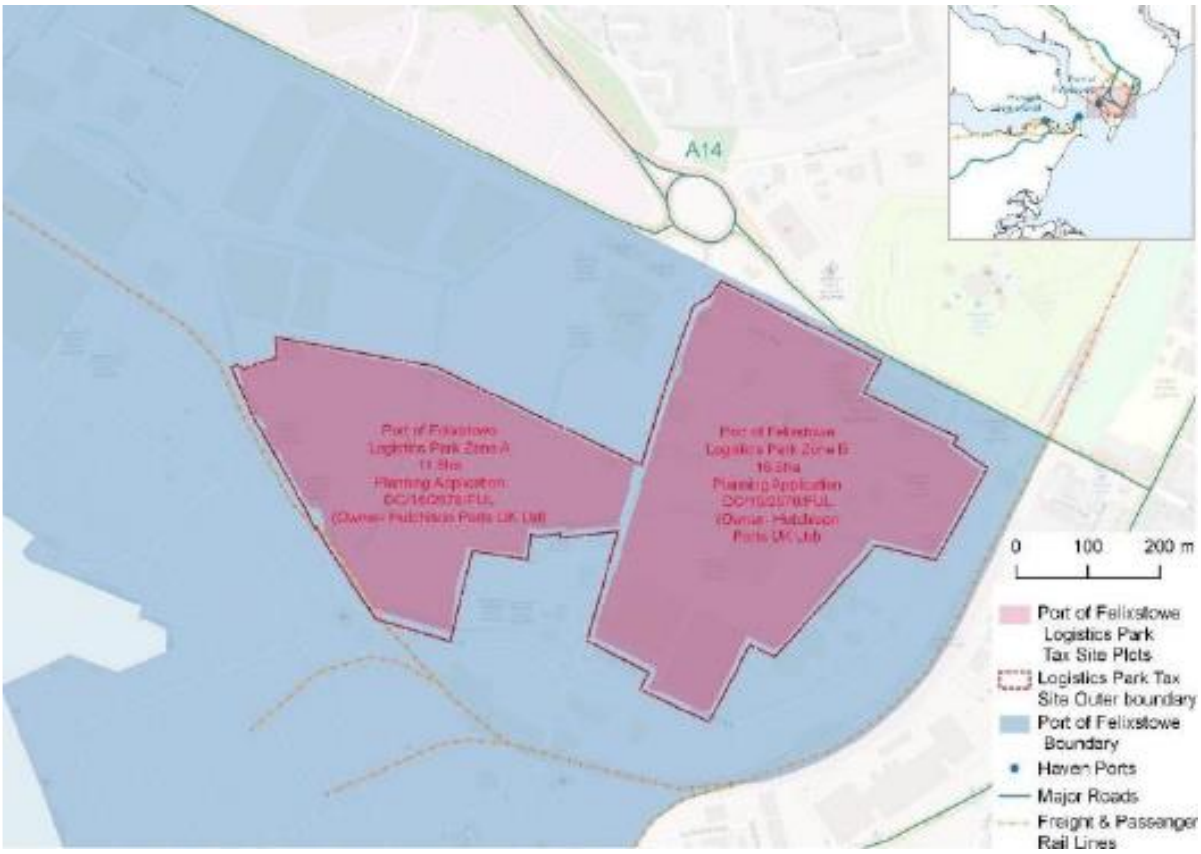
2.1 The Freeport East Tax Sites are the areas within the Freeport East Zone where a comprehensive range of tax reliefs will apply. These include:

- 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 East Suffolk's council area is the Port of Felixstowe Logistics Park, also known as the Felixstowe Tax Site. 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 East Suffolk Tax Site in more detail.


Ipswich
Babergh
Colchester
Tendring
Gateway 14
Mid Suffolk
East Suffolk
Felixstowe
0 5 10 km
Tax Sites
Freeport East Outer Boundary (circle with 45km diameter)
Customs Zones/ Sites
Local Authority Boundaries
Haven Ports
Freight & Passenger Rail Lines
Major Roads


A14
0 100 200 m
Port of Felixstowe Logistics Park Tax Site Plots
Logistics Park Tax Site Outer boundary
Port of Felixstowe Boundary
Haven Ports
Major Roads
Freight & Passenger Rail Lines

2.4 Anticpated total business rates generation across the three Tax Sites is:

Tax Sites	Y 1-5	Y 6-10	Y 11-15	Y 16-20	Y 21-25	Total
Felixstowe (East Suffolk Council)	£4.3m	£13.5m	£15.7m	£17.2m	£17.2m	**£68.9m**
Harwich (Tendring DC)	£7.3m	£31.6m	£31.6m	£31.6m	£25.6m	**£127.9m**
Gateway 14 (Mid Suffolk DC)	£11.8m	£36m	£34.2m	£34.2m	£34.2m	**£150.5m**
Total	**£21.6m**	**£78.9 m**	**£82.6m**	**£83.1m**	**£77.1m**	**£343.3m**

The table shows that over the course of 25 years £68.9m of retained rates are anticipated to be generated at the Felixstowe Tax Site out of a total of £343.3m for the three Tax Sites combined.

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 ESC (Waveney DC as was) for the Lowestoft and Great Yarmouth Enterprise Zone initiative. The government have modelled the Freeport business rate relief and retained rates incentives policy on the Enterprise Zone policy and as such ESC'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. Furthermore, any direct costs attributed to ESC in its role as accountable body will also be topsliced. 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 ESC 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 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 – 45% 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.

It is worth noting that there will be an additional pot relating to the Gateway 14 Tax Site in Mid Suffolk. Part of this site has previously been designated as an Enterprise Zone and therefore a specific additional pot will need to be negotiated with New Anglia Local Enterprise Partnership (NALEP). This is being modelled on the basis of a maximum 10%, but needs to be finalised. This will not affect the overall monies that will be available for Pot A or Pot B, but will reduce the overall sums available in Pot C

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 B – For use on all tax sites and local initiatives that will provide wider benefit to these sites and the businesses within it.
- 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 infrastructuire 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. 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.

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 A will be a simple partial reimbursemenmt to the billing authorities and county councils for foregone business rates income. 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 tne 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 ESC, in its accountable body role, will also be required to approve Pot B and C spend to ensure it meets ESC's responsibilities to the Freeport policy objectives which we are signatory to via the Memorandum of Understanding. 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. ESC, in its role as accountable body, will also manage the pot C pooled business rate contribution of all the Freeport East billing authorities.

4.4 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

4.5 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.