



AGENDA

Solent Freeport Consortium Limited (SFCL)
 Finance, Resources and Audit Committee (FRAC)
 Meeting to be held virtually on Wednesday 5 April 2023 – 14:30 to 16:00

Item	Title	Time
1.	Introductions and apologies for absence	14:30 – 14:35
2.	Notes of the last meeting on 28 November 2022, matters arising and declarations of interest	
3.	Implementation Plan review and status update to include consideration of Solent Freeport Monitoring and Evaluation Year 2 Engagement Plan.	14:35 – 14:55
4.	Retained Rates Investment Plan Update	14:55 – 15:05
5.	Finance update to include: <ul style="list-style-type: none"> - Forecast out-turn for 2022/23 - 2023/24 budget - Financial forecasts to 2025/26 - Consideration of audit plan for 2023/24 - Risk management framework 	15:05 – 15:40
6.	Draft Annual report for 2022/23 to include review of Terms of Reference and Committee Composition	15:40 – 15:55
7.	Any Other Business <ul style="list-style-type: none"> - Date of next meeting is to be advised 	15:55 – 16:00

5.4.2023

Item 2

Notes of 28th November 2022 Meeting

Solent Freeport Consortium Ltd (SFCL) Finance, Resources and Audit Committee (FRAC) Meeting Note

Date: Monday 28 November 2022
Time: 16:00 - 17:00
Venue: MS Teams

Present	In attendance
Anne-Marie Mountifield - Senior Responsible Officer	Nicola Twiddy - LEP Executive
Alan Bethune - New Forest District Council	Richard Jones - LEP Executive
Derek Pretty - Eastleigh Borough Council	
Edward Heron - NFDC - FRAC Chair	
James Fitzgerald - Accountable Body	
Kimberley Churchill - Havant Borough Council	Guests
Malcolm Coe - Havant Borough Council	Lewis Atter - KPMG
Richard Parkinson - Solent Gateway	Kirsten Saguil - KPMG
Apologies	
No apologies were received	

Agenda Item	Notes	Action
1.	<p>Introductions and apologies for Absence Edward Heron welcomed all to the Solent Freeport Consortium Ltd (SFCL) Finance, Resources and Audit Committee (FRAC) meeting.</p> <p>There were no apologies to note.</p>	
2.	<p>Notes of the last meeting on 20 September 2022, matters arising and declarations of interest</p> <p>The notes of the meeting on 20 September 2022 were agreed.</p> <p><u>Matters Arising</u> All matters arising will be covered at the meeting today. The MOU will be covered under item 3 and the membership fees under item 5.</p> <p><u>Declarations of Interest</u></p> <ul style="list-style-type: none"> - Solent LEP Executive in relation to servicing requirements and charging for the freeport. - Anne-Marie Mountifield in relation to items on SEED capital funding. - James Fitzgerald in relation to items on SEED capital funding. 	

<p>3.</p>	<p>Implementation Plan review and status update to include review of HM Government draft Memorandum of Understanding (MOU) The paper was taken as read and an update was given on the monitoring and evaluation (M&E) process. The first M&E report has been returned to Government. The Operations and Delivery Committee will be set up in early 2023 and they will oversee the M&E process.</p> <p><u>MOU</u> The following was highlighted:</p> <ul style="list-style-type: none"> • The Full Business Case & Annexes form part of the MOU as appendix 1. • Principles of 'no detriment' for Local Authorities has been imbedded within the MOU to be properly explored with DLUCH as set out in section 1.1.8 b. • Section 1.1.8b also sets out a requirement to submit the Retained Rates Investment Plan (referred to as “the business rates strategy”) for approval prior to any SEED Capital being released. <p>All council consideration dates are now known, with the last date being 20 December, meaning it is possible for the MOU to be submitted to Government prior to Christmas.</p> <p>Finance, Resources and Audit Committee Members:</p> <ul style="list-style-type: none"> • Reviewed the implementation plan and provide any advice on it ahead of providing an updated plan to the Board for their meeting in December 2022. • Noted the update on monitoring and evaluation for the freeport. • Noted the update on the final draft HM Government MOU in Annexe B and SEED capital spend profile in Annexe C. • Noted the update on the timeline for Council and SFCL Board approval of the MOU. 	
<p>4.</p>	<p>Retained Rates Investment Plan Lewis Atter and Kirsten Saguil gave a presentation on the Retained Rates Investment Plan and the skeleton plan was reviewed.</p> <p>The Retained Rates Investment Committee will considered the full draft plan at their meeting on 9 December and the SFCL Board will be considered it for approval at the Board meeting on 14 December.</p> <p>The Finance, Resources and Audit Committee Members:</p> <ul style="list-style-type: none"> • Noted the update provided. 	
<p>5.</p>	<p>Finance Update The Finance Paper was taken as read and a summary of the paper was provided. Key points covered were the member and associate member fee contributions.</p> <p>Alan Bethune left the meeting (17:05)</p> <p>It was also advised that the balance of the capacity funding available from Government has been requested so it is received by the end of the financial year 2022/23.</p>	<p>Executive/AB</p>

