

# AGENDA

Solent Freeport Consortium Limited Meeting  
to be held virtually on  
Thursday 2 February 2023 –16:00 to 18:00

Item	Title	Time
1.	Introductions, welcome and apologies for absence	16:00 – 16:05
2.	Notes of the previous meeting of 14 December, matters arising and declarations of interest	16:05 – 16:15
3.	HM Government update	16:15 - 16:30
	<b>Items for Decision</b>	
4.	Solent Freeport Update to include: <ul style="list-style-type: none"><li>• General progress update</li><li>• Finance Update</li></ul>	16:30 – 16:50
5.	Retained Rates Investment Plan update	16:50 – 17:20
6.	Governance update	17:20 – 17:40
7.	SEED capital programme update	17:40 – 17:55
	<b>Items for Note</b>	
8.	Any other business and date of next meeting <ul style="list-style-type: none"><li>• Date of next meeting – Wednesday 26 April 2023 16:00 to 18:00</li></ul>	17:55 – 18:00

**2.2.2023**

**Item 2**

**Notes of 14<sup>th</sup> December 2022 Meeting**

**Date:** 14 December 2022  
**Time:** 16:00 - 18:00  
**Venue:** MS Teams

<b>Present</b>	<b>In attendance</b>
Anne-Marie Mountifield – Senior Responsible Officer (SRO)	Paul Copping - Fawley Waterside
Brian Johnson – SFCL Chair	Alison Barnes - NFNPA
Alastair Welch - ABP	James Fitzgerald – nominated s.151 representative for the Accountable Body
David Williams - Portsmouth CC	Riccardo Cavallo - Exxon Mobil
Derek Pretty - Eastleigh BC	Ben Harraway - Portico
Edward Heron - NFDC	Peter Baulf - Portsmouth CC as the Accountable Body
Paula Swain - Solent LEP	Crispin Dick - Company Secretary
Rob Humby - HCC	
Sarah Bogle - Southampton CC	<b>Executive support for Solent Freeport</b>
	Nicola Twiddy
	Richard Jones
	Stuart Baker
<b>Apologies</b>	<b>Guests</b>
Aldred Drummond - Fawley Waterside	Daniel Thomas - KPMG
Gavin Parker - NFNPA	Lewis Atter - KPMG
Gerald Vernon Jackson - PCC	Selorm Davoh - KPMG
Jeremy Howells - University of Portsmouth	
Mike Sellers - Portico	
Narinder Bains - Havant BC	
Richard Parkinson - Solent Gateway	
Steve Thurston - Southampton Airport	

<b>Agenda Item</b>	<b>Notes</b>	<b>Action</b>
1.	<p><b>Introductions and Apologies for Absence</b></p> <p>The Chair welcomed all to the Solent Freeport Consortium Ltd (SFCL) Board Meeting. On the 7 December 2022 the Solent Freeport was announced as one of the first UK Freeports to be fully approved by Government. An update was provided on the Ministerial visit on 7 December 2022. Positive feedback has been received from DLUCH following the visit. The Board will now move into the implementation stage of the Freeport.</p> <p>Apologies were noted from:  Aldred Drummond (Paul Copping is the nominated alternate), Gavin Parker (Alison Barnes is the nominated alternate), Gerald Vernon-Jackson (David Williams is the nominated alternate), Jeremy Howells, Mike Sellers (Ben</p>	

	Harraway is the nominated alternate), Narinder Bains, Richard Parkinson and Steve Thurston.	
2.	<p><b>Notes of the previous meeting of 12 October 2022, matters arising and declarations of interest</b></p> <p>The minutes from the Board meeting on 12 October 2022 were <b>Agreed</b>.</p> <p><u>Matters Arising:</u>  Page 1 - Board Attendance will be covered under Item 7.  Page 2 - Engagement framework with Trade Unions will be picked up for the next meeting. The Chair has continued dialogue with the Union Representatives since their meeting attendance in July 2022.  Page 2 - Navigator Quarter has been designated as a tax site.  Page 2 - Revenue support funds - additional funds were drawn down in October 2022 and the balance is due in February 2023.  Page 2 - member contributions will be covered under item 5.  Page 2 - Freeport approval has now been given.  Page 2 - Investment Zones - whilst Government is not taking forward this policy as originally envisaged , it is expected that they will update on the future of investment zone policy in the new year.</p> <p>Delivery of tax sites – following approval of the freeport it is recognised that a number of the incentives available are due to elapse in September 2026. It was agreed that freeports should look to engage with government on this with a view to seeking an extension.</p> <p><u>Declarations of Interest</u></p> <p>Item 6 Retained Rates Investment Plan</p> <p>Alastair Welch, Paul Copping, Rob Humby, Riccardo Cavallo, Edward Heron, Ben Harraway, David Williams, Paula Swain, Sarah Bogle, Narinder Bains, Richard Parkinson, Steve Thurston</p> <p>Item 8 (SEED Capital Funding)</p> <p>Alastair Welch, David Williams, Paul Copping, Edward Heron, Anne-Marie Mountifield, Paula Swain, Ben Harraway, Stuart Baker, James Fitzgerald, Steve Thurston, Richard Parkinson</p> <p>There were no further interests to note in addition to interests set out in the registers of members.</p> <p>In line with requirements under the articles of association and the HM Government Freeports Assurance Framework it was agreed that a further briefing would be provided at a future meeting</p>	<p><b>Executive</b></p> <p><b>Executive</b></p> <p><b>Accountable Body and Executive</b></p>
3.	<p><b>HM Government update</b></p> <p>It was noted that there were apologies from HM Government representatives and they provided a written update for the board as follows:</p> <p>Once the MOU has been signed and sent back to DLUHC, we will have it signed by our directors and process the seed capital payment</p>	

