Browne Jacobson

Dated **2025**

(1) East Suffolk Council

(2) Mid Suffolk District Council

(3) Tendring District Council

(4) Freeport East Limited

Freeport East – Retained Business Rates Agreement

Contents

Date:

Parties

(1) **East Suffolk Council** of East Suffolk House, Station Road, Melton, Woodbridge, IP12 1RT (**ESC**);

(2) **Mid Suffolk District Council** of Endeavour House, 8 Russell Road, Ipswich, IP1 2BX (**MSDC**);

(3) **Tendring District Council** of Town Hall, Clacton-on-Sea, Essex, CO15 1SE (**TDC**),

each a **Billing Authority** and together the **Billing Authorities**; and

(4) **Freeport East Limited** a company incorporate in England and Wales (registered with company number 14525587) and whose registered office is at Freeport East, Scandinavia House, Refinery Road, Parkeston, Harwich, Essex, CO12 4QG (**FEL**).

Introduction

A The freeport model designed by the UK Government provides that all growth in business rates income on designated tax sites above a specified baseline figure throughout the Benefit Window (as defined below) is to be collected locally and then utilised to support the aims of the relevant freeport. The freeport model secures greater funds than would otherwise be achieved for regional growth and investment under governance mechanisms that are locally led.

B The Billing Authorities, the Accountable Body (as defined below), FEL, and the Department for Levelling Up, Housing and Communities (as it was known at the relevant time) are parties to a Memorandum of Understanding relating to Freeport East dated 27 July 2023. This Memorandum of Understanding sets out the overarching principles applicable to the retention and use by the Billing Authorities of business rates generated through eligible business activities and operations on the three Freeport East tax sites (located at Felixstowe, Harwich and Gateway 14, Stowmarket).

C Baseline business rate income for each of the three tax site locations is as set out in Paragraph 3 of Schedule 1 to the Non-Domestic Rating (Designated Areas) Regulations 2023 (and included at Schedule 1 (*Baseline Business Rates Income*) of this Agreement). All business rate income over and above the specified baseline for the relevant tax site in each Financial Year of the Benefit Window, subject to any exceptions expressly provided for in the Investment Strategy, shall accrue for the purposes of Freeport East and be subject to the terms of this Agreement.

D In accordance with the requirements of the MoU (as defined below) the FEL Governing Board has developed and agreed the Investment Strategy (as defined below) which is the overarching document governing the use of Retained NNDR (as defined below) in order to pursue the UK Government freeport policy in relation to Freeport East.

E This Agreement is intended to put into legal effect the relevant parts of the Investment Strategy and document the underlying mechanisms to support its implementation. It sets out the relationships and obligations between the Billing Authorities, FEL and the Accountable Body regarding the collection, pooling and initial allocation of Retained NNDR, it does not relate to how decisions regarding the distribution of Retained NNDR are made. The parties have agreed to enter into this Agreement to record how Retained NNDR will be collected and pooled throughout the Benefit Window.

Agreed terms

1 Definitions and Interpretation

The following definitions and rules of interpretation apply in this Agreement.

1.1 Definitions

Accountable Body	ESC or any such body that becomes the accountable body to the UK Government from time to time in respect of the use by Freeport East of public funds.
Accountable Body's Costs	the Accountable Body's administration costs allocated for the relevant Financial Year based on an annual budget approved by the FEL Governing Board and members of FEL.
ADR notice	has the meaning given in clause 13 (*Dispute resolution*).
Aggregate NNDR	the total NNDR received by the relevant Billing Authority in respect of all hereditaments which are: (a) wholly within and partially within the relevant Tax Site; and (b) all sums received by the relevant Billing Authority by way of grant under section 31 of the Local Government Act 2003 in respect of NNDR relief granted by that Billing Authority to hereditaments wholly or partially present on the relevant Tax Site.
Agreement	this agreement including its Schedules.
Audit & Finance Committee	FEL's audit & finance committee established in accordance with FEL's articles of association.
Authorised Representatives	the persons respectively designated as such by the parties, the first such persons being set out in Schedule 3 (*Authorised Representatives*), which for each Billing Authority shall be their Section 151 Officer or, in their absence, a delegated Officer.
Baseline Amount	the baseline business rates income for each Tax Site calculated in accordance with Schedule 1 (*Baseline Business Rates Income*).
Benefit Window	the period during which the UK Government has guaranteed that NNDR relating to eligible businesses operating on the Tax Sites will be reimbursed to the Billing Authorities commencing on 1 April 2023 and ending on the Benefit Window Expiry Date.
Benefit Window Expiry Date	31 March 2048 or such other date as may be specified by the UK Government from time to time.

Commencement Date	1 April 2023.
Confidential Information	means in relation to any party information of a confidential or proprietary nature (whether in oral, written or electronic form) belonging or relating to that party, its business affairs or activities which: (a) that party has marked as confidential or proprietary; (b) that party, orally or in writing has advised the other party (to whom it has disclosed such information) is of a confidential nature; or (c) due to its character or nature, a reasonable person in a like position and under like circumstances would treat as confidential.
Data Protection Legislation	all applicable data protection and privacy legislation in force from time to time in the UK including the UK GDPR; the Data Protection Act 2018 (and regulations made thereunder) and the Privacy and Electronic Communications Regulations 2003 (*SI 2003/2426*) as amended and the guidance and/or codes of practice issued by the Information Commissioner or other relevant regulatory authority and applicable to a party.
Deed of Novation	a deed of novation to novate the rights and obligations of the outgoing Accountable Body and/or outgoing Billing Authority under this Agreement to the incoming Accountable Body and/or incoming Billing Authority which shall be on such terms as to be agreed between the parties to this Agreement and the incoming Accountable Body and/or incoming Billing Authority at the relevant time.
Dispute	has the meaning given in clause 13 (*Dispute resolution*).
Dispute Notice	has the meaning given in clause 13 (*Dispute resolution*).
EIRs	the Environmental Information Regulations 2004 (*SI 2004/3391*) together with any guidance and/or codes of practice issued by the Information Commissioner or relevant government department in relation to such regulations.
FEL Governing Board	the board of directors of FEL from time to time that comprises representatives of the members of FEL, FEL's Chief Executive Officer, and FEL's Independent Chair.
FEL's Operating Costs	FEL's delivery costs allocated for the relevant Financial Year based on an annual budget approved by the FEL Governing Board and members of FEL.