	<p>Derek Pretty left the meeting (17:09)</p> <p>Finance, Resources and Audit Committee Members:</p> <ul style="list-style-type: none"> • Endorsed 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 and Recommended them for approval by the Solent Freeport Consortium Limited (SFCL) Board on 14 December 2022. • Noted and Approved the budget updates in paragraphs 3.2 and 3.3. • Noted the risks surrounding partner funding contributions in paragraph 3.4 and Agreed to request short term cash flow support from the Accountable Body. • Noted the potential risk regarding rating authority contributions for 2023/24 as highlighted in paragraph 4.2 and Agreed that the Accountable Body undertakes steps to confirm the status of these contributions. • Considered and Agreed the corporate and strategic risk register at Appendix C. • Considered and Agreed the retained rates risk register at Appendix D. • Noted the update regarding the SEED capital funding programme provided at the meeting. 	<p>SFCL Board</p> <p>AB</p> <p>AB</p>
<p>6.</p>	<p>Any Other Business and date of next meeting There was no further business, so the meeting was closed.</p> <p>The next meeting is scheduled for 22 February 2023.</p>	

Meeting closed at 17:11

5.4.2023

Item 3

Implementation Plan Review and Status Update

Item: 3
Title: Status report
Date: 5 April 2023
Purpose: For information and discussion

1. Draft resolution

Committee members are asked to:

- **Review** the implementation plan in Annexe A and provide any advice on it ahead of providing an updated plan to the board for their meeting in April 2023; and
- **Note** the advice in relation to producing an annual delivery plan and annual report from 2023/24 onwards.
- **Note** the update on monitoring and evaluation for the freeport and the schedule of engagement in Annexe B; and
- **Agree** that the freeport commission some additional capacity to meet the requirements for monitoring and evaluation for the 2nd monitoring and reporting period (March 2023 – June 2023)
- **Note** the update on progress against delivery milestones under schedule 2 of the HM Government MOU in Annexe D and SEED capital spend profile attached in Annexe C

2. Summary

Since the last meeting of the FRAC in November 2022 work has continued as per the implementation plan for the Solent Freeport and now reflects the achievement of key milestones including:

- Confirmation from HM Government that Solent Freeport was one of the first three freeports to receive final approval; and
- Agreement of the MoU between the SFCL Board, The Accountable Body, The Billing Authorities and HM Government (DLUHC) with confirmation that all parties have signed the document; and
- Payment of £3.1 million SEED Capital funding for 2022/23 with a further £21.9 million due for payment in 2023/24.

3. SFCL Implementation Plan

Solent Freeport has now moved from the set-up phase into delivery and the implementation plan (as attached in Annexe A reflects this. It is recognised that the board will now need to move to a position where it will need to consider the development of an annual delivery plan and ultimately an annual report to include:

- Business and job creation

- Regeneration and infrastructure
- Trade and investment
- Skills and education
- Innovation and collaboration
- Net Zero
- Freeport Programme resources
- Site delivery (note the role of site-specific agreements will be important in this regard)

There will also be a requirement to undertake a security audit and we await further guidance on the process for this.

It is expected that the Operations and Delivery Committee will be formed once the newly appointed Chief Executive is in post and they will lead this work. In the interim FRAC are asked to monitor progress.

Committee members are asked to:

- **Review** the implementation plan in annexe A and provide any advice on it ahead of providing an updated plan to the board for their meeting in April 2023; and
- **Note** the advice in relation to producing an annual delivery plan and annual report from 2023/24 onwards.