	Post meeting note – DLUHC officials will be doing a site visit to the Freeport in January (previously scheduled for 15 December).	
4.	<p><b>Solent Freeport Update to include:</b>  <u>General progress update</u>  The paper was taken as read.  In relation to the MOU, it was noted that following Local Authority and the Freeport board considerations, the MOU is due to be submitted to DLUHC on 21 December 2022. HM Government will then return the signed MoU to SFCL and make plans for scheduling the first capital seed funding payment, with the first payment expected to be received early in 2023.</p> <p>The SFCL Board:</p> <ul style="list-style-type: none"> <li>• <b>Reviewed</b> the implementation plan in Annexe A; and</li> <li>• <b>Noted</b> the freeport approval letter in Annexe B; and</li> <li>• <b>Noted</b> the update on monitoring and evaluation for the freeport; and</li> <li>• <b>Noted</b> the update on the final draft HM Government MOU; and</li> <li>• <b>Agreed</b> the MOU and <b>delegated authority</b> to the Chair (in consultation with the SRO) to finalise and sign on behalf of the Solent Freeport Board.</li> </ul> <p>Derek Pretty left the meeting (16:47)</p>	<b>Chair &amp; SRO</b>
5.	<p><b>Report from the Finance, Resources and Audit Committee (FRAC)</b>  The paper was taken as read. The current budget and latest changes were highlighted, along with changes to member contributions for current and future years. An update on the SEED capital expected in February was also provided.</p> <p>It was agreed that a SEED capital project risk register would be provided for future meetings.</p> <p>The SFCL Board:</p> <ul style="list-style-type: none"> <li>• <b>Approved</b> the revised budget for 2022/23 of £1,058,947 as set out in Appendix A and the forecast budgets for the period between 2023/24 and 2025/26 as set out in Appendix B.</li> <li>• <b>Noted</b> and <b>Approved</b> the budget updates in paragraphs 3.2 and 3.3.</li> <li>• <b>Noted</b> the risks surrounding partner funding contributions in paragraph 3.4 and <b>Agreed</b> to request short term cash flow support from the Accountable Body.</li> <li>• <b>Noted</b> the potential risk regarding rating authority contributions for 2023/24 as highlighted in paragraph 4.2.</li> <li>• <b>Considered</b> and <b>Agreed</b> the corporate and strategic risk register at Appendix C.</li> <li>• <b>Considered</b> and <b>Agreed</b> the retained rates risk register at Appendix D.</li> <li>• <b>Noted</b> the update regarding the SEED capital funding programme provided at the meeting.</li> </ul>	<b>AB and SFCL executive</b>
6.	<p><b>Report from the Retained Rates Investment Committee (RRIC) and approval of Retained Rates Investment Plan</b>  The paper was taken as read. As per the pre-condition in the MOU there is an expectation that by the end of the year, the Freeport should submit a plan that</p>	

	<p>sets out the strategic objectives of the retained rates pool, principles on borrowing, the governance around decision making on spending, and an investment strategy for the retained rates, to provide an indication of the types of interventions and possible beneficiaries.</p> <p>The plan will evolve over time, and this is a first indicative draft that the RRIC considered at their recent meetings in November and December 2022. At the meeting on 9 December, they also agreed to recommend the draft Retained Rates Investment to the SFCL Board for approval and advised that the Plan is submitted to Government with a letter from SFCL Chair.</p> <p>KPMG provided an initial presentation on the Investment Plan and a discussion followed and it was agreed that a further meeting would be arranged with Hampshire County Council to discuss the Retained Rates Investment Plan.</p> <p>It was also noted that a further briefing on the Subsidy Control Act 2022 would be beneficial prior to the submission of the plan.</p> <p>Sarah Bogle left the meeting (17:45)</p> <p>Following questions and a discussion, The SFCL Board:</p> <ul style="list-style-type: none"> <li>• <b>Noted</b> this update</li> </ul>	<p><b>KPMG/SFCL/HCC</b></p>
<p>7.</p>	<p><b>Governance update</b></p> <p>The paper was taken as read. An update was provided to cover standardising meeting attendees,</p> <p>The SFCL Board:</p> <ul style="list-style-type: none"> <li>• <b>Agreed</b> the policy in relation to meeting attendees as set out in paragraph 3, and;</li> <li>• <b>Authorised</b> the Executive and the Company Secretary to make any necessary amendments to the Articles of Association to reflect the agreed policy and to circulate any such amendments to the Core Members for approval and adoption, and;</li> <li>• <b>Noted</b> that the Solent Leaders Forum could provide a mechanism for formal engagement between the wider network of Local Authorities (in the Solent and neighbouring) and the Freeport Noting that neighbouring Authorities and Solent Transport are not on the Solent Leaders Forum. It was <b>Agreed</b> that should be explored further.</li> </ul> <p>Ricardo Cavallo left the meeting (18:01)</p> <ul style="list-style-type: none"> <li>• <b>Noted</b> the update in relation to executive recruitment, and;</li> <li>• <b>Noted</b> the update in relation to non-executive recruitment, and;</li> <li>• <b>Agreed</b> the revision to the RRIC Terms of Reference at Annexe A, and;</li> <li>• <b>Agreed</b> the recommendation from RRIC to co-opt Hampshire County Council onto the Committee, as set out in section 6 of the report.</li> </ul>	<p><b>Executive &amp; Company Secretary</b></p> <p><b>Executive</b></p> <p><b>Executive</b></p>
<p>8.</p>	<p><b>Consideration of SEED capital projects</b></p> <p>As the Board was not quorate for this item, a written resolution will be shared following the meeting for this item.</p>	<p><b>Executive</b></p>

9.	<b>Any Other Business and Date of Next Meeting</b> The next meeting is scheduled for 6 February 2023 via MS Teams.  The Executive will look at a Board briefing on subsidiary control and related legislation in respect of freeport funding.  No further business.	<b>Executive</b>
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**Meeting closed at 18:10**

**2.2.2023**

**Item 4**

**Solent Freeport Update**





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**Item:** 4  
**Title:** Solent Freeport Update  
**Date:** 2 February 2023  
**Purpose:** For information and approval

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Confidential information has been removed from this report.

Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including:

- information relating to an individual, and/or;
  - relating to the financial or business affairs of a particular person.
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## 1. Draft resolution

Board members are asked to:

- **Review** the implementation plan in annexe A; and
- **Note** the general update; and
- **Note** the update on the agreed MOU with HM Government MOU; and
- **Consider** the update on progress milestones in Annexe B as per schedule 2 of the MOU
- **Approve** the revised budget for 2022/23 of £1,058,947 as set out in Annexe C
- **Approve** the original budget for the 2023/24 financial year as set out in Annexe D.
- **Approve** the forecast budgets for 2024/25 and 2025/26 as set out in Annexe D.
- **Note** and **Approve** the finance update in section 4 of this report.
- **Consider** and **Agree** the corporate and strategic risk register attached at Annexe E.
- **Consider** and **Agree** the retained rates risk register attached at Annexe F.