Financial Year	the period of 12 months commencing on 1 April in each year of the Benefit Window.
FOIA	the Freedom of Information Act 2000 together with any guidance and/or codes of practice issued by the Information Commissioner or relevant government department in relation to such legislation.
Forward Funding	the sum of £160,000 provided by each of the Local Authority Founding Members to forward fund Pot C in the Financial Years 2022/2023 and 2023/2024 which is to be repaid to each of the Local Authority Founding Members out of Retained NNDR in accordance with the terms of the Investment Strategy.
Freeport Free Cashflow	shall have the meaning given in paragraph 2.1 of Schedule 2 (*Allocations of Retained NNDR for Freeport East Delivery*).
Full Business Case	the full business case for Freeport East to operate a freeport in the East Anglia area as approved by MHCLG on 22 December 2023.
Held Funds	Retained NNDR held in the Retained Rates Account by the Accountable Body and managed as part of the Accountable Body's treasury management.
Information	has, for the purposes of clause 15 (*Freedom of information*), the meaning given under section 84 of the FOIA.
Investment Strategy	the document which sets out, amongst other matters, the approach to the pooling, management, allocation and use of Retained NNDR in accordance with the provisions of the MoU as such policy may be agreed and/or updated by FEL and the FEL Governing Board from time to time and notified to the parties. Key elements of the relevant strategy as at the date of this Agreement are set out in Schedule 2 (*Allocations of Retained NNDR for Freeport East Delivery*) and the version in effect as at the date of this Agreement is attached at Schedule 4 (*Investment Strategy*).
Intention to Fund	a share of FEL's Operating Costs and the Accountable Body's Costs for the relevant Financial Year recorded against a Tax Site to enable repayment of those costs from Retained NNDR generated by the relevant Tax Site in future Financial Years.
Law	the laws of England and Wales and any other laws or regulations, regulatory policies, guidelines or codes which apply to the subject matter of this Agreement.

Local Authority Founding Members	(a) the Billing Authorities; (b) Suffolk County Council; and (c) Essex County Council.
MHCLG	the Ministry of Housing, Communities and Local Government (previously known as the Department for Levelling Up, Housing and Communities) and any other successor central government department which assumes some or all of the functions formerly exercised by the Ministry of Housing, Communities and Local Government upon an amalgamation or merger of or transfer of engagements or otherwise. References to MHCLG shall include the Department for Levelling Up, Housing and Communities.
MoU	the Memorandum of Understanding entered into between the Secretary of State for Levelling Up, Housing and Communities, the Accountable Body, the Billing Authorities and FEL dated 27 July 2023 relating to the use of public funding provided by MHCLG to the Accountable Body for Freeport East and outlining other support that may be made available to Freeport East by the UK Government.
MoU Sanctions	any sanction imposed on the Accountable Body or other relevant party by MHCLG (or other central government department) pursuant to the MoU (as such sanctions are detailed in section 7.3 of the MoU).
NNDR	national non-domestic rates (otherwise known as business rates) payable by occupiers of non-domestic properties to the Billing Authorities under the Local Government and Finance Act 1988.
Operating Costs	together: (a) FEL's Operating Costs; and (b) the Accountable Body's Costs.
Payment Period	has the meaning given in clause 4.1.7.
Permitted Purpose	has the meaning given in clause 17.2 (*Confidentiality*).
Pot A	has the meaning given in the Investment Strategy.
Pot B	has the meaning given in the Investment Strategy.
Pot C	has the meaning given in the Investment Strategy.

Rates Forecast Statement	a statement in the form or substantially in the form set out at Schedule 5 (*Rates Forecast Statement*) that integrates relevant data including: (a) the Baseline Amount for the relevant Financial Year; (b) forecasts of Retained NNDR income for the relevant Financial Year; (c) relevant Freeport delivery costs; (d) prior commitments against Retained NNDR allocations; (e) Intention to Fund positions for each Tax Site; and (f) subsequent forecast allocations to each of Pot A, Pot B and Pot C for the forthcoming Financial Year.
Rates Reconciliation Statement	the outturn statement in the form or substantially in the form set out at Schedule 6 (*Rates Reconciliation Statement*) against all those items reflected in the Forecast Statement that allows for an annual reconciliation of (among other things): (a) Held Funds against the actual Retained NNDR received by each Billing Authority in the relevant Financial Year as confirmed in the NNDR3 (as such form may be updated or replaced from time to time) for that Billing Authority; and (b) allocations to Pot A, Pot B and Pot C.
Rating Regulations	the Non-Domestic Rating (Designated Areas) Regulations 2023 (*SI 2023/175*).
Receiving Party	has the meaning given in clause 15.1 (*Freedom of information*).
Representatives	means, in relation to party, its employees, officers, elected members (where relevant), representatives and advisors.
Request for Information	a request for information or an apparent request under the Code of Practice on Access to Government Information, FOIA or the EIRs.
Retained NNDR	the sum of the Aggregate NNDR less the relevant Baseline Amount for each Tax Site received and/or receivable by the relevant Billing Authority. For the avoidance of doubt, if in any Financial Year the amount of Aggregate NNDR for a Tax Site is equal to or lower than the relevant Baseline Amount then the Retained

NNDR for the relevant Tax Site for that Financial Year shall be zero for the purposes of this Agreement.

Retained Rates Account	the bank account established by the Accountable Body in accordance with clause 5 (*Retained Rates Account*).
Senior Officers	has the meaning given in clause 13 (*Dispute resolution*).
Single Freeport Retained NNDR Model	the model based on forecast and actual Retained NNDR data collected across all Tax Sites which is used to: (a) forecast future Retained NNDR income; (b) model forecast and outturn expenditure and commitments over the Term; (c) inform the long-term management of Retained NNDR; (d) assist with decisions taken in respect of the allocation of Retained NNDR; and (e) assist with the ongoing monitoring and evaluation of Retained NNDR.
Successor Body	upon an amalgamation or merger of or transfer of engagements or otherwise, any local authority which assumes some or all of the functions exercised by another local authority.
Tax Sites	the Freeport East tax sites designated as special areas by the Designation of Freeport Tax Sites (Freeport East) Regulations 2021 (*SI 2021/1389)* and designated areas by the Rating Regulations.
Term	the period commencing on the Commencement Date and ending on the earlier of: (a) the second anniversary of the Benefit Window Expiry Date; and (b) the termination of this Agreement in accordance with its terms.
Termination Date	the date of expiry or termination of this Agreement.
UK GDPR	has the meaning given in section 3(10) (as supplemented by section 205(4)) of the Data Protection Act 2018**.**
Working Day	Monday to Friday, excluding any public holidays in England and Wales.
Working Hours	the period from 9.00am to 5.00pm on any Working Day.