4. HM GOVERNMENT MONITORING and EVALUATION (M&E)

As previously advised Government have now published the monitoring and evaluation (M&E) data reporting requirements of the UK Freeports Programme, through the Department of Levelling Up, Housing and Communities (DLUHC). It details their mandatory reporting requirements for Freeports, the frequency of when they expect this to be collected and how we should do it. This is now incorporated as schedule 5 within the agreed MOU.

As Solent Freeport moves to the delivery phase, data reporting is key to ensuring accountability for public money and tracking progress against the policy objectives. Reporting will also be used as evidence to inform annual reviews and provide government with the assurance to release future benefits.

We are advised that most of the data required for the M&E will be collected from national statistics and other data sets wherever possible. However, where this is not available within the appropriate geography or at the correct level of granularity, DLUHC will require primary data to be collected from Solent Freeport.

In line with the expected impacts of the Freeports Programme, they have identified eight main themes for the indicators they will ask us to collect:

- Business and job creation
- Regeneration and infrastructure
- Trade and investment
- Skills and education
- Innovation and collaboration
- Net Zero
- Freeport Programme resources
- Site delivery (note the role of site-specific agreements will be important in this regard)

As previously advised, we commissioned KPMG to prepare a baseline first return to cover the period 30 September 2021 to 30 September 2022 and this was submitted in November 2022 and DLUHC have confirmed that this has provided a solid baseline to progress into year 2. Reporting will take place on the following cycles set out in the schedule of engagement in Annexe B. In addition to this the table below provides a more detailed indication of the upcoming engagement for monitoring and evaluation over the next year

Table 1: Year 2 Engagement Plan

Name of session	Purpose of session	Date range	Who we would like to attend
Interviews for Theory of Change	Interviews with management leads to produce more detailed individual Theories of Change (i.e., how inputs and actions lead to impacts/outcomes) for each Freeport.	13 th March – 30 th April	Requires strategic and operational input
Interviews for Case Studies	Interviews to source examples of how the Freeports are performing and delivering benefits for businesses and the community.	1 st July – 31 st August	Requires operational input
Interviews for Business Cases	Interviews to understand the approach and assumptions used to estimate additional investment, jobs, and GVA.	1 st round: 1 st March – 31 st March 2 nd round: 1 st April – 30 th April	Requires operational input
Monitoring period reporting	Following the monitoring period, an opportunity to report on progress with the completion of the M&E reporting data collection form.	1 st April – 31 st May	Requires operational input
Self-assessment	Opportunity for Freeports to reflect on progress with monitoring and evaluation, and to pinpoint areas where more support may be useful.	1 st March - 31 st May	Requires operational input

This more detailed programme shows how the freeport would need to support the evaluation. There is clearly a lot of engagement to support the qualitative evaluation and DLUHC have endeavoured to develop a process to ensure these requests are as co-ordinated as possible. Notwithstanding this and noting that the incoming Chief Executive will be developing executive capability in the medium term to support the delivery of this engagement, it is recommended that the freeport commission some additional capacity to meet the forthcoming timelines.

Committee members are asked to:

- **Note** the update on monitoring and evaluation for the freeport; and
- **Agree** that the freeport commission some additional capacity to meet the requirements for monitoring and evaluation for the 2nd monitoring and reporting period (March 2023 – June 2023)

5. HM GOVERNMENT MOU

As previously advised, following the approval of our FBC, the Government has agreed an MoU with SFCL partners covering:

- The role and responsibilities of the accountable body; and
- The role and responsibilities of the Freeport Governing Body; and
- The planned use of retained business rates by the Freeport.

The MoU formalises the Government's expectations that the Freeport Governing Body delivers the Freeport proposition as articulated in the FBC.

There are a range of supporting schedules and we can provide an update in relation to Schedule 1: Spend Profile for the SEED Capital programme and Schedule 2: Progress Milestones, which are attached in Annexe C.

As indicated earlier in the report and as per the spend profile in schedule 1 £3.1 million has been paid to the accountable body for 2022/23 to support the SEED capital programme. An update on the status of the programme and projects is set out under item 5.

In terms of the position on MOU progress milestones, Annexe D provides a high-level progress update and committee members are asked to consider the position on the SEED capital programme alongside the update on the status of the programme which is considered in more detail under item 5.