## 2. General Update

Since the last meeting of the Board in December 2022 and the announcement from HM Government that the Solent was one of the first freeports to become fully operational, work has continued as per the implementation plan for the Solent Freeport and now reflects the achievement of key milestones including:

- Agreeing the final MOU with Government
- Confirmation of SEED capital funding

- Submission of information on retained rates to support the designation of the tax sites for the purposes of business rates retention.

On a broader basis the board may also wish to note that since the last meeting a number of other freeports in England have been approved – see <https://www.gov.uk/government/news/jobs-and-investment-boost-for-liverpool-and-east-anglia-as-freeports-given-green-light> and in Scotland two Greenport's have been selected – see <https://www.gov.scot/policies/cities-regions/green-ports/>

For Solent Freeport as we move into the delivery phase it is important to closely review the implementation plan (as attached in Annexe A). Whilst it has been updated to reflect the designation of the Navigator Quarter Tax site and approval of the custom site at Solent Gateway there will be a requirement for the tax sites and custom sites to provide the board with regular updates on progress against wider milestones for 2023 onwards. Early indications suggest that some of these milestones will need to be revisited and ahead of the establishment of the Operations Delivery Committee **we will ask the leads for the tax and custom sites to provide the board with a short verbal update on progress against the implementation plan at the next meeting.**

Board members are asked to:

- **Note** the updates from the tax and custom site leads at the board meeting; and
- **Review** the implementation plan

### 3. HM GOVERNMENT MOU and confirmation of SEED capital funding

As previously advised, following the approval of our FBC, the Government wanted to agree an MoU with SFCL partners. Our approved FBC and annexes form Appendix 1 of the MOU and **constitutes part of the MOU** and at the last meeting the board agreed the draft MOU and delegated authority to the Chair to sign on behalf of the freeport. It was also signed by the relevant authorities (Accountable Body Section 151 officer, delegated authority within our Billing Authority or Authorities) and sent to our DLUHC Freeport Lead on 21 December 2022. SFCL is of only two freeports to have the signed MOU in place.

HM Government have now signed the MoU and are now in the process of scheduling the payment of the seed capital grant for 2022/23 financial year with our internal grants team. The capital grant payment of £3,100,000 to the accountable body is being scheduled for February 2023.

It should also be noted under section 1.1.8 that SFCL continue to have 2 outstanding actions that should be achieved within agreed timeframes as follows

- Provide regular updates to HMT on the progress towards getting a business operational on the customs site and note there may be implications for seed funding should a business not be operational within 12 - 18 months of designation. Solent Gateway Limited have been designated a as custom site and will be operational within the timeframe as specified and, **as per section 3 of this report**, tax and custom site leads will provide a wider update at the meeting.
- Work with DLUHC on clarifying no detriment; setting the business rates retention baseline and finalising the details of the Retained Business Rates Strategy. The business rate baseline has been set as part of the work on the Retained Rates Investment Plan which also considers details of the retained business rates strategy. **The board are considering this under item 5 of the meeting**

The Board may also recall that under schedule 2 of the MOU (see Annexe B) there are a number of progress milestones that need to be considered and there are a number of updates on timelines as follows:

- Under site delivery and infrastructure there is a requirement to schedule a site delivery visit within 3 months of signing the MOU. This was arranged for 11 and 12 December 2022 but has had to be rearranged as the visit coincided with the train strikes. At the time of writing, it is expected that this will take place in February 2023.
- Under management, governance and risk it was expected that the recruitment for the Chief executive would conclude in January 2023, and it is now anticipated that this will be completed in February 2023. In addition, there is a requirement to move forward with the creation of an operational team to support the delivery phase. SFCL has secured some of their delivery requirements through Solent LEP and an update on proposed next steps for this and the associated resourcing is provided in the governance update under item 6.
- Under local growth and regeneration there is a target to establish a skills forum for each tax site in the freeport. Working with the skills leads in each of the rating authorities this has progressed and the freeport is now looking to recruit a Chair for each of the forums. See - <https://solentfreeport.com/2023/01/16/business-leaders-wanted-to-shape-future-skills-and-ensure-success-of-solent-freeport/>

Board members are asked to:

- **Note** the update on the final draft HM Government MOU and SEED capital funding; and
- **Consider** the update on progress milestones in Annexe B as per schedule 2 of the MOU
- **Note** that the update on retained rates will be covered under item 5 of the board meeting

#### 4. Finance Update

The latest financial position of the Solent Freeport budget showing the actual expenditure to 31 December 2022 and a revised forecast to the end of the current financial year is attached at Annexe C with the forecast budget for the period 2023/24 to 2025/26 is attached at Annexe D.

These budgets include the impact of the decisions made at the SFCL Board meeting on 14 December 2022 and any key changes are set out below.

##### Current Year

The only change since reported to the Board is that the annual insurance has been renewed which has required a small release from contingency.

It is expected that the remaining budget for consultancy costs and the Chief Executive and non-executive director recruitment will be invoiced before the end of the financial year.

Previously it was reported that there would be an in-year operational deficit of £67,000 which the Accountable Body had agreed to temporarily fund. However, DLUHC confirmed on 23 January that the remaining £250,000 capacity funding originally profiled to be received in 2023/24 has been approved early and received by the Accountable Body. This funding has therefore been profiled across 2022/23 and 2023/24 to cover the original forecast deficit and to support the operating costs in 2023/24.

##### Budget for 2023/24 and Future Years

The latest forecast budget for the following three years is attached at Annexe D.

The future years budgets are built on the assumptions for the current year and demonstrates where the nature of the LEP executive support begins to change and is replaced by direct staffing accepting that there will be fluidity between these budget lines as the Freeport begins to deliver.

One of the first tasks for the new Chief Executive who is now expected to be in post early in the new financial year will be to put in place a range of resources to ensure that capacity is in place to deliver on the operational commitments of the Freeport.

As this is the final meeting of the 2022/23 financial year the Board are asked to **Approve** the indicative budget for 2023/24 which will also be reported to and discussed at the FRAC meeting on 22 February 2023 with any revisions coming to the next Board meeting on 26 April 2023.

### **Future Years Funding**

The Accountable Body has been able to confirm that all four rating authorities have committed to their third-year contribution of £50,000 (subject to full council approvals in February 2023) so the risk previously highlighted of not receiving this funding is no longer a concern.

