

**AGENDA ITEM 7****REPORT TO TEESSIDE FREEPORT GOVERNANCE BOARD****1<sup>st</sup> December 2023****REPORT ON FREEPORT BUSINESS RATES****BUSINESS RATES****SUMMARY**

Retained business rates from Teesside Freeport are a key financial lever provided by Freeport status and funded by HM Treasury, where rates relief is granted to occupying business.

The lever allows the Local Authority - Redcar and Cleveland Borough Council (RCBC) to retain business rates locally for investment to deliver Freeport objectives.

The purpose of this report is to inform the board of their local decision-making role in reviewing and approving investments funded by additional Freeport generated business rates income.

**RECOMMENDATIONS**

It is recommended that the Board note the content of the report.

**DETAILS**

1. The Freeport Full Business Case in section 1di3 provides the following information.
2. Retained business rates are a key financial lever provided by Freeport status and funded by HM Treasury, where rates relief is granted to the occupying business. The lever allows the Local Authority to retain business rates locally, rather than contribute to the national pot. The income generated is to be used to further the objectives of Freeport, for example, to remediate and develop other vacant land, to provide additional enabling infrastructure and support the available local workforce, which in turn catalyses inward investment and deliver regeneration.

3. All business rates are retained locally for a period of 25 years under the Freeport regulations compared to 50% being transferred to the national pool under normal circumstances. This additional retention represents the Freeport's benefit to local authorities, and the liability to central government for the purposes of this analysis, tax sites 1 & 2 retained under Business As Usual with tax site 3 (Wilton) retention being additional under the Freeports scenario only.
4. It is important to note that in Tees Valley, business rates relief as a lever is important for the potential investor, however as the retention of 100% of rates income pre-exists with the Development Corporation status on Teesworks, the scale of additionality from this lever is not as large as it would be for other Freeports. The beneficial outcomes from retaining business rates for local investment in regeneration will still be achieved. The addition of Freeport status to Tees Valley serves to accelerate the take up of sites and the additional benefit of this is shown in the graph below.
5. The following paragraphs explain the specific arrangements already in force on the tax sites which have implications on the additionality of the rates receivable which is attributable to Freeport status.

Tax Site Name	Without Freeport		With Freeport	
Teesworks West	STDC 50%	RCBC 50%	STDC 50%	RCBC 50%
Teesworks East	STDC 50%	RBCB 50%	STDC 50%	RCBC 50%
Wilton	Central Government 50%	RCBC 50%	RCBC 50%	RCBC 50%

6. The two Teesworks tax sites are on Development Corporation land. When the Development Corporation was created, Government allowed 100% of business rates generated to be retained locally, and these are shared 50:50 between RCBC and STDC. The agreed use of the business rates generated from Teesworks and paid over to STDC, has been set out in section 5.2 of the STDC Regeneration Business Case which precedes this business case. In the STDC business case, it is stated that TVCA will borrow against business rates income, along with raising capital against leases granted on the sites, towards the cost of financing the development of the site. The financial powers devolved are governed by the TVCA Assurance Framework, which meets the requirements of the National Guidance published by MHCLG (now DLUHC) and covers all departments including MHCLG, BEIS and DfT.
7. To determine the benefit available from this policy lever, it is assumed the statutory instruments applicable in establishing the Development Corporation are superior to the Freeport policy. Consequently, the use of retained business rates from the Teesworks tax sites remains as set out by the STDC Regeneration Business Case which has similar objectives associated with regeneration and creation of jobs and can be used for furthering Freeport objectives in the STDC area.