1.2 Clause, Schedule and paragraph headings shall not affect the interpretation of this Agreement.

1.3 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).

1.4 The Schedules form part of this Agreement and shall have effect as if set out in full in the body of this Agreement and any reference to this Agreement includes the Schedules.

1.5 A reference to a **company** includes any company, corporation or other body corporate, wherever and however incorporated or established.

1.6 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.

1.7 Unless the context otherwise requires, a reference to one gender includes a reference to the other genders.

1.8 Unless expressly provided otherwise in this Agreement, a reference to legislation or a legislative provision is a reference to it as amended, extended or re-enacted and includes all subordinate legislation made under it, in each case from time to time.

1.9 A reference to **writing** or **written** excludes fax but includes email.

1.10 Any obligation in this Agreement on a person not to do something includes an obligation not to agree or allow that thing to be done.

1.11 A reference to this Agreement or to any other agreement or document is a reference to this Agreement or such other agreement or document as varied from time to time.

1.12 References to clauses and Schedules are to the clauses and Schedules of this Agreement and references to paragraphs are to paragraphs of the relevant Schedule.

1.13 Any words following the terms **including**, **include**, **in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

1.14 Except as may be expressly provided otherwise in this Agreement or by Law, where a party is required to make any payment pursuant to this Agreement, then such payment shall be made by that party in the timescale (if any) stipulated in full on demand and without set-off, counterclaim or other deduction.

1.15 Subject to clause 13.3, if there is any conflict, inconsistency or ambiguity between the provisions set out in Schedule 2 (*Allocations of Retained NNDR for Freeport East Delivery*) and the Investment Strategy, the terms of the Investment Strategy shall take precedence and prevail.

2 Commencement and duration

This Agreement commences on the Commencement Date and continues for the Term.

3 Accountable Body's obligations

3.1 The Accountable Body shall:

3.1.1 unless directed otherwise by the FEL Governing Board and provided that any such direction is in accordance with the Investment Strategy or otherwise in accordance with this Agreement, pool and manage all Retained NNDR collected or received directly or received from the other Billing Authorities in accordance with the terms of this Agreement;

3.1.2 pool all Retained NNDR received pursuant to clause 4 and hold all sums in accordance with clause 5 (*Retained Rates Account*);

3.1.3 only distribute Retained NNDR in accordance with the terms of this Agreement and the Investment Strategy or as may be directed by a decision of the FEL Governing Board, provided that any such distribution is permitted by clause 3.2, and ensure that any such distribution is compliant with the requirements of the Subsidy Control Act 2022;

3.1.4 establish and maintain detailed records relating to all costs incurred in connection with the discharge of its duties as Accountable Body under this Agreement, the MoU or otherwise in connection with Freeport East;

3.1.5 be responsible for reporting and accounting to MHCLG in respect of the management and expenditure of Retained NNDR;

3.1.6 where a Local Authority Founding Member is eligible to receive funding from Pot A in accordance with the Investment Strategy, transfer to that Local Authority Founding Member the relevant amount of Pot A funding associated with the relevant Financial Year within 30 days of approval of the Rates Reconciliation Statement by the FEL Governing Board;

3.1.7 enter into appropriate grant funding agreements for the distribution of Freeport Free Cashflow under Pot B and Pot C and ensure that such agreements provide:

(a) the Accountable Body and the FEL Governing Board with sufficient oversight, assurance and remedies to ensure funding is delivered appropriately and that the desired outcomes for such funding are achieved;

(b) the requisite degree of monitoring and evaluation data and information as may be reasonably required by FEL to satisfy FEL's interest in driving the success of Freeport East and meet its reporting obligations to MHCLG (as set out in the MoU);

(c) for compliance with applicable Laws, including but not limited to procurement law and planning law; and

3.1.8 so far as it is reasonably practicable to do so in the circumstances, consult with the FEL Governing Board prior to exercising any rights or remedies arising under any grant funding agreements entered into pursuant to clause 3.1.7, including but not limited to exercising any right to withhold, withdraw or clawback funding, and have reasonable regard to any recommendations of the FEL Governing Board in the exercise of the Accountable Body's rights and remedies.

3.2 The Accountable Body shall distribute no more than the Operating Costs and a maximum of 80% of the Freeport Free Cashflow for the relevant Financial Year until such time as:

3.2.1 the Rates Reconciliation Statement for the relevant Financial Year has been agreed between all parties; and

3.2.2 any reconciliation payments which may be required pursuant to clause 4.3 have been made.

4 Billing Authorities' obligations

4.1 Each Billing Authority shall:

4.1.1 comply with all relevant obligations in respect of the billing and collection of NNDR and granting of relief from NNDR to eligible businesses on their Tax Sites, as appropriate, including but not limited to compliance with the requirements of the Subsidy Control Act 2022 and the English Freeports Subsidy Scheme;

4.1.2 share with the Accountable Body and FEL all templates, processes, criteria and other documentation governing the assessment and granting of NNDR relief so as to enable full consistency in approach amongst the parties;

4.1.3 annually, on or before 31 January (or such other date as may be required by MHCLG) in each year of the Benefit Window, submit to MHCLG, the Accountable Body and FEL its forecast Retained NNDR relevant to its Tax Site for the upcoming Financial Year, utilising the NNDR1 form (as such form may be updated or replaced from time to time) clearly identifying funds received and/or expected to be received:

(a) by way of grant under section 31 of the Local Government Act 2003; and

(b) directly from businesses through their NNDR payments,

and including any variances that may impact on the amount eligible for pooling and allocation in accordance with the Investment Strategy.

4.1.4 annually, in each year of the Benefit Window, submit to the Accountable Body and FEL at the same time as any such form is submitted to MHCLG its report on the Retained NNDR relevant to its Tax Site for the previous Financial Year utilising the provisional

NNDR3 form (as such form may be updated or replaced from time to time) clearly identifying funds received and/or expected to be received:

(a) by way of grant under section 31 of the Local Government Act 2003; and

(b) directly from businesses through their NNDR payments,

and including any variances that may impact on the amount eligible for pooling and allocation in accordance with the Investment Strategy.