The final tranche of capacity funding of £250,000 has been received by the Accountable Body and used to support operational costs across 2022/23 and 2023/24 as set out above.

As previously reported, the Accountable body has asked the rating authorities to provide an estimate of the cost of any reasonable new responsibilities for the cost of collection, accounting and administration of the retained rates. It will also be prudent to set a contingency sum for the Freeport to be able to draw on to react to any emerging issues or pressures.

With all of this in mind, the Accountable Body are modelling a range of scenarios that will be presented initially to FRAC and the Retained Rates Investment Committee before coming back to the Board for consideration.

This work is being undertaken in parallel to the work being carried out on the retained rates investment plan that is being considered under item 5 of this agenda.

### **Tax Incentives and Retained Rates**

The Freeport SRO and Accountable Body are clarifying with Government exactly when the tax incentives and retention of rates begins in order to update its forecasts accordingly. The tax site designations for the purpose of the tax incentives were secured in March 2022 and October 2022 respectively. At the time of writing the process for designating the tax sites for the purposes of business rates retention is underway. In addition to this due to the delay in the approval of the FBC clarity is also being sought on whether extensions can be provided for these incentives.

### **Corporate and Strategic Risk Register**

An updated corporate and strategic risk register is provided in Annexe E where risk ratings have been reviewed and revised as appropriate with updated commentary.

The previous highest risk was the approval of the FBC which no longer exists as approval was granted on 17 November.

### **Retained Rates - Risk Register**

The forecast retained rates over the 25 years of the Freeport is a significant sum of money that must be managed carefully understanding the risks surrounding it whilst looking to ensure that the maximum benefit can be derived from it to fund projects within the Freeport geography.

This is reviewed at each meeting of the FRAC and with the s151 Officers of each of the four rating authorities and the latest version attached at Annexe F and includes updated scores and RAG ratings, showing a direction of travel of any particular risk.

### **Financial Summary**

There is a balanced budget for the Freeport out to the end of the 2025/26 financial year as set out in appendix B which reflects the latest known information, and this will continue to be reviewed and reported back to both the Finance, Resources and Audit Committee and the main SFCL Board.

At present, the requirement from the retained rates to contribute to the operating costs of the Freeport is forecast to be £1.55m.

It remains preferable to investigate alternative funding sources to ensure that the maximum amount of rates remain available to fund investment priorities within the Freeport geography.

As previously reported to the Board the Accountable Body will continue to guarantee to underwrite any cash flow issues all the time the company can be judged to be a going concern which means that the financial position of the Freeport remains strong as it approaches the delivery phase.

# **ANNEXE A**

## **Tax and Customs Site Implementation Plan**

**A confidential report will be considered at the meeting**

# **ANNEXE B**

## **Solent Freeport MoU Schedule 2**

**A confidential report will be considered at the meeting**

## Solent Freeport Budget 2022/23

Notes	Activity	Full Year Budget 2022/23*	Expenditure to 31 December 2022	Full Year Forecast and Proposed Revised Budget	Full Year Variance as at 31 March 23 Over / (Underspend)
		£	£	£	£
1	Direct Staffing including Board remuneration	0	0	0	0
2	Recruitment Costs	59,000	19,055	59,000	0
3	Executive Support	350,000	263,007	350,000	0
5	Accountable Body Support	57,000	38,244	57,000	0
4	Legal support	20,000	16,790	20,000	0
6	Marketing & Communication costs	50,000	37,810	50,000	0
7	Commissions (including the OBC and FBC)	405,945	385,262	405,945	0
8	Other Commissions	85,000	0	85,000	0
9	Other Operational costs	5,000	12,900	13,000	8,000
10	Contingency / Reserves	27,002	0	19,002	(8,000)
	<b>Totals</b>	<b>1,058,947</b>	<b>773,068</b>	<b>1,058,947</b>	<b>0</b>

\* Budget approved by the Freeport Board on 14 December 2022

Funded By:	2022/23
	£
CLGU Freeport Set Up Revenue Funding - received	608,947
ABP	50,000
Southampton Airport	50,000
Solent Gateways	50,000
Hampshire County Council	50,000
Portsmouth City Council	50,000
New Forest District Council	50,000
Eastleigh Borough Council	50,000
Havant Borough Council	50,000
Southampton City Council	50,000
<b>Totals</b>	<b>1,058,947</b>
<b>Operational (Surplus) / Deficit</b>	<b>0</b>

**Notes / Budget Assumptions:**

- 1 This assumes the Freeport Chief Executive is not appointed until the beginning of the 2023/24 financial year.
- 2 Executive search costs for the Chief Executive and Non Executive Director roles
- 3 Solent LEP Executive support to enable the Freeport to achieve formal designation - extended to 31 March 2023  
These costs include support from the LEP Chief Executive as the Freeport SRO and other staff from the inception of the Freeport to the delivery phase including support to ensure that the FBC is delivered and final designation is reached. Once the Freeport CX is in post it is anticipated that the Freeport will begin to employ their own staff with a residual level of executive support.
- 4 External legal support to provide advice in the role of a company secretary to ensure that the Freeport Company is set up as a legal entity. Retainer fees agreed
- 5 Finance, Legal, HR and Audit support from the Accountable Body to ensure controls are in place and that the Freeport can be supported to enable it to function effectively
- 6 Marketing and communications activity to support stakeholder engagement network, website development and consultation
- 7 Budget based on agreed fees with KPMG and Lichfields to deliver the FBC to Government. A further sum has been added after agreement with the Freeport Board in anticipation of clarification work resulting from Government's HMG review of the FBC.
- 8 Budget for further key commissions including SEED capital due diligence and the retained rates investment plan
- 9 Modest sum for other operational costs that may arise during the year including insurance
- 10 Contingency allocation for the Solent Freeport to be able to respond to any unknown risks (any 'underspend' to be carried forward)



## SOLENT FREEPORT - BUDGET FORECAST TO 2025/26

Activity	Actual 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Total Budget
	£	£	£	£	£	£
Direct Staffing including Board remuneration	0	0	250,000	300,000	320,000	870,000
Recruitment Costs	12,650	59,000	0	0	0	71,650
Executive Support	198,593	350,000	217,000	197,000	180,000	1,142,593
Accountable Body Support	41,675	57,000	65,000	65,000	65,000	293,675
Legal Support	27,538	20,000	20,000	20,000	20,000	107,538
Marketing and communications	33,542	50,000	40,000	50,000	50,000	223,542
Commissions (Freeport Bid, OBC and FBC)	394,055	405,945	0	0	0	800,000
Other Commissions	0	85,000	60,000	50,000	50,000	245,000
Other Operational costs	0	13,000	20,000	20,000	20,000	73,000
Contingency	0	19,002	35,000	35,000	35,000	124,002
<b>Totals</b>	<b>708,053</b>	<b>1,058,947</b>	<b>707,000</b>	<b>737,000</b>	<b>740,000</b>	<b>3,951,000</b>