Committee members are asked to:

- **Note** the update on progress against delivery milestones under schedule 2 of the HM Government MOU in Annexe D and SEED capital spend profile attached in Annexe C

5.4.2023

Item 3 - Annexe A - D

**Confidential reports will be considered at the
meeting**

5.4.2023

Item 4

Retained Rates Investment Plan

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

5.4.2023

Item 5

Finance Update

Item: 5
Title: Solent Freeport Finance Update
Date: 5 April 2023
Purpose: For information and approval

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.

1. Introduction

- 1.1 This report provides Finance, Resources and Audit Committee (FRAC) with updated financial forecasts including the actual expenditure to 28 February 2023, the forecast outturn for 2023/24 and a forecast budget for the following three financial years up to and including 2025/26.
- 1.2 It includes the latest versions of the retained rates and the corporate and strategic risk registers and sets any emerging financial issues and risk and recommends action where appropriate to manage these areas for members of FRAC to consider, comment on and provide advice to the Board accordingly.

2. Recommendations

2.1 It is recommended that the FRAC:

- (i) **Endorse** the revised budget and forecast outturn for 2022/23 of £1,004,200 as set out in Appendix A, the original budget for the 2023/24 financial year and the forecast budgets for 2024/25 and 2025/26 as set out in Appendix B and **Recommend** them for approval by the Solent Freeport Consortium Limited (SFCL) Board on 26 April 2023.
- (ii) **Note** the update in respect of the cost of consultancy in paragraph 4 and **Agree** to the provision of increased resources for key activities in 2023/24.
- (iii) **Note** the update and associated risks in respect of Retained Rates and Tax Incentives in paragraph 6.
- (iv) **Consider** the corporate and strategic risk register attached at appendix C, provide any feedback and **Recommend** it for approval by the SFCL Board on 26 April 2023

- (v) **Consider** the retained rates risk register attached at appendix D, provide any feedback and **Recommend** it for approval by the SFCL Board on 26 April 2023
- (vi) Note the intention to formulate an Audit plan as set out in paragraph 10 of this report.

3. Current Year Budget Status

The forecast outturn for the 2023/24 financial year is set out at Appendix A which has been updated with the actual expenditure to the end of February 2023 and budgets revised to reflect the actual anticipated expenditure to the end of the year.

The main variances from the last Board meeting reflect that some of the recruitment activity for the non-executive directors is likely to slip into the following financial year and the update on the consultancy costs which also has an impact on the following financial year and is set out in more detail below.

The first tranche of Seed capital of £3.1m was received in mid-February and as this is yet to be deployed the Accountable Body has invested it in line with its treasury management policy so in line with this a small element of forecast interest (£10,000) has been added to the Freeport funding sources. The actual sum will be added to the Freeport balance sheet as a funding source at the end of the financial year.

The final amendment is that as it is unlikely there will be any further call on the contingency at this late stage this has been carried forward to the following financial year.

There is a small underspend of £54,747 the funding for which will be carried forward to the 2023/24 financial year to, where possible, help offset some of the pressures that are forecast to occur.

4. Consultancy Costs / Commissions.

The use of consultants has been key in enabling the Solent Freeport to reach the milestone of an approved full business case with government and there are a number of critical workstreams that, in the short term at least, will continue to need be supported by KPMG into the delivery stage. This continues to be a significant expense which has to date been driven mostly to address requirements from HMG during the set-up process which is why DLUHC have provided £1m of capacity funding which has paid for the majority of this work to date.

The activities KPMG are continuing to support are the delivery and refinement of the retained rates investment plan which is the most critical activity for the Freeport as well as supporting on the Seed capital due diligence and the next round of monitoring and evaluation in line with the HMG MoU.

The LEP executive and AB are currently negotiating the cost of this support into a number of discreet work packages however the initial quotes are significant and therefore to reflect this a sum of £300,000 has been added to the consultancy costs to cover these workstreams for the following financial year in addition to the agreed SEED capital work that is currently ongoing.

In addition to this a further £100,000 has been added to make provision for other commissions the Freeport may need to deliver in order to deliver other aspects of the MoU with Government.

Once these activities are finished it is expected that the majority of set up and initial delivery consultancy work will be complete and that going forward the Chief Executive will begin to configure operational support for the Freeport to ensure that where possible the ongoing skills required can be drawn for directly employed staff with additional support from external commissions as necessary.

5. Budget for 2023/24 and Future Years

The latest forecast budget for the following three years is attached at Appendix B.

The future years budgets are built on a range of assumptions now that the Freeport has entered the delivery stage such as the transition from the executive support arrangements to a directly employed Chief Executive. The budgets are also configured to reflect the main activities that are required to start meeting the objectives of the

Freeport as set out in the full business case which will be monitored against as set out in the signed MoU with HMG.

The new Chief Executive has been appointed and will formally start in their role on 1 June 2023 and one of their first tasks will be to put in place a range of resources to ensure that the correct capacity is in place which is likely to be a mix of directly employed staff and commission based work to formulate and deliver the strategies encompassing Skills, Innovation, Net Zero and Trade and Investment as well as delivering the Seed capital programme at pace and managing the ongoing retained rates investment plan.

Other commitments are likely to be external legal support in terms of issues such as subsidy control and additional Accountable body support due to their enhanced role in providing support around seed capital delivery and a further funding call to strengthen the project pipeline.

At present indicative sums have been included for these activities in the original budget for 2023/24 and future years however the Chief Executive will want to review these to ensure that the delivery can take place whilst also considering affordability.

On a recent DLUHC SRO call there was an indication that there may be a further small element of revenue support for Freeports, but this is not confirmed and is likely to be relatively low.

It is important to remember that the 2023/24 financial year is the last year that Board members have agreed to provide financial support for therefore without exploring an extension to this or alternative income sources, other than interest earned on seed capital (and ultimately retained rates) held and not deployed, the sole source of funding for the operational costs will be the retained rates.

Whilst it is positive that the use of retained rates for this purpose has been agreed in the local MoU it is important to remember that borrowing against these rates will be the enabler for investment across the Freeport geography and they are expected to be limited in the early years so the call against them to fund the operational costs needs to be measured and proportionate.

6. Retained Rates / Tax Incentives

The progress against the retained rates investment plan and concerns around the tax incentives window is being discussed under item 4 of this agenda. Notwithstanding this, the SRO has updated the board that further to the Spring Budget the Government have published a policy offer on Investment Zones. The document sets out the overarching ambition and policy model for Investment Zones. This includes confirmation that they will offer the same tax reliefs in both Investment Zones and Freeports to help ensure the two programmes work coherently. Further information on this and what it means in practice is awaited.

The estimated value of retained rates in the approved full business case was £485m over 25 years. Whilst it was accepted that this was a best estimate derived from the information held at the time it is expected that when these estimates are refreshed in Spring 2023, they are likely to be significantly different.

The two main reason for this are:

- (i) The impact of the economic downturn
- (ii) The time it has taken Government to agree the full business case meaning that the tax incentives available on the sites at present only run to September 2026 which unless extended will mean that critical infrastructure will not be in place to enable businesses to invest by taking advantage of the tax incentives.

7. Seed capital / Further funding call

Work on this is progressing with the next iterations of business cases due to be submitted on 29 March 2023. These will then undergo due diligence externally and by the Accountable Body and an update will be reported to the SFCL Board on 26 April.

The Accountable Body received £3.1m of Seed capital funding in mid-February and therefore it has been impossible to contract with projects for this in the sort timescale to the end of the financial year so preparations are in place to use the freedoms and flexibilities available to them to ensure this level of funding is available to be used in the following financial year.

8. Corporate and Strategic Risk Register

An updated corporate and strategic risk register is provided at Appendix C 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.

The highest risk is around the current five-year time period for the tax incentives for all Freeports due to the delay in approving the full business case and the time required to deliver critical infrastructure to properly enable the tax sites. There is an imperative to allow the existing incentives to be extended over a longer time period which is critical to the success of Solent Freeport and it is vital that the Freeport use the retained rates investment plan to open up a dialogue with HM Government with a view to securing the tax incentives beyond the current expiry date of 30 September 2026. An update on this is provided at paragraph 6 in this report.

9. 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.

As already set out in this report the receipt and deployment of the retained rates is one of the most critical activities for the Freeport to manage.

This risk register is therefore reviewed regularly by the Accountable Body and the Executive and also at each meeting of the FRAC and the Board which includes consultation with the s151 Officers of each of the four rating authorities. The latest version attached at Appendix D and includes updated scores and RAG ratings, showing a direction of travel of any particular risk.

10. Audit Plan 2023/24

As the Freeport enters the delivery stage and is in receipt of both revenue and capital funding from Government it is prudent for FRAC to consider and ultimately agree an audit plan to review overall governance and set-up activity to date and to start to consider SEED Capital activity.

The Chief Internal Auditor from the accountable body is considering the content of an appropriate audit plan and will be meeting with the Chief Executive of the Freeport early in their tenure to agree the scope of activities to be covered along with any particular priorities.

A proposed plan will be brought back to a later meeting of the FRAC, and the Freeport Board consider and agree accordingly.

11. 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 c £1.9m however this figure will be updated when the Chief Executive has started and has had the opportunity to review the budget forecasts.

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.

There are a range of risks that have been drawn to the attention of the Committee in this report and the Accountable Body will continue to monitor and mitigate these with support from the members of the board and external stakeholders.

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.

Solent Freeport Budget 2022/23

Notes	Activity	Full Year Budget 2022/23*	Expenditure to 28 February 2023	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	19,100	(39,900)
3	Executive Support	350,000	331,711	364,000	14,000
5	Accountable Body Support	57,000	51,176	58,000	1,000
4	Legal support	20,000	19,483	21,000	1,000
6	Marketing & Communication costs	50,000	43,229	50,000	0
7	Commissions (including the OBC and FBC)	405,945	409,078	409,100	3,155
8	Other Commissions	85,000	0	70,000	(15,000)
9	Other Operational costs	13,000	12,900	13,000	0
10	Contingency / Reserves	19,002	0	0	(19,002)
Totals		1,058,947	886,631	1,004,200	(54,747)

* Budget approved by the Freeport Board on 2 February 2023

Funded By:	2022/23
	£
CLGU Freeport Set Up Revenue Funding - received	544,200
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
Interest Earned on balances	10,000
Totals	1,004,200

Operational (Surplus) / Deficit	0
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Notes / Budget Assumptions:

- 1 The Freeport Chief Executive is now starting in post on 1 June 2023
- 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.
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 was delivered and final designation was achieved. The support will reduce in the first quarter of 2023/24 as transition to the new Chief Executive takes place. It is then anticipated that the Freeport will begin to employ their own staff with external support commissioned as required.
- 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 and to work on the key deliverables as part of the MoU with government.
- 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	350,000	400,000	1,000,000
Recruitment Costs	12,650	19,100	40,250	0	0	72,000
Executive Support	198,593	364,000	52,500	0	0	615,093
Accountable Body Support	41,675	58,000	80,000	80,000	80,000	339,675
Legal Support	27,538	21,000	40,000	40,000	40,000	168,538
Marketing and communications	33,542	50,000	40,000	40,000	40,000	203,542
Commissions (Freeport Bid, OBC and FBC)	394,055	409,100	0			803,155
Other Commissions	0	70,000	415,000	200,000	150,000	835,000
Rating Authority Operational Costs		0	20,000	20,000	20,000	60,000
Other Operational costs	0	13,000	20,000	20,000	20,000	73,000
Contingency	0	0	35,000	35,000	35,000	105,000
Totals	708,053	1,004,200	992,750	785,000	785,000	4,275,003

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	544,200	247,747	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
Interest earned on balances	0	10,000	0	0	0	10,000
Retained Business Rates Growth (see current forecast below)			295,003	785,000	785,000	1,865,003
Totals	708,053	1,004,200	992,750	785,000	785,000	4,275,003

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

5.4.2023

Item 5 - Annexe C - D

**Confidential reports will be considered at the
meeting**

5.4.2023

Item 6

FRAC Annual Report

Item: 6
Title: FRAC Annual Report
Date: 5 April 2023
Purpose: For information and decision

1. Draft resolution

Committee members are asked to:

- **Agree** the Annual Report for Submission to the Solent Freeport Board, and;
- **Agree** to recommend the revised scheme of delegation at Annexe A to the Solent Freeport Board for adoption, and;
- **Agree** to recommend the Terms of Reference at Annexe B to the Solent Freeport Board for adoption, and;
- **Agree** to recommend the appointment of Richard Parkinson as interim FRAC Chair, to take effect following the resignation of Cllr Edward Heron from the Board of Solent Freeport Consortium Limited, and;
- **Agree** to seek an additional FRAC Member from amongst the Solent Freeport Consortium Limited Board.