4.1.5 submit to the Accountable Body and FEL copies of any revised or certified NNDR3 submission at the same time as any such form is submitted to MHCLG;

4.1.6 transfer to the Accountable Body all Retained NNDR within 30 days of receipt;

4.1.7 where it fails to make any payment due to the Accountable Body pursuant to clause 4.1.6 within the relevant 30-day period required by that clause (**Payment Period**), pay interest on the overdue sum. Interest under this clause shall be payable from the date on which the Payment Period expires until payment of the overdue sum is made to the Accountable Body and shall accrue each day at a rate which is equal to the yearly rate of interest payable in accordance with the Accountable Body's treasury management policy (as such rate shall be notified by the Accountable Body to the other parties from time to time);

4.1.8 in order to support effective forecasting, provide the Accountable Body and FEL with copies of any correspondence with the Valuation Office in relation to the rateable value of any premises located within its Tax Site and provide, within 30 days of receipt, any final rateable value information received from the Valuation Office;

4.1.9 provide the Accountable Body in a timely manner with all information reasonably requested by the Accountable Body to enable the Accountable Body to meet its reporting requirements to Government and in accordance with the MoU;

4.1.10 annually, on or before 31 January in each year of the Benefit Window, provide the Accountable Body and FEL with an updated forecast of business rates income expected to be received by the relevant Billing Authority in their Tax Site for the forthcoming five Financial Years of the Benefit Window; and

4.1.11 provide any and all other reasonable assistance, as may be requested by FEL, to support FEL in the development and maintenance of the Single Freeport Retained NNDR Model.

4.2 FEL may publish details of NNDR relief granted to eligible businesses on the Freeport East website provided that:

4.2.1 such publication does not involve the publication of confidential information or other information that would be exempt from publication under the FOIA had it been the subject of a Request for Information made to a Billing Authority; and

4.2.2 the Billing Authorities agree to the form and content of such publication.

4.3 Where a provisional or certified NNDR3 highlights a difference between the amount of Retained NNDR transferred to the Accountable Body by a Billing Authority pursuant to clause 4.1.6 and the amount of Retained NNDR set out in the provisional or certified NNDR3, as applicable, a reconciliation shall be undertaken and further payments either:

4.3.1 from the Accountable Body to the relevant Billing Authority; or

4.3.2 from the relevant Billing Authority to the Accountable Body,

shall be made, where required, to effect such reconciliation. Any payments made pursuant to this clause shall be made within 30 days of the date the relevant amount has been agreed between the parties.

~~4.4~~ Each party agrees, subject at all times to any applicable confidentiality obligations, to use its reasonable endeavours to share with the other parties such additional information as is reasonably required (in such form as may be agreed between the parties from time to time) to help facilitate the efficient and effective implementation of the processes set out in this clause 4.

5 Retained Rates Account

5.1 The Accountable Body shall:

5.1.1 establish and maintain a bank account being the Retained Rates Account and shall manage and operate that account throughout the Term for the purpose of delivering the Freeport East Investment Strategy;

5.1.2 provide the other parties with the details of the Retained Rates Account and promptly notify them of any changes to the account that may be made from time to time;

5.1.3 hold all pooled Retained NNDR in the Retained Rates Account for the purpose of delivering the Freeport East Investment Strategy;

5.1.4 seek a return on any Held Funds in the Retained Rates Account in line with its treasury management policy. Any returns received by the Accountable Body pursuant to this clause shall also be held within the Retained Rates Account;

5.1.5 refrain from making any payment out of the Retained Rates Account which is not permitted by this Agreement except with the prior written consent of the other parties or as may be directed by the FEL Governing Board, and provided that any such direction is permitted by clause 3.2 and otherwise in accordance with the Investment Strategy and this Agreement;

5.1.6 establish and maintain detailed and up to date records of all funds held in the Retained Rates Account, including but not limited to details of all payments in and out of the account and the allocation of such funds in accordance with the provisions of Schedule 2 (*Allocation of Retained NNDR for Freeport East Delivery*);

5.1.7 permit the other parties to audit the Retained Rates Account in accordance with clause 18 (*Audit*); and

5.1.8 regularly monitor the Retained Rates Account and report to the Audit & Finance Committee at least annually in accordance with the reporting protocol agreed between the Accountable Body and the Audit & Finance Committee.

6 FEL's Obligations

6.1 FEL shall:

6.1.1 notify the other parties of any updates to the Investment Strategy within 30 days of such an update being approved by the FEL Governing Board;

6.1.2 develop and maintain the Single Freeport Retained NNDR Model and share with the other parties:

(a) a draft of the model within 20 Working Days of the date of this Agreement; and

(b) subsequent drafts in respect of each forthcoming Financial Year following the Billing Authorities' submission of the NNDR1 pursuant to clause 4.1.3 but in any event no later than the end of February in each year;

6.1.3 submit to the other parties on an annual basis:

(a) a draft of the Rates Forecast Statement at the same time the Single Freeport Retained NNDR Model is submitted pursuant to clause 6.1.2(b); and

(b) a final version of the Rates Forecast Statement within 5 Working Days of it being approved by the FEL Governing Board;

6.1.4 provide a draft of the Rates Reconciliation Statement to the other parties on an annual basis within 20 Working Days of receipt of all provisional NNDR3 information from the Billing Authorities and submit to the other parties a final version of the statement within 5 Working Days of it being approved by the FEL Governing Board; and

6.1.5 where a reconciliation is undertaken and further payments between the parties are made pursuant to clause 4.3, provide an amended draft Rates Reconciliation Statement to the other parties within 20 Working Days of receipt of the relevant certified NNDR3 information from the Billing Authorities and submit to the other parties a final version of the Rates Reconciliation Statement within 5 Working Days of it being approved by the FEL Governing Body.

7 Pooling and allocation of Retained NNDR

Subject to any alternative approach as may be determined by the FEL Governing Board and notified to the parties from time to time, Retained NNDR shall be pooled and allocated in accordance with the Investment Strategy.

8 Decisions relating to the utilisation of Freeport Free Cashflow

All decisions relating to the utilisation and distribution of Freeport Free Cashflow shall be taken by FEL Governing Board in accordance with the terms of the MoU and FEL's articles of association and members' agreement.