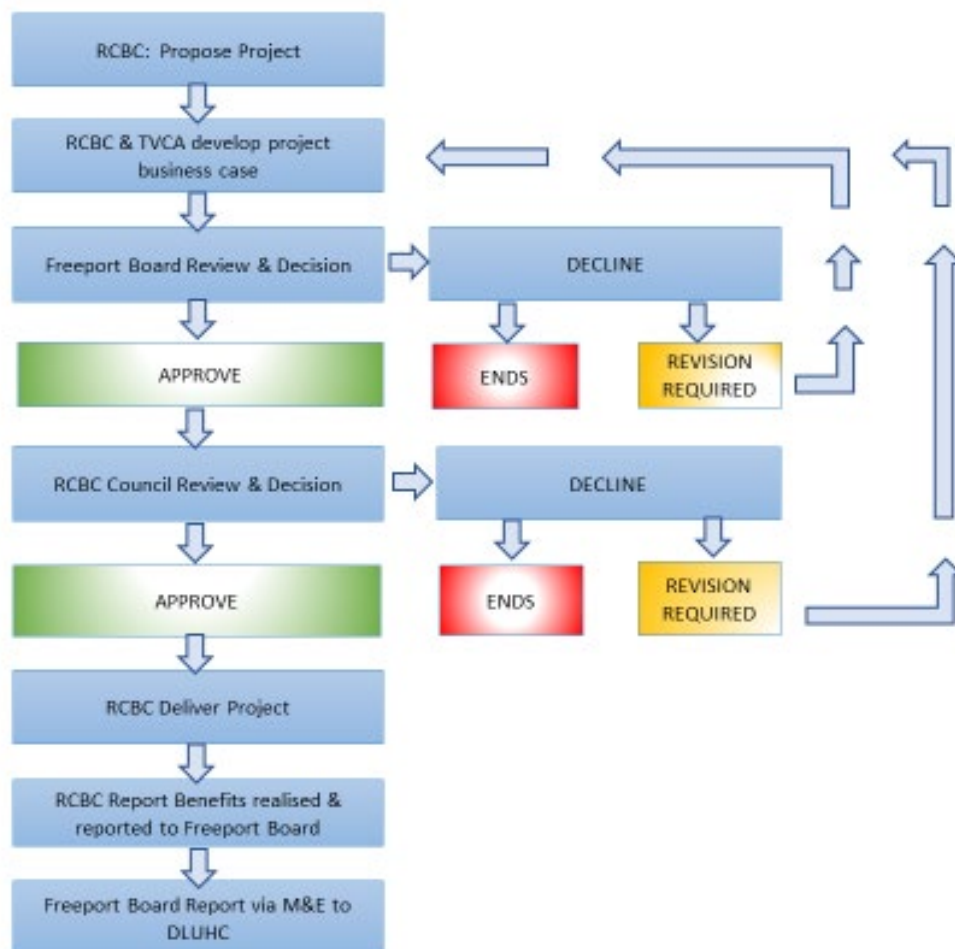
8. STDC has agreed to the use of their income from retained business rates to be used for the operational overheads of the Freeport including:
  - Funding of Freeport Marketing and Business Development
    - Brand and website development
    - Thought leadership
    - Cluster market development and positioning
  - Freeport site reinvestment to provide growth and infrastructure
  - Freeport Governance
  
9. As the statutory Freeport Board is a part of the TVCA group, it receives updates from the Strategy & Accountability for Public Funding Workstream led by the TVCA Group Director of Finance and Resources, it will monitor the delivery of the funding through the Freeport Governance policy.
  
10. The Wilton International site has a different agreement in place to the Development Corporation agreement. RCBC retains 50% of the business rates for the purpose of reinvestment in the borough. Freeport status on the Wilton tax site allows 100% of the business rates income to be retained locally, so this will generate additional income for RCBC. RCBC will invest these additional funds, following the process set out in FBC Annex W - Retained Business Rates Investment Plan. **The decision-making process involving the Freeport Board, ensures the investments deliver the Freeport Objectives to Promote Regeneration and Job Creation whilst aligning with RCBC's Strategic Place Development Plans.** The impact of the additional investments will improve the quality of life of residents, and improve the desirability of the area, which adds to the attractiveness of Freeport for people seeking to locate their business, live and work in the area.
  
11. The table below summarises the additional business rates benefit to be gained from Freeport status.

Benefit	Value (£m)
Total Business Rates Generated	821
BAU retention	692
Freeport retention	821
Net Freeport retention	129
<b>NPV of net retention</b>	<b>77</b>

12. The additional business rate income is generated as a result of Freeport Status; it is required to be invested by RCBC to meet the following objectives:
  - Promote Regeneration and Job Creation;
  - National Hub for Global Trade and Investment;
  - Create a Hotbed of Innovation

## DECISION MAKING PROCESS

13. The decision-making mechanism is set out in Annex W of the FBC, and is provided as an appendix to this board paper, illustrated below. The process involves TVCA and RCBC continuing their established collaborative working to define proposals and develop projects using HM Treasury Green Book best practice. The Freeport Board and RCBC Cabinet must both approve the projects before funds can be invested. The local-made investment decision, managed by the existing Local Authority procedures and constitution, mitigates any conflict from commercial interests on the Freeport Board, in selecting the best use of public funds.



## NEXT STEPS

The Freeport Manager is now in post, and is meeting with key stakeholders, including the landowners and marketing agent of the Wilton Tax Site and RCBC. This will inform

the expected timescales and funds to be generated from additional business rates, and potential investment opportunities.

### **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

### **LEGAL IMPLICATIONS**

There are no specific legal implications arising from this report.

### **RISK ASSESSMENT**

There are no specific risk implications arising from this report.

### **CONSULTATION & COMMUNICATION**

Stakeholder engagement meetings have started to take place with the Freeport Manager and Local Authority stakeholders.

A monthly meeting between the Freeport Manager and RCBC will take place to keep both parties informed and engaged with progress.

### **EQUALITY & DIVERSITY**

No specific impacts on people who are offered protection under the Equality Act 2010 with protected characteristics have been identified.

### **TEES VALLEY BUSINESS BOARD**

The Business Board has representation within the Freeport Governance Structure.

Name of Contact Officer: Ben Murphy  
Post Title: Freeport Manager  
Email Address: [ben.murphy@teesvalley-ca.gov.uk](mailto:ben.murphy@teesvalley-ca.gov.uk)