2. FRAC Annual Report

Summary

The Committee has delegated responsibility to monitor the integrity of financial statements and announcements, provide advice on annual reports and accounts, review internal financial controls and risk management systems, monitoring and reviewing the effectiveness of the company's internal and external audit functions. As part of this remit it is best practice to produce an annual report on activity to the main Solent Freeport Consortium Limited Board and a summary of activity against each of these areas is provided below.

Monitor the integrity of financial statements and announcements, provide advice on annual reports and accounts

- The committee has considered the Freeport current and future years budgets at every meeting and provided advice to the Solent Freeport Board to ensure the development of a balanced budget through to 2025/26 of £4,275,003.

- In addition to financial reporting - in the absence of the Solent Freeport Operations Committee, which will be established during 2023/24 following the move from the set-up to delivery phase of activity - the Committee have also received updates on Freeport implementation activity and monitoring and evaluation as well as the draft Memorandum of Understanding subsequently executed by HM Government, the Solent Freeport, the Accountable Body and all Ratings Authorities.

Review internal financial controls and risk management systems

- FRAC led the development of a scheme of delegation for the Solent Freeport Consortium Limited during 2021 and this has operated successfully throughout the set-up phase of activity. There will be a need to review this in full in light of the new recruitment plan to be developed by the Freeport Chief Executive during 2023/24. However, it is recommended that this is adjusted in the interim period to provide a delegated authority to the S151 Officer or their nominated representative in agreement with the Freeport Chair to enable commissioning of activity outside of meetings where required, recognising that the existing delegation to the Freeport SRO is limited during the interim period on the basis of requirements to manage interests in potential delivery activities. A draft scheme of delegation with proposed amends highlighted is provided at Annexe A.
- FRAC have led the ongoing development and monitoring of the Freeports Corporate and Strategic risk register which is subsequently reported to the Freeport Board at every meeting. In addition, the committee have led the development of a dedicated risk register related to retained business rates, recognising that this is a specific area of risk for the Solent Freeport.

Monitoring and reviewing the effectiveness of the company's internal and external audit functions

- This area of work has not commenced to date on the basis that the Solent Freeport has been in the set-up phase. However, following the move to the delivery phase of activity at the beginning of 2023, FRAC will now be required to consider this function in more detail for the 2023/24 year and a proposal in relation to internal audit capacity will be considered by FRAC under item 5 on the agenda.

Governance

Terms of reference for the Committee were established in 2021 and have been reviewed as part of the first annual report. Updates are recommended to reflect the current position of the Solent Freeport and the proposed amends are attached to this report at Annexe B.

In relation to membership, in the interim to recruiting an Independent Non-Executive Chair for the Committee, FRAC has been Chaired by Solent Freeport Director Cllr Edward Heron. Further to the approval of the Solent Freeport request to expand Board size, the Freeport Remuneration, Employment and Nominations Committee have developed proposals to recruit to new Non-Executive Director roles which will be considered by the Freeport Board in April with a view to launching recruitment in May 2023 to enable the appointment of new Directors by August 2023.

Cllr Heron has advised the Freeport he will be tendering his resignation as a Solent Freeport Director on 5th May 2023 to align with the local government elections and, as a result of this, FRAC will require an Interim Chair for the period May - August 2023, to include Chairing a minimum of one FRAC meeting

scheduled for 15th June 2023. In order to ensure continuity during this interim period, it is recommended that current FRAC Member Richard Parkinson is appointed to the role.

It should also be noted that the FRAC terms of reference require the membership of FRAC to consist of a minimum of three and a maximum of six Directors of the Solent Freeport Consortium Limited. At present, there are three Director representatives, however, following the resignation of Cllr Heron there will be only two Directors on the committee. As a result, it is recommended that an additional representative is secured from amongst the Freeport non-executive Directors to join the committee.

FRAC are asked to:

- **Agree** the Annual Report for Submission to the Solent Freeport Board, and;
- **Agree** to recommend the revised scheme of delegation at Annexe A to the Solent Freeport Board for adoption, and;
- **Agree** to recommend the Terms of Reference at Annexe B to the Solent Freeport Board for adoption, and;
- **Agree** to recommend the appointment of Richard Parkinson as interim FRAC Chair, to take effect following the resignation of Cllr Edward Heron from the Board of Solent Freeport Consortium Limited, and;
- **Agree** to seek an additional FRAC Member from amongst the Solent Freeport Consortium Limited Board.

5.4.2023

Item 6 - Annexe A - B

**Confidential reports will be considered at the
meeting**