9 Forward Funding

Subject to any alternative approach as may be determined by the FEL Governing Board and notified to the parties from time to time, the Forward Funding shall be repaid to the Local Authority Founding Members in accordance with the Investment Strategy.

10 Further Agreements

10.1 Notwithstanding any other provision of this Agreement if, during the Term, MHCLG requires in writing that all or any of the parties are to enter into a new agreement as to the use of Retained NNDR, the parties will use their reasonable endeavours to reach such an agreement for the remainder of the Term within such timeframes as MHCLG requires.

10.2 Any Dispute as to a further agreement in accordance with clause 10.1, shall be resolved in accordance with the clause 13 (*Dispute resolution*).

11 Costs

11.1 Except as expressly provided in this Agreement, each party shall pay its own costs incurred in connection with the negotiation, preparation and execution of this Agreement.

11.2 Operating Costs shall be managed and reimbursed to the relevant party, as applicable, in accordance with the Investment Strategy.

Contract management

12 Review and monitoring

12.1 Each party shall nominate an Authorised Representative who will have authority to act on its behalf and contractually bind it in respect of all matters relating to the performance of this Agreement. The first Authorised Representatives are listed in Schedule 3 (*Authorised Representatives*).

12.2 Each party shall use reasonable endeavours to ensure that the same person acts as its Authorised Representative throughout the Term, but may, following reasonable notice to the other parties, replace that person from time to time where reasonably necessary in the interests of its activities and functions.

12.3 The Authorised Representatives shall meet on an annual basis on or around each anniversary of this Agreement to monitor and review the performance of this Agreement. Such meetings shall be minuted by the Accountable Body's Authorised Representative and copies of those minutes shall be circulated to and approved by all parties.

12.4 The parties' Authorised Representatives (and/or such other representatives of the parties as may be determined by each party) shall meet no less than twice in each Financial Year, at such dates and times to be agreed between the parties but in any event within a reasonable time following the submission of the Billing Authorities':

12.4.1 NNDR1 form pursuant to clause 4.1.3; and

12.4.2 NNDR3 form pursuant to clause 4.1.4,

to discuss such forms and agree the content of the Rates Forecast Statement and Rates Reconciliation Statement (as applicable).

12.5 The other parties acknowledge and agree that the Accountable Body's representative may be required to provide the FEL Finance and Audit Committee with an annual update on matters dealt with under this Agreement and report to the committee on the performance of this Agreement. Representatives of the other parties shall attend such meetings of the committee as may be required by the Accountable Body to support the Accountable Body in providing such updates and reports to the committee.

12.6 The parties acknowledge that the Audit & Finance Committee has a responsibility to review the progress of all funding agreements relating to the distribution and use of Retained NNDR. The Accountable Body shall provide the Audit & Finance Committee with reports in respect of all funding agreements on a quarterly basis along with such other information as the committee may reasonably request from the Accountable Body in order for the committee to carry out any such reviews and to be able to assess, understand and advise the FEL Governing Board in respect of any funding agreements, including where appropriate any identified risks.

12.7 The parties agree to use their reasonable endeavours to provide such information and support to the Accountable Body and FEL as the Accountable Body and FEL may reasonably require in order to meet MHCLG's reporting requirements (as set out in the MoU or otherwise required from time to time by MHCLG).

13 Dispute resolution

13.1 Subject to clause 13.3, if a dispute arises out of or in connection with this Agreement or the performance, validity or enforceability of it (**Dispute**) then the parties shall follow the procedure set out in this clause 13:

13.1.1 in all cases the disputing parties and their Authorised Representatives shall endeavour to resolve the matter themselves within a reasonable period;

13.1.2 where the subject matter of any Dispute has not been resolved within a reasonable period, either disputing party shall give to the other written notice of the Dispute, setting out its nature and full particulars (**Dispute Notice**), together with relevant supporting documents;

13.1.3 the disputing parties shall each nominate a senior officer who has the authority of that disputing party to resolve the disputing matter on its behalf (together the **Senior Officers**). The Senior Officers shall attempt in good faith to resolve the dispute;

13.1.4 if the Senior Officers are for any reason unable to resolve the Dispute within 10 Working Days of it being referred to them (or such longer period as the disputing parties may agree), the parties will attempt to settle it by mediation in accordance with the CEDR Model Mediation Procedure. Unless otherwise agreed between the parties within 15 Working Days of referral of the Dispute Notice, the mediator will be nominated by CEDR. To initiate the mediation, a party must serve notice in writing (**ADR notice**) to the other party to the Dispute, referring the Dispute to mediation. A copy of the ADR notice should be sent to CEDR; and

13.1.5 unless otherwise agreed between the parties, the mediation will start not later than 20 Working Days after the date of the ADR notice.

13.2 The commencement of mediation shall not prevent the parties commencing or continuing court proceedings.

13.3 This clause 13 shall not apply to any dispute relating to the interpretation and application by the parties of the Investment Strategy. Any such dispute shall be submitted in writing to the FEL Governing Board for determination and resolution. The written decision of the FEL Governing Board on any matters referred to them pursuant to this clause shall be final and binding on the parties in absence of manifest error or fraud.

14 Changes to the Accountable Body and/or a Billing Authority

14.1 This clause 14 shall:

14.1.1 apply where there is a change in the Accountable Body and/or Billing Authority; and

14.1.2 shall only apply in so far as is necessary to effect an orderly change in Accountable Body and/or Billing Authority to a Successor Body and to the extent consistent with any legislation effecting such a change.

14.2 Subject to clause 14.1:

14.2.1 where there is a change in Accountable Body:

(a) the parties shall enter into and shall procure that the incoming Accountable Body enters into a Deed of Novation; and

(b) the outgoing Accountable Body shall, on or before the effective date of the Deed of Novation, transfer to the incoming Accountable Body all:

(i) Held Funds; and

(ii) relevant records relating to Retained NNDR held by the outgoing Accountable Body.

14.2.2 where there is a change in Billing Authority:

(a) the parties shall enter into and shall procure that the incoming billing authority enters into a Deed of Novation; and

(b) the outgoing Billing Authority shall ensure that:

(i) any payments due (or which become due after the effective date of the Deed of Novation); and

(ii) any outstanding obligations of the outgoing Billing Authority at the effective date of the Deed of Novation,

pursuant to clause 4 (*Billing Authorities' obligations)* are made to the Accountable Body and/or discharged (and continue to be made and/or discharged) in accordance with that clause.