Funding Summary	Actual 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Total Budget
	£	£	£	£	£	£
CLGU Freeport Set Up Revenue Funding	208,053	608,947	183,000	0	0	1,000,000
ABP	50,000	50,000	50,000	tbc	tbc	150,000
DP World	50,000					50,000
Southampton Airport		50,000	50,000	tbc	tbc	100,000
Solent Gateways	50,000	50,000	50,000	tbc	tbc	150,000
Hampshire County Council	50,000	50,000	50,000	tbc	tbc	150,000
Portsmouth City Council	50,000	50,000	50,000	tbc	tbc	150,000
New Forest District Council	50,000	50,000	50,000	tbc	tbc	150,000
Eastleigh Borough Council	50,000	50,000	50,000	tbc	tbc	150,000
Havant Borough Council	50,000	50,000	50,000	tbc	tbc	150,000
Southampton City Council	50,000	50,000	50,000	tbc	tbc	150,000
Solent LEP	50,000	0	0	0	0	50,000
Retained Business Rates Growth (see current forecast below)			74,000	737,000	740,000	1,551,000
<b>Totals</b>	<b>708,053</b>	<b>1,058,947</b>	<b>707,000</b>	<b>737,000</b>	<b>740,000</b>	<b>3,951,000</b>

<b>Operational (Surplus) / Deficit</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
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	2022/23	2023/24	2024/25	2025/26	Total
<b>Current Business Rates Forecast (to be revised in 2023)</b>	0	1,100,000	2,800,000	6,500,000	10,400,000

# **ANNEXE E**

## **Corporate and Strategic Risk Register**

**A confidential report will be considered at the meeting**

# **ANNEXE F**

## **Retained Rates Risk Register**

**A confidential report will be considered at the meeting**

**2.2.2023**

**Item 5**

**Retained Rates Investment Plan Update**



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**Item:** 5  
**Title:** The Retained Rates Investment Plan  
**Date:** 2 February 2023  
**Purpose:** For information and consideration

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**1. Draft resolution**

Board members are asked to:

- **Note** this update, and
- Further to the briefing workshop, **Consider** the draft Retained Rates Investment Plan in Annexe A, and
- **Delegate** authority to the Chair in consultation with the SRO to share the draft plan with DLUHC as a basis for Solent Freeport opening a dialogue with HM Government on the restricted timeline for accessing the tax incentives and for engaging with the UKIB to explore loan and equity finance.

**2. Background**

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.**

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 to be eligible for support from the business rates programme:

- Freeport operating costs (in accordance with an 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:

- **They would not otherwise occur**, or occur at a much slower rate or on a smaller scale,
- **They require public funding** (e.g., owing to market failures), and
- They are most appropriately **funded from retained business rates, wholly or in part.**

SFCL and local authority partners have drawn up a Solent MoU governing business rate decision-making and governance. This is built around a bespoke committee, the Retained Rates Investment Committee (RRIC). As a result, decisions regarding the use of retained rates, the process for prioritising and selecting projects for funding, and ownership of the Business Rates policy is set out in the local MOU. This formed an annexe to the FBC agreed by the board and submitted to HM Government in 2022.

**The local MOU establishes what amounts to a dual key arrangement between the SFCL Board which is responsible for commissioning and prioritising proposals for using business rates and the rating authority dominated committee that has a right of veto on these proposals and ensures democratic accountability for the use of retained rates which are public funds.**

The SFCL Retained Rates Investment Committee (RRIC) will therefore lead on the strategy and prioritisation of investments seeking a retained rates contribution and will make recommendations to the SFCL Board for final decision. The Investment Committee are also responsible for:

- Prioritisation of projects and programmes to be funded through Retained Business Rates
- Ensuring an equity of use of Retained Business Rates, including:
  - Allocation towards significant investment priorities
  - Allocation for Rating Authority Programmes / Projects which will consider proportionate levels of investment in line with Business Rate Growth
  - Allocation across investment workstreams (i.e., net zero, skills, innovation, regeneration and enabling infrastructure, and local investment priorities)
- Developing and using the agreed prioritisation matrix to select projects and programmes to be funded through Retained Business Rates
- Reviewing the prioritisation matrix on an annual basis

### **3. The Retained Rates Investment Plan**

As part of the Full Business Case (FBC) process to secure Freeport designation, SFCL were required to set out:

- the strategic objectives of the retained rates pool principles on borrowing, and
- the governance around decision making on spending, and
- a retained rates investment strategy for the retained rates, to provide confidence that funds will be deployed to maximise the realisation of the Freeport's objectives.

The investment strategy should identify specific workstreams or themes for the use of retained rates and for each of these state:

- Objectives and rationale, with direct reference to contributions to the Freeport's objectives
- Geographical focus and likely beneficiary groups
- An indicative share of the total retained rates pot
- Types of intervention likely to be funded, including any that have already been identified and any under consideration
- Expected benefits, including where possible outputs and outcomes.

RRIC have been leading this work and following briefing sessions in September and October, they formally convened on 9 November to consider a skeleton retained rates investment plan. This was presented to FRAC on 28 November and an updated draft was considered by RRIC on 9 December 2022.

The board were provided with the initial draft of the investment plan on 7 December 2022 and further to the RRIC meeting on 9 December an updated version (incorporating further advice from RRIC) was uploaded to huddle on 12 December 2022.

At the board meeting KPMG were scheduled to present the investment plan (as attached in Annexe A) to the board and started with an overview of the key principles and there was an extensive discussion in relation to the principles linked to match funding. This included detailed discussion on specific schemes identified in the short-term investment plan. These schemes will be provided with an opportunity to present and discuss the detail of their schemes with RRIC at their meeting in February 2023, including timing and funding considerations.

As a result, the following elements of the Investment Plan were considered in January 2023:

- The short-term investment plan and options for funding
- The development of a mature investment programme
- Next steps

Further to the meeting there were also requests from board members to specifically consider the following:

- The principles on which investments will be prioritised and appraised. This is included in the investment plan and supporting annexes and will be covered in more detail in the workshop.
- The Subsidy Control Act 2022. This replaces state aid requirements which have been a core consideration in the award of public funding and the UK subsidy control regime began on 4 January 2023.

A workshop took place on 23 January 2023 to consider

- The Subsidy Control Act. This was led by Bevan Brittan who confirmed the need to apply subsidy control rules in the freeport context, including the need to consider the application of the subsidy control rules every time a decision is made regarding the use of seed capital, retained business rates, rates relief or other public funding
- The Retained Rates Investment Plan. This was led by KPMG who emphasised that this first version is essentially ‘a plan for a plan’ focusing on strategic considerations. They provided specific advice on several timing issues for funding projects with limited funding available from the retained rates in the period to 2028 and possible options for financing schemes in the short term to maximise retained rates in the medium and longer term. Also, they highlighted obvious challenges associated with the planned expiry of tax incentives for the private sector in September 2026

The principle of match funding was revisited reflecting commitments in the FBC, value for money requirements under HM Treasury Green Book, subsidy control regulations and the ambition to the maximise overall size and reach of the investment programme<sup>1</sup>. Feedback at the workshop also supported the development of a more mature investment programme and finance models to support wider projects in the freeport area.

Match funding for early projects that have the potential to unlock business rates was discussed and it was highlighted that the match funding expectations set out in the draft plan were for illustrative purposes only and represent a starting point for negotiation and that the process of developing a full business case for individual schemes would address specific considerations on affordability, match funding contribution, subsidy control and availability of other sources of finance.

#### **4. Conclusion**

As part of the FBC critical actions HM Government requested the submission of an initial investment plan in late 2022, noting that it is a dynamic plan and there will be the flexibility to revise and refine investment strategies and plans during implementation through a change process.

As per section 1.1.8 b of the MOU we were asked to finalise the details of this initial plan with DLUCH, prior to the designation of the tax sites for the purposes of business rates retention.

To support the work they need to do to designate the tax sites for the purposes of business rates retention SFCL completed a template which DLUHC provided. This has been filled out and approved by the Chair for submission as attached in Annexe B. Board members should note that the information provided has been drawn from the FBC and supporting annexes previously approved by the Board.

In terms of next steps, it was also highlighted that further work would be taken forward on the draft investment plan to include:

- Updating the retained rates forecasts to reflect the current economic climate and updated cost of living assumptions; and
- Refreshing the project pipeline and calling for new projects/schemes; and
- Working with scheme leads who have submitted a strategic outline business case to look at considerations on affordability, match funding contribution, subsidy control and availability of other sources of finance for specific schemes; and

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<sup>1</sup> Including infrastructure, net zero, skills, innovation, trade and investment and local investment priorities



- Building on the prioritisation matrix in the draft plan to include criteria that will look at the financial risk profile assessment and the measurable return that any investment will generate (in the context of value for money and unlocking future retained rates); and
- The quantum of funding that local partners are collectively willing to borrow to pump prime investment

This work will be considered in detail at RRIC and reported on an ongoing basis to the board at future meetings with a view to providing a revised retained rates investment plan for board consideration in early 2023/24.

In the interim the board will be asked to;

- **Note** this update, and
- Further to the briefing workshop, **Consider** the draft Retained Rates Investment Plan in Annexe A, and
- **Delegate** authority to the Chair in consultation with the SRO to share the draft plan with DLUHC as a basis for Solent Freeport opening a dialogue with HM Government on the restricted timeline for accessing the tax incentives and for engaging with the UKIB to explore loan and equity finance.

**2.2.2023**

**Item 5 - Annexe A**

**A confidential report will be considered at the  
meeting**

**2.2.2023**

**Item 5 - Annexe B**

**A confidential report will be considered at the  
meeting**

**2.2.2023**

**Item 6**

**Governance Update**

**Item:** 6  
**Title:** Governance Update  
**Date:** 2 February 2023  
**Purpose:** For Information, Advice and Decision

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**Confidential information has been removed from this report.**

**Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including:**

- **information relating to an individual, and/or;**
  - **relating to the financial or business affairs of a particular person.**
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## **1. Recruitment Update**

### Non-Executive Recruitment Updates

Key updates in relation to non-executive changes and progress with recruitment since the previous Board meeting are provided below.

- Core Director

Cllr Narinder Bains resigned from her position as a Solent Freeport Director on 6<sup>th</sup> January 2023. Havant Borough Council have subsequently appointed Cllr Gwen Robinson, Deputy Leader at Havant Borough Council, to the Board as a Core Director of Solent Freeport Consortium Ltd.

- Tax Site Skills Forums

Further to the update at the December Board meeting that the Solent LEP has initiated work in partnership with the ratings authorities to establish the forums with a view to being operational early in the new year. The recruitment activity for the independent Chairs for each forum was launched on 16<sup>th</sup> January 2023 and the light touch recruitment exercise to secure volunteers for these roles is due to close on 25<sup>th</sup> January 2023. A verbal update will be provided at the meeting in relation to applications received.

### Executive Recruitment Updates

Following the HM Government approval of the Full Business Case in December 2022 and sign-off of the MoU in January 2023, the executive capacity for the Solent Freeport will need to change to reflect the shift from set-up to

delivery phases of activity. This includes both core executive capacity directly recruited by the Solent Freeport and wider executive capacity to support delivery of key Solent Freeport strategies. An update on both areas is provided below.

- Chief Executive

Further to previous updates, it was necessary to reschedule the interviews for the role of Solent Freeport Chief Executive. A revised interview date has been identified as 17<sup>th</sup> February 2023 and an update from the interview panel will be provided following this date.

In line with the executed MoU with HM Government, the new Chief Executive will be expected to provide a recruitment plan for executive roles by July 2023, with a view to completing recruitment to all key roles by January 2024 (schedule 2 - milestones).

#### Executive Capacity - Service Level Agreement

Following HMG approval of the Full Business Case (FBC) there is a need to initiate work to develop programme management capacity which will secure the delivery of the four key Solent Freeport strategies including Trade and Investment, Net Zero, Innovation and Skills. As set out in the FBC Management Case, Solent Freeport has agreed to retain Solent LEP into the delivery phase to lead on these four areas in order to ensure alignment with and to build on Solent 2050 and the established structures operating in the area.

The MoU with HM Government (schedule 2 - milestones) sets out a 6-month timeframe for securing LEP capacity for delivery and HMG have started to seek updates in relation to this (specifically, in relation to recruitment to the innovation programme management timeframes have been raised by BEIS and the lead for Freeport Innovation).

In line with the MoU milestones, the Solent LEP is now preparing to create capacity to manage the delivery of the four areas within its responsibility as part of the MoU. However, whilst a service level agreement is in place between the LEP and Freeport, this is currently reflective of the set-up phase and requires updating for the delivery phase of activity in order to enable the Solent LEP to proceed with recruitment.

In relation to costs, initial financial forecasts are provided under item 4 as part of the indicative budget and Board Members will note that these costs reflect the forecast changes to both the direct executive support and wider support for the delivery phase of activity. However, it should also be noted that these costs will need to be updated moving forward to reflect the actual cost of service delivery under a revised service agreement and all costs will need to be updated to reflect both the increased cost of service provision as well as general changes to rates to reflect the cost of living (and associated local government pay agreement). In relation to the local government pay agreement, this will also need to be backdated within the agreement following the local government pay settlement agreed in November 2022 for the 2022/23 year. As with all aspects of the budget, revised forecasts will be reviewed regularly by FRAC during 2023 and reported to Board accordingly.

#### **Recommendation**

Board Members are asked to:

- **Note** the update on recruitment activity, and
- **Note** the requirement to secure programme management capacity in relation to Trade and Investment, Net Zero, Innovation and Skills, and;
- **Note** requirements in relation to updating the service level agreement for the delivery phase of activity as set out in the paper, and;
- **Delegate Authority** to the Chair and the Freeport Accountable Body S151 Officer Representative to agree an updated service level agreement with the LEP.

## 2. Management of Interests

The Freeport Board needs to ensure that the approach taken by the Freeport and board members to the management of conflict of interests remains robust and fit for purpose.

With this in mind, in line with best practice, it is recommended that a summary is provided annually on the key requirements in relation to the management of interests. This is in addition to the bespoke session which is being commissioned from specialists Bevan Brittan LLP and the executive will be in touch with Board Members shortly with a view to scheduling this workshop before the end of April 2023. In the interim if any Board Members have any queries in relation to management of interests - either generally or as part of preparation for Board meetings - please contact the executive who will be able to offer advice directly or seek support from the company secretary where required.

### 2. Summary of key requirements in relation to the management of interests

#### Corporate

##### - ***Statutory duty to avoid a potential conflict situation not authorised by the directors***

Section 175 of the Companies Act 2006 (available here: <http://www.legislation.gov.uk/ukpga/2006/46/section/175>) defines a duty for company directors to avoid situations in which they have, or could have, a direct or indirect interest that conflicts with, or might possibly conflict with, the interests of the company.

All directors that live and/or work in the Solent Freeport area have some interests, both personal and professional, that could possibly conflict with the interests of the Freeport at some point - for example if the Freeport becomes involved in a project that will affect the property where they live, or an organisation they work for or an organisation that they compete with.

The duty to avoid potential conflict situations in Section 175 will not be infringed, if

- a) it is authorised by the directors; or
- b) it is not likely to give rise to an actual conflict in practice. This exception is based on an objective test.

Accordingly, unless the directors' existing interests fall within the exception in (b) above, the board should consider the potential conflict situations of each of its members and decide whether to approve them.

In line with best practice, approval of directors' interests for the purposes of section 175 should be given on an express and formal basis to ensure that directors are not in breach of this statutory duty.

Due consideration therefore should be given by the board to the nature of the potential conflict situations each director has before deciding to approve them. In some cases, the board may consider that a director's interests are such that they cannot possibly retain those interests and feasibly remain as a director of the Freeport board. However, in most cases, we would expect potential conflict situations to be approved, because

- a) if the potential conflict situation is not approved, the only way for the director to avoid infringing the duty under section 175 may be for the director to resign, and the board will lose the benefit of that board member's contribution.
- b) approval of a potential conflict situation by the board is not a "whitewash" procedure. It is a statutory procedure that all companies are required to follow. If it were not followed, all directors may become ineligible to be directors. Furthermore, if a potential conflict of interest approved by the board becomes an actual conflict of interest in practice, that director will still have to declare the interest at the meeting where the conflicting matter is discussed and absent him or herself from the meeting in accordance with the requirements of the Freeport's Articles of Association. The approval of the potential conflict situation simply allows the director to remain on the board for other business in matters where they are not conflicted.

- **Statutory duty to declare interests in transactions**

Section 177 requires a director to disclose any interest, direct or indirect, that he/she has in relation to a proposed transaction or arrangement with the company. Section 182 requires a director to declare the nature and extent of any direct or indirect interest that he/she has in any transaction or arrangement entered into by the company.

The Freeport currently ensures that the statutory duties to declare interests in transactions under sections 177 and 182 are complied with by requiring directors to complete directors' interest forms which are updated prior to each board meeting.

It remains the duty of directors to declare their own interests in transactions entered into by the Freeport. If a director breaches any of sections 175, 177 or 182 of the Companies Act, they are guilty of an offence.

- **Additional requirements under the Solent Freeport Articles of Association**

The Articles contain additional requirements if a director has a conflict of interest, depending on whether it is based on personal interests or a conflict based on competing duties in different roles. These requirements apply in addition to the duty to avoid conflict situations under Section 175 of the Companies Act.

Article 27 states that a director must absent himself or herself from any discussions of the directors in which it is possible that a conflict will arise between his or her duty to act solely in the interests of the company and *any personal interest* (including but not limited to any personal financial interest) or a *duty of loyalty owed to another*.

Article 27 states that if a conflict of interests arises for a director because of a *duty of loyalty owed to another*, the unconflicted directors may authorise such a conflict of interests where the following conditions apply:

- the conflicted director is **absent** from the part of the meeting at which there is discussion of any arrangement or transaction affecting that other person;
- the conflicted director **does not vote** on any such matter and is not to be counted when considering whether a quorum of directors is present at the meeting; and
- the unconflicted directors consider **it is in the interests of the company to authorise** the conflict of interests in the circumstances applying.

Article 27 is likely to apply to all Core Directors. It can apply even if the conflict does not involve a direct or indirect benefit of any nature to the director or to a connected person.

Article 27 makes clear that any potential conflict of duty that becomes an actual conflict in practice, may only be authorised if the three conditions listed in the bullet points above have been met.

**HM Government guidance**

In addition to the statutory regime, government has issued guidance that Freeports are required to comply with. The National Assurance framework (see [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1014448/National\\_Local\\_Growth\\_Assurance\\_Framework\\_2021\\_Update.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1014448/National_Local_Growth_Assurance_Framework_2021_Update.pdf)) require the Solent Freeport to incorporate the following specific requirements into its conflicts of interest policy, and to implement this policy as follows:

- All board members must take personal responsibility for declaring their interests and avoiding perceptions of bias. This should be evidenced by producing and signing of a register of interests that is published on the



Solent Freeport website.

- The Solent Freeport should use a bespoke proforma for collection and publication of the conflict of interest information which ensures all categories of interest are systematically considered.
- The Categories of interest declared should include employment, directorships, significant shareholdings, land and property, related party transactions, membership of organisations, gifts and hospitality, sponsorships. Interests of household members should also be considered.
- Action in response to any declared interests applies to any involvement with the work of the Freeport and is to be recorded.

The National Audit Office's (NAO) report into Conflicts of Interests also provides a very clear definition of conflicts of interest and, for convenience, the relevant information is copied below (the full NAO report is available at: <https://www.nao.org.uk/wp-content/uploads/2015/01/Conflicts-of-interest.pdf>)

*1.1 A conflict of interest is a set of circumstances that creates a risk that an individual's ability to apply judgement or act in one role is, or could be, impaired or influenced by a secondary interest. It can occur in any situation where an individual or organisation (private or government) can exploit a professional or official role for personal or other benefit. This definition is based on generally accepted standards.*

*1.2 Conflicts can exist if the circumstances create a risk that decisions may be influenced, regardless of whether the individual actually benefits. The perception of competing interests, impaired judgement or undue influence can also be a conflict of interest.*

## **Recommendation**

In line with the above, all Board Members are asked to review the Registers of Interest of all Board Members ([available here](#)) in advance of the meeting and, at the Board Meeting, Board Members will be asked to:

- **Consider** the extent that any interests on the Register of Interests forms submitted by Directors give rise to situations in which those Directors have, or could have, a direct or indirect interest that conflicts with, or might possibly conflict with, the interests of the company (for the purposes of section 175 of the Companies Act 2006), and having considered whether authorisation of such possible conflicts is in the best interests of the company, to
- **Authorise** those potential conflict situations subject to the proviso that if any such possible conflict materialises as an actual conflict:
  - i. the conflicted director is **absent** from the part of the meeting at which there is discussion of any arrangement or transaction giving rise to the conflict;
  - ii. the conflicted director **does not vote** on any such matter and is not to be counted when considering whether a quorum of directors is present at the meeting.

## **Financial comments from the S151 Officer of the Accountable Body**

The current approved Freeport budget (as set out in item 4) includes provision for the recruitment of the Chief Executive and the Non-Executive directors together with the ongoing Chief Executive cost of employment and the payments to the NED's if they choose to accept it.

As the Freeport properly enters the delivery stage, the ongoing costs of the direct staffing and LEP Executive support as described in this report will need to be reviewed and it is likely that the costs will flex between these two budget lines. As these requirements are confirmed, the existing budget provision will need to be refreshed to reflect the actual costs whilst also considering the affordability and the impact this may have on the use of the retained rates to cover the ongoing operational costs of the Freeport.

The Freeport budgets will be reviewed by FRAC at each meeting and reported into the SFCL Board meetings with advice as appropriate.

**2.2.2023**

**Item 6 - Annexe A**

**A confidential report will be considered at the meeting**

**2.2.2023**

**Item 7**

**Seed Capital Programme Update**

**Item:** 7  
**Title:** Seed Capital Update  
**Date:** 14 December 2022  
**Purpose:** For information and decision

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## 1. Seed Capital Business Cases for Consideration

Further to updates on previous Seed Capital Business Cases received, the Solent Freeport invited scheme promoters to submit business cases to be considered for seed capital funding across two windows:

- Thursday 12<sup>th</sup> January 2023 - for consideration at the Freeport Board meeting on Thursday 2<sup>nd</sup> February 2023, and;
- Wednesday 29<sup>th</sup> March 2023 - for consideration at the Freeport Board meeting on Wednesday 26<sup>th</sup> April 2023

Two business cases have been received in advance of the January deadline for consideration at the February meeting.

Copies of both business cases received are provided in the reference material folder. KPMG have been commissioned to undertake independent due diligence on all business cases received and a report on each business case is included as an annexe to this report. The reports also include comments provided by the Accountable Body as part of the financial due diligence on each project. KPMG will present the findings and recommendations of their reports at the meeting.

The Board will be asked to:

- **Agree** the due diligence reports and recommended next steps in relation to each project.

## 2. Seed Capital Programme Status Update

Consultations in relation to two Seed Capital Business cases have been launched following the previous Board meeting, in relation to Fawley Waterside Enabling Infrastructure Phase 1 and the Solent Maritime Innovation Hub. Information on the consultations can be found at: <https://solentfreeport.com/consultations/> and the closing dates for each consultation are 16<sup>th</sup> March and 16<sup>th</sup> February 2023 respectively. An update on the outcome of these consultations will be provided following the closing dates. Bespoke subsidy control assessments for all Seed Capital projects have also been commissioned through our accountable body and an update on this will be provided when available.

The executive have also prepared a risk register for the seed capital programme and this is provided at Annexe C.

Board Members are asked to consider a further deadline for submission of Seed Capital Business Cases of Thursday 25<sup>th</sup> May 2023 for consideration at the Board meeting on Wednesday 28<sup>th</sup> June 2023.

The Board will be asked to:

- **Agree** the additional deadline for the submission of Seed Capital Business Cases set out in this report.

### **3. Financial comments from the S151 Officer of the Accountable Body**

Due diligence on the business cases received has been undertaken independently by KPMG and also by the accountable body and the report to be provided includes a range of comments in respect of this work.

The commitment to fund any project will need to be conditional as the grant determination for the seed capital funding has yet to be received and reviewed by the Accountable Body, however this is expected shortly.

Ultimately the cumulative value of projects recommended for approval will need to be within the expected £25m seed capital funding grant allocation.

Any funding agreement issued will include a commitment from the scheme promoter to underwrite any cost overrun so there is no financial risk to the Solent Freeport.