

<b>Report Title</b>	Freeport Memorandum of Understanding
<b>Portfolio Holder</b>	Portfolio Holder for Policy, Reform & Resources
<b>Summary of report</b>	To provide an update on the LCR Freeport, and approve the Memorandum of Understanding between Government, Freeport Management Board, St Helens, Halton and Wirral Councils and the Business Rates Retention Strategy
<b>Is this report exempt?</b>	In Part Appendices are as per Paragraph 100A(2) and (3) – and Paragraph 3 of Schedule 12A
<b>Is this a Key Decision</b>	Yes
<b>Is the report urgent</b>	No
<b>Is this decision to be exempt from call in</b>	No
<b>Local Authorities affected</b>	Halton Borough Council St. Helens Metropolitan Borough Council Wirral Metropolitan Borough Council;
<b>Impact and implications of this report</b>	
<b>Financial impact</b>	Yes, see paragraph 8.1
<b>Delegation (s) sought</b>	Yes, see recommendation 2 (b)
<b>Supporting the Corporate Plan</b>	A Fairer City Region ✓ A Stronger City Region ✓ A Cleaner City Region ✓ A Connected City Region ✓ A Vibrant City Region ✓
<b>Climate Change Implications</b>	Yes, see paragraph 8.3
<b>Equality and Diversity implications</b>	Yes, see paragraph 8.4
<b>Social Value implications</b>	Yes, see paragraph 8.5
<b>Human Resources implications</b>	No
<b>Physical Assets implications</b>	No
<b>Information Technology implications</b>	No
<b>Legal implications</b>	No
<b>Risk and Mitigation</b>	Yes, see paragraph 8.6

<b>Privacy implications</b>	No
<b>Communication and consultation implications</b>	Yes, see paragraph 8.7
<b>Contact Officer(s)</b>	Alex Clark, Freeport Programme Coordination
<b>Appendices</b>	Yes exempt Appendix 1 Memorandum Of Understanding Appendix 2 Retained Rates Strategy
<b>Background Documents</b>	No –

# Liverpool City Region Combined Authority

Friday, 3 March 2023

## REPORT OF THE EXECUTIVE DIRECTOR - CORPORATE SERVICES AND THE PORTFOLIO HOLDER FOR POLICY, REFORM & RESOURCES

### FREEPORT MEMORANDUM OF UNDERSTANDING

#### 1. PURPOSE OF REPORT

- 1.1 To provide the Combined Authority with an update on the Freeport, notably an update on the Full Business Case (FBC) and the requirement to agree a Memorandum of Understanding (including a Business Rates Retention Strategy) between Government, Freeport Management Board, St Helens Council, Halton Borough Council and Wirral Borough Council.

#### 2. RECOMMENDATIONS

It is recommended that the Liverpool City Region Combined Authority:

- a) note the requirements of the Freeports Framework which sets out the performance management, security audit and assurance processes for Freeports in England;
- b) approve the LCR Freeport Memorandum of Understanding (MOU) attached as exempt Appendix 1;
- c) approve the Business Rates Retention Strategy attached as exempt Appendix 2 and the framework as outlined in the report to be implemented by the three Freeport billing authorities to help support investment in LCR Freeport Tax Sites, regeneration and levelling up in the City Region; and
- d) note that there will be a final discussion with Government on minor amendments from the parties to the MOU and approval is sought to delegate authority to the Combined Authority Treasurer to agree such amendments in consultation with the Freeport Director and the Metro Mayor.

#### 3. BACKGROUND

- 3.1 LCR Freeport submitted the final Full Business Case (FBC) to Government on the 22 November 2022 following two rounds of critical action review. On 10 January 2023, the FBC was approved by Government and the Freeport is now 'live'.
- 3.2 The Freeport Memorandum of Understanding (MOU) sets out the management and reporting requirements between parties and the arrangements relating to the s31 £25m Grant for Seed Investment Funding to the Combined Authority. The parties to

the MoU are the Department for Levelling Up, Housing and Communities (DLUHC), Liverpool City Region Combined Authority (the accountable body), the Freeport Management Board (the governing body), and St Helens Borough Council, Halton Borough Council and Wirral Borough Council (the billing authorities).

#### **4. FREEPORT FRAMEWORK**

4.1 The Freeport Framework sets out the performance management, security audit and assurance processes for Freeports in England. The key components are:

- Governance and management;
- Performance management;
- Scope of the annual Freeport security audit;
- Assurance of public money;
- Annual review; and
- Managing non-compliance and under-performance

4.2 The FBC sets out how the Freeport delivers against the requirements of the Freeport Framework, in particular, how the Combined Authority's Assurance Framework will govern the accounting and decision making relating to the revenue and Seed Investment Funds. The Freeport Board monitors the risk and security requirements and has established a security group which includes representatives from Merseyside Police, Border Force and Port of Liverpool Police. Further representatives from Government to cover fraud and IT risks are in train.

#### **5. FREEPORT MEMORANDUM OF UNDERSTANDING**

5.1 The Freeport MOU is between the Department for Levelling Up, Housing and Communities (DLUHC), Liverpool City Region Combined Authority (the accountable body), the Freeport Management Board (the governing body), and St Helens Borough Council, Halton Borough Council and Wirral Borough Council (the billing authorities).

5.2 The MOU sets out a mutual understanding of expectations including:

- Accountability and Governance;
- Financial arrangements;
- Freeport delivery;
- Strategic delivery;
- Performance management, assurance, and evaluation; and
- Ongoing management.

5.3 The MOU is attached at Appendix 1 for consideration and approval.

#### **6. FREEPORT RETAINED RATES STRATEGY**

6.1 The proposal is for a Freeport Retained Rates Framework to be adopted which allows for consideration of the following:

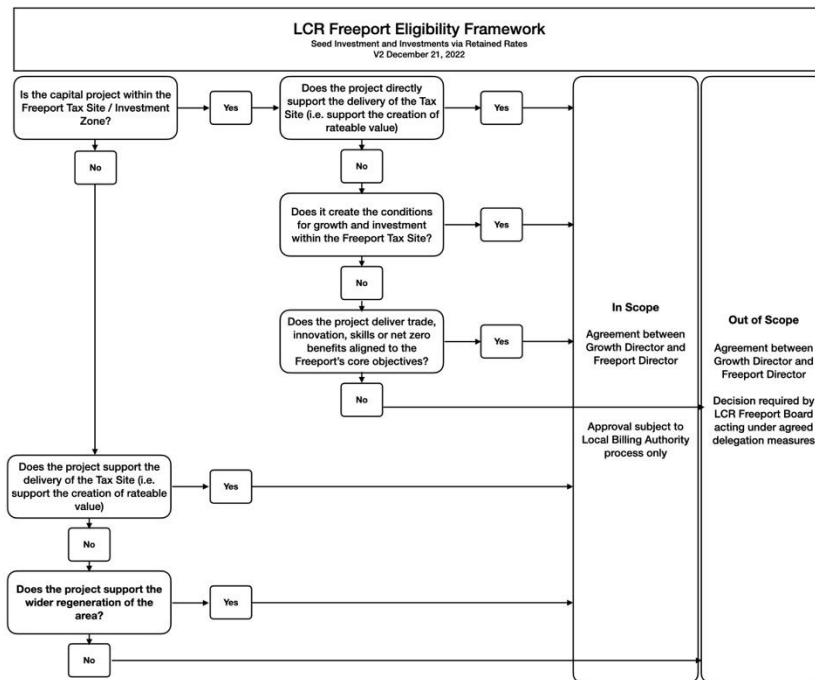
- **Scope** of project supported.
- **Scale** of project supported.
- **Location** of project supported.
- **Accountable body status** – i.e., where the risk is managed.
- **Approval** – i.e., the decision-making authority committing the accountable body to the funds and associated risks.
- **Reporting** – i.e., the responsibility to report to DLUHC according to the MOU between the Freeport Management Board, Combined Authority, DLUHC and the three local billing authorities with tax sites.
- **Governance** – i.e., the responsibility to ensure the Freeport is working in compliance with its agreed FBC.

6.2 The following Framework is proposed for approval. That the billing authority has the discretion to approve investment of Tax Increment Finance Fund monies (TIF) to a project so long as the project is in line with the objectives of the Freeport and that such arrangements are put in place to report progress to the Freeport Team who in turn provide the required reports to Combined Authority and Freeport Management Board as required.

6.3 The Freeport objectives are to: establish a hub for global trade and investment in Liverpool City Region; deliver local regeneration, levelling up and inclusive quality jobs to communities of need; create a hotbed of innovation; and deliver the freeport net zero ambition.

<b>Area</b>	<b>Accountable Body</b>	<b>Approval</b>	<b>Reporting</b>	<b>Governance</b>
<b>Scope</b> Project in alignment with Freeport FBC and policy objectives	Billing Authority	Billing Authority	Combined Authority (Freeport Team)	Freeport Management Board
<b>Out of Scope</b>	Billing Authority	Freeport Management Board (having sought such prior approvals from DLUHC)	Combined Authority (Freeport Team)	Freeport Management Board

The following process should be agreed between the Local Authority and Freeport to determine if the intended investment is in or out of scope:



## 6.4 Retained Rates Strategy Structure

In line with Government guidance, Freeport Retained Rates Strategy has received consultation input from DLUHC, St Helens, Wirral, and Halton. The Freeport Retained Rates Strategy is attached as Appendix 2 for consideration and approval. Further work is now required to prepare specific investment plans for Wirral (well advanced), St Helens and Halton. A project to secure comfort in relation to subsidy control relating to the discretionary rates relief is also underway. The structure is as follows, with key points identified:

### Part 1 – Objectives

Strategy Heading	Key Issues
Objectives and rationale	As per the FBC and Gateway Policy,
Geographic Focus	Retained rates invested within the Freeport outer boundary, focused on projects which accelerate delivery of the tax sites and regeneration and levelling up objectives.
Share of funds	Each billing authority to determine allocation to internal resource and projects. Pro-rata contribution of £300,000 (2022 prices) to Freeport Management Team. Each billing authority invited to prepare an Investment Fund Business Case to demonstrate how retained rates are to be used.
Type of intervention to be supported	Key projects to be identified, showing link to Freeport objectives on net zero, skills, trade and innovation. Wirral, for example, has identified the need to address abnormal infrastructure and site costs impacting on development viability. Halton and St Helens have identified a number of regeneration and infrastructure projects to be confirmed in due course.
Benefits	Benefits of retained rates investment, including outputs and outcomes – as per the local Investment Fund business cases.

## Part 2 – the decision-making process

<b>Strategy heading</b>	<b>Key issues</b>
Collating ideas	Confirmation on outreach, consultation
Proposing ideas	Assessment, criteria and delivery of the retained rates investments (as set out in the Investment Fund business cases)
Funding projects	Involvement of billing authorities, role of Freeport Board, billing authority decision making process, resolving / escalating issues. See above for framework for consulting Freeport and agreeing consideration by the billing authority.

## 7. NEXT STEPS

- 7.1 Following approval by the Combined Authority, the MOU will be presented to the Freeport Management Board for approval. Billing authorities are taking the MOU through their own governance processes. Once all Freeport stakeholders have agreed to the MOU, DLUHC will sign.
- 7.2 Proposed delegations to the Freeport Management Board are being developed and will be part of a Constitution update at the Annual Meeting of the Combined Authority.

## 8 IMPACT AND IMPLICATIONS

### 8.1 Financial

The Combined Authority contributes £150,000 per annum to the Freeport. This currently levers in £300,000 per annum from Government and in future, an allocation of retained rates generated by new tax site development.

The administration of the TIF is to be resourced by the retained business rates. Each billing authority will need to consider their resource requirements.

### 8.2 Supporting the Corporate Plan

#### A Fairer City Region

Freeport is focused on creating high quality new jobs and enabling the support required to ensure that local people can access the opportunities created, including ensuring that the appropriate skills development providers are aligned to support.

#### A Stronger City Region

The Freeport Innovation Strategy aims to harness the innovation support capabilities and investors in innovation which contributes to the City Regions Net Zero ambition by reducing emissions associated with trade, freight and logistics.

## A Cleaner City Region

A key policy objective of the Freeport is to find tangible ways to use the freeport levers and benefits to contribute to the Net Zero targets. These include reducing the carbon of new developments and demonstrating new technologies in ports, maritime transport and HGVs.

## A Connected City Region

Freeport is aligned to the Transport Plan investment programme to improve public transport and provide public transport options between existing communities and the key employment sites of the Freeport.

## A Vibrant City Region

Freeport, through the Retained Rates Strategy, has the resource to support the regeneration of the City Region, enhancing the local opportunity, promoting good design and robust place making principles.

### 8.3 Climate Change

A central aim of Freeports is to address the carbon emissions associated with global trade, manufacturing and freight and logistics across the key growth sectors of City Region. The Net Zero Framework will be developed and align with emerging and future strategies to ensure that resources are targeted at mitigating carbon emissions and adapting to future climate change.

### 8.4 Equality and Diversity

At this stage there are no direct implications. The Freeport has published an Equality Impact Assessment to support its work in ensuring Freeport outcomes reach groups with protected characteristics.

### 8.5 Social Value

Freeport is working to ensure social value is a key part of the delivery programme, ensuring that local people and businesses have access to the business and employment opportunities arising from the investment and growth opportunities.

### 8.6 Risk and Mitigation

The key risks associated with this are:

**Financial** – the retained rates collected falls over time failing to provide sufficient funds to repay the TIF facility or reducing the ability to support the future pipeline. The key mitigation for this is a combination of contingency planning and ensuring that major investment decisions are aligned to properties with long term occupiers, tenants or institutional asset owners.

**Projects** – risk that suitable projects cannot be identified and mission creep dilutes the impact of the Freeport Tax Site. The key mitigation is the development, across



local stakeholders, to a Freeport Investment Plan to secure support to a pipeline of key projects.

**Reporting** – risk that project delivery is not effectively communicated to the Freeport Management and the Monitoring & Evaluation framework requirements are not met. The key mitigation is the regular contact between the Freeport Project Managers and the regeneration leads employed by the local billing authorities.

#### 8.7 Communication and Consultation

The decision will be communicated to the three Freeport billing authorities and to DLUHC. Wider Freeport communications are as per the Freeport Stakeholder Plan and Communications Plan.

### 9. CONCLUSION

9.1 This report recommends approval of the MOU and the Business Rates Retention Strategy and framework.

9.2 This report recommends that investment of retained rates is the decision of the local billing authority so long as the project is within the scope of the Freeport, as set out in the Gateway Policy.

JOHN FOGARTY  
Executive Director - Corporate Services

METRO MAYOR STEVE ROTHERAM  
Portfolio Holder for Policy, Reform &  
Resources

#### Appendices:

- 1 – Freeport MOU (exempt)
- 2 – Retained rates strategy (exempt)

#### Background Documents:

None