Information

15 Freedom of information

15.1 The parties acknowledge that they are each subject to the requirements of the FOIA and the EIRs. Where one party receives a Request for Information (**Receiving Party**) the other parties shall:

15.1.1 provide all necessary assistance and cooperation as reasonably requested by the Receiving Party to enable the Receiving Party to comply with its obligations under the FOIA and EIRs;

15.1.2 provide the Receiving Party with a copy of all Information belonging to the Receiving Party requested in the Request for Information which is in its possession or control in the form that the Receiving Party requires within 5 Working Days (or such other period as the Receiving Party may reasonably specify) of the Receiving Party's request for such Information; and

15.1.3 not respond directly to a Request for Information unless authorised in writing to do so by the Receiving Party.

15.2 Notwithstanding any other term of this Agreement, each party consents to the publication of this Agreement in its entirety (including variations), subject only to the redaction of information that the parties determine, by agreement, is exempt from disclosure in accordance with the provisions of the FOIA and EIRs.

16 Data processing

16.1 The parties will comply with all applicable requirements of the Data Protection Legislation in the performance of their obligations under this Agreement.

16.2 This clause 16 is in addition to, and does not relieve, remove or replace, a party's obligations or rights under the Data Protection Legislation.

17 Confidentiality

17.1 The provisions of this clause 17 do not apply to any Confidential Information which:

17.1.1 is or becomes available to the public (other than as a result of its disclosure by the receiving party or its Representatives in breach of this clause 17);

17.1.2 was available to the receiving party on a non-confidential basis before disclosure by the disclosing party;

17.1.3 was, is, or becomes available to the receiving party on a non-confidential basis from a person who, to the receiving party's knowledge, is not bound by a confidentiality agreement with the disclosing party or otherwise prohibited from disclosing the information to the receiving party;

17.1.4 the parties agree in writing is not confidential or may be disclosed; or

17.1.5 is disclosed by a party on a confidential basis to any central government or regulatory body.

17.2 Each party shall keep the other parties' Confidential Information secret and confidential and shall not:

17.2.1 use such Confidential Information except for the purpose of exercising or performing its rights and obligations under or in connection with this Agreement (**Permitted Purpose**); or

17.2.2 disclose such Confidential information in whole or in part to any third party, except as expressly permitted by this clause 17.

17.3 A party may disclose another party's Confidential Information to those of its Representatives who need to know such Confidential Information for the Permitted Purpose, provided that:

17.3.1 it informs such Representatives of the confidential nature of the Confidential Information before disclosure; and

17.3.2 it procures that its Representatives shall, in relation to any Confidential Information disclosed to them, comply with the obligations set out in this clause 17 as if they were a party to this Agreement,

and at all times, it is liable for the failure of any Representatives to comply with the obligations set out in this clause 17.3.

17.4 A party may disclose Confidential Information to the extent that such Confidential Information is required to be disclosed by Law (including under the FOIA or EIRs), by any governmental or other regulatory authority or by a court or other authority of competent jurisdiction provided that, to the extent it is legally permitted to do so, it gives the other parties as much notice of the disclosure as possible.

17.5 The provisions of this clause 17 shall survive for a period of 7 years from the Termination Date.

18 Audit

18.1 During the Term and for a period of 7 years after the Termination Date, each party shall allow the other parties (acting by themselves or through their Representatives) to access any of their relevant records as may reasonably be required to:

18.1.1 fulfil any legally enforceable request by any regulatory body; and

18.1.2 verify that all obligations of the relevant party are being performed in accordance with this Agreement.

18.2 Except where an audit is imposed on a party by a regulatory body or where a party has reasonable grounds for believing that another party has not complied with its obligations under this Agreement, a party may not conduct an audit under this clause 18 more than once in any calendar year.

18.3 Each party shall use its reasonable endeavours to ensure that the conduct of each audit does not unreasonably disrupt the relevant other party.

18.4 Subject to each party's obligations of confidentiality, each party shall on reasonable notice provide the other parties and any relevant regulatory body (and/or their agents or Representatives) with all reasonable co-operation and assistance in relation to each audit, including all information requested by the above persons within the permitted scope of the audit.

18.5 Each party shall endeavour to (but is not obliged to) provide at least 15 Working Days' notice of its intention or, where possible, a regulatory body's intention, to conduct an audit in accordance with this clause 18.

18.6 The parties agree that they shall bear their own respective costs and expenses incurred in respect of compliance with their obligations under this clause 18.

18.7 If an audit identifies that:

18.7.1 there has been an overpayment of Retained NNDR by one party to another, the party in receipt of the overpayment shall pay to the party that made the overpayment the amount overpaid within 30 days from the date of receipt of a written notice to do so; and

18.7.2 a party has underpaid any Retained NNDR to another party, the party that made the underpayment shall pay such amounts to remedy the underpayment to the party which received the underpayment within 30 days from the date of receipt of a written notice to do so.

Termination

19 Termination

19.1 This Agreement may be terminated by mutual written agreement of the parties.

19.2 A party may exit this Agreement with the prior written consent of the other parties.

20 Consequences of termination or expiry

20.1 Any provision of this Agreement that expressly or by implication is intended to come into or continue in force on or after termination or expiry, including:

20.1.1 clause 4 (*Billing Authorities' obligations*);

20.1.2 clause 14 (*Changes to the Accountable Body and/or a Billing Authority*);

20.1.3 clause 15 (*Freedom of Information*);

20.1.4 clause 16 (*Data Processing*);

20.1.5 clause 17 (*Confidentiality*);

20.1.6 clause 18 (*Audit*);

20.1.7 this clause 20 (*Consequences of termination or expiry*);

20.1.8 clause 21 (*Nature of obligations*);

20.1.9 clause 34 (*Governing law*); and

20.1.10 clause 35 (*Jurisdiction*),

shall remain in full force and effect.

20.2 Should there be any Held Funds at the Termination Date, as soon as is reasonably practicable but in any event no later than 3 months following the Termination Date, the Billing Authorities (or their Authorised Representatives) shall meet and shall use their reasonable endeavours to reach agreement to determine how such Held Funds are to be utilised and/or reimbursed to the Billing Authorities. Any Dispute arising out of discussions held pursuant to this clause 20.2 shall be resolved in accordance with the clause 13 (*Dispute resolution*).

20.3 Termination or expiry of this Agreement shall not affect any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination or expiry, including the right to claim damages in respect of any breach of this Agreement which existed at or before the Termination Date.

General provisions

21 Nature of obligations

21.1 The Accountable Body and each Billing Authority shall at all times be bound by their statutory obligations (whether in any statute or secondary legislation or otherwise).

21.2 In the event of any discrepancy or conflict between the statutory obligations of the Accountable Body or a Billing Authority (on the one hand) and its obligations arising pursuant to this Agreement (on the other hand), the Accountable Body's or relevant Billing Authority's statutory obligations shall not be fettered and shall prevail and the exercise by the Accountable Body or relevant Billing Authority (as applicable) of any of its statutory functions shall not be treated as a breach of this Agreement.

22 Good Faith and Cooperation

22.1 Each party shall:

22.1.1 act in good faith towards the other parties;

22.1.2 comply with reasonable requests submitted by the other parties from time to time in relation to Freeport East; and

22.1.3 not do anything intentionally that will put another party in breach of their obligations under this Agreement.

23 Equality and Human Rights

23.1 The parties shall perform their obligations under this Agreement in accordance with:

23.1.1 all applicable equality Law, including the Equality Act 2010, (whether in relation to race, sex, gender reassignment, age, disability, sexual orientation, religion or belief, pregnancy, maternity or otherwise);

23.1.2 any applicable equality and diversity policy of the parties from time to time,

and take all necessary steps, and inform each other of the steps taken, to prevent unlawful discrimination designated as such by any court or tribunal, or the Equality and Human Rights Commission or (any successor organisation).

24 Waiver

24.1 A waiver of any right or remedy is only effective if given in writing and shall not be deemed a waiver of any subsequent right or remedy.

24.2 A delay or failure to exercise, or the single or partial exercise of, any right or remedy does not waive that or any other right or remedy, nor does it prevent or restrict the further exercise of that or any other right or remedy.

25 Rights and remedies

The rights and remedies provided under this Agreement are in addition to, and not exclusive of, any rights or remedies provided by Law.

26 Severance

26.1 If any provision or part-provision of this Agreement is or becomes invalid, illegal or unenforceable, it shall be deemed deleted, but that shall not affect the validity and enforceability of the rest of this Agreement.

26.2 If any provision or part-provision of this Agreement is deemed deleted under clause 26.1, the parties shall negotiate in good faith to agree a replacement provision that, to the greatest extent possible, achieves the intended commercial result of the original provision.

27 No partnership or agency

27.1 Nothing in this Agreement is intended to, or shall be deemed to, establish any partnership or joint venture between any of the parties, constitute any party the agent of another party, or authorise any party to make or enter into any commitments for or on behalf of any other party.

27.2 Each party confirms it is acting on its own behalf and not for the benefit of any other person.

28 Third party rights

28.1 This Agreement does not give rise to any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

28.2 The rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this Agreement are not subject to the consent of any other person.

29 Assignment and other dealings

Subject to clause 14, no party shall assign, transfer, mortgage, charge, subcontract, delegate, declare a trust over or deal in any other manner with any of its rights and obligations under this Agreement without the prior written consent of the other parties (such consent not to be unreasonably withheld or delayed).

30 Notices

30.1 Any notice given to a party under or in connection with this Agreement shall be in writing marked for the attention of the relevant party's Authorised Representative and shall be:

30.1.1 delivered by hand or by pre-paid first-class post or other next Working Day delivery service to the following addresses (or an address substituted in writing by the party to be served):

(a) ESC: East Suffolk Council, Riverside, 4 Canning Road, Lowestoft, Suffolk, NR33 0EQ;

(b) MSDC: Mid Suffolk District Council, Endeavour House (First Floor/Gold Block), Russel Road, Ipswich, Suffolk, IP1 2BX;

(c) TDC: Tendring District Council, Town Hall Station Road, Clacton-on-sea, Essex, CO15 1SE;

(d) FEL: Freeport East, Scandinavia House, Refinery Road, Parkeston, Harwich, Essex, CO12 4QG; or

30.1.2 sent by email to the following addresses (or an address substituted in writing by the party to be served):

(a) ESC: Lorraine.Rogers@eastsuffolk.gov.uk;

(b) MSDC: Melissa.Evans@baberghmidsuffolk.gov.uk;

(c) TDC: rbarrett@tendringdc.gov.uk;

(d) FEL: enquiries@freeporteast.co.uk.

30.2 Any notice shall be deemed to have been received:

30.2.1 if delivered by hand, at the time the notice is left at the proper address;

30.2.2 if sent by pre-paid first-class post or other next Working Day delivery service, at 9.00am on the second Working Day after posting; or

30.2.3 if sent by email, at the time of transmission, or if this time falls outside Working Hours in the place of receipt, when Working Hours in the place of receipt resume.

30.3 This clause 30 does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

31 Entire agreement

31.1 This Agreement constitutes the entire agreement between the parties and supersedes and extinguishes all previous and contemporaneous agreements, promises, assurances and understandings between them, whether written or oral, relating to its subject matter.

31.2 Each party acknowledges that in entering into this Agreement it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Agreement.

31.3 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Agreement.

32 Variation

32.1 Subject to clause 32.2, no variation of this Agreement shall be effective unless it is in writing and signed by the parties (or their Authorised Representatives).

32.2 The parties agree that the Investment Strategy (the version of which in effect at the date of this Agreement is attached at Schedule 4 (*Investment Strategy*)) shall be as agreed and/or updated by FEL and the FEL Governing Board from time to time and notified to the parties. Subject to clause 32.3, any such updated Investment Strategy notified to the parties shall supersede the version attached at Schedule 4.

32.3 Where the FEL Governing Board agree any material amendments to the Investment Strategy, the parties shall work together and in good faith to agree such changes to Schedule 2 (*Allocations of Retained NNDR for Freeport East delivery*) as are necessary to reflect the amended Investment Strategy. In the event of any dispute between the parties relating to variations to Schedule 2 or Schedule 4, the parties shall follow the procedure set out in clause 13 (*Dispute resolution*).

33 Counterparts

33.1 This Agreement may be executed in any number of counterparts, each of which shall constitute a duplicate original of this Agreement, but all the counterparts shall together constitute the one agreement.

33.2 Transmission of an executed counterpart of this Agreement (but for the avoidance of doubt not just a signature page) by email (in PDF, JPEG or other agreed format) takes effect as the transmission of an executed "wet-ink" counterpart of this Agreement. If this method of transmission is adopted, without prejudice to the validity of the agreement thus made, each party shall on request provide the others with the "wet ink" hard copy originals of their counterpart.

34 Governing Law

This Agreement and any Dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual Disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

35 Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any Dispute or claim arising out of or in connection with this Agreement or its subject matter or formation (including non-contractual Disputes or claims).

This Agreement has been entered into as a deed and delivered on the date stated at the beginning of it.

Executed as a deed (but not delivered until the date specified above) by affixing the common seal **of EAST SUFFOLK COUNCIL** in the presence of:

Signature …………………………………..

Name ………………………………………..

Title …………………………………………..

THE COMMON SEAL of)
MID SUFFOLK DISTRICT COUNCIL)
was hereunto affixed to this deed)
in the presence of:)

Authorised Signatory:...
Name of Authorised Signatory: ... .
Position of Authorised Signatory: ....

………………………..
Authorised Officer

The **COMMON SEAL** of
TENDRING DISTRICT COUNCIL

was hereunto affixed in the

presence of:

………………………………

Proper Officer

Executed as a deed by
FREEPORT EAST LIMITED
acting by

Mark Lemmon
a director, and

Director ………………………………

Stephen Beel
a director.

Director ………………………………

Schedule 1 Baseline Business Rates Income

1 Baseline Business Rates income for each of the Tax Sites

1.1 For the purposes of the Rates Forecast Statement and the Rates Reconciliation Statement the baseline business rates income for each Tax Site in each Financial Year shall be calculated in accordance with this Schedule.

1.2 The baseline amounts to be applied from the Commencement Date for each of the Tax Sites as set out in paragraph 3 of Schedule 1 to the Rating Regulations are set out in the table below:

Tax Site	**Billing Authority**	**Baseline business rate income as set out in the Rating Regulations**
Harwich	TDC	£841,447
Gateway 14	MSDC	£0
Felixstowe	ESC	£774,808

1.3 In each Financial Year the baseline amounts stated in the table set out in paragraph 1.2 shall be amended in accordance with the Rating Regulations and recorded by FEL in the Rates Forecast Statement (and transposed accordingly to the Rates Reconciliation Statement).

Schedule 2 Allocations of Retained NNDR for Freeport East delivery

The Retained NNDR shall be allocated, managed and pooled in accordance with the Investment Strategy. Key elements of the Investment Strategy approved and adopted by the FEL Governing Board as at the date of this Agreement are set out within this Schedule 2.

1 Primary Allocations for Freeport East delivery

1.1 For each Financial Year throughout the Term, primary allocations of Retained NNDR shall be accounted for in that Financial Year and made prior to further expenditure of Retained NNDR being considered or committed by the FEL Governing Board. These primary allocations shall include (items appearing higher in the following list shall be given a higher priority and take precedence over items appearing lower in the list):

1.1.1 FEL's Operating Costs;

1.1.2 to cover any financial liabilities (incurred by the Accountable Body or other relevant party) associated with MoU Sanctions;

1.1.3 the Accountable Body's Costs; and

1.1.4 subject to paragraph 1.2, to cover repayment of the Forward Funding.

1.2 Repayment of the Forward Funding shall only be made from the Financial Year 2028/2029 onwards and:

1.2.1 after the other primary allocations listed in paragraph 1.1 have been adequately met;

1.2.2 when the respective Tax Site in the relevant Local Authority Founding Member's district has created sufficient contributions of Retained NNDR to support such repayment; and

1.2.3 there is no outstanding Intention to Fund recorded against the respective Tax Site,

and provided that the relevant Local Authority Founding Member has not, by notifying FEL and the Accountable Body in writing, deferred their right to repayment of the Forward Funding to a future Financial Year or waived their right to receive repayment of the Forward Funding.

2 Freeport Free Cashflow and Secondary Allocations in Pot A, Pot B and Pot C.

2.1 In each Financial Year, once the primary allocations under paragraph 1 have been met any remaining Retained NNDR shall be allocated across three pots:

2.1.1 **Pot A** - to partially cover "lost income" for the Local Authority Founding Members when compared to a counterfactual of "no freeport development" and to support local services to support businesses;

2.1.2 **Pot B** – to support development of the Tax Sites in line with the vision and objectives of Freeport East in order to attract earlier, higher value and higher business rate income investments; and

2.1.3 **Pot C** – to support the overall Freeport East geography to meet the vision of the freeport initiative,

(collectively referred to as **Freeport Free Cashflow**).

2.2 The parties acknowledge and agree that on a yearly basis the allocations to Pot A, Pot B and Pot C will vary according to need and profiling of spend, but across the duration of the Benefit Window shall be managed in accordance with the Investment Strategy. The specific allocations to each of Pot A, Pot B and Pot C shall be determined annually from the Rates Forecast Statement and the Rates Reconciliation Statement.

2.3 The parties acknowledge and agree that, unless directed otherwise by agreement of the FEL Governing Board and provided that any such direction is in accordance with the Investment Strategy or otherwise in accordance with this Agreement, any and all interest:

2.3.1 paid by a Billing Authority pursuant to clause 4.1.7; and

2.3.2 accrued in relation to funds held in the Retained Rates Account pursuant to clause 5.1.4,

shall be allocated to Pot C and shall be considered additional to any other funds allocated to Pot C based on the relevant percentage allocations set out in the Investment Strategy.

Pot A

2.4 Pot A shall only be distributed to the relevant Billing Authority from Retained NNDR that is generated and originates from the Tax Site location (or locations) that fall within that relevant Billing Authority's jurisdiction.

2.5 A Billing Authority's Tax Site locations must have contributed sufficient Retained NNDR before Pot A income can be received by that Billing Authority and such income must be sufficient to cover liabilities associated with Freeport delivery costs (including the repayment of any outstanding Intention to Fund recorded against the respective Tax Site) before any distribution of income under Pot A can be made.

2.6 Over the course of the Benefit Window, Pot A shall be the lower of:

2.6.1 20% of the Freeport Free Cashflow from the relevant Billing Authority's Tax Sites; and

2.6.2 the value of the reasonable counterfactual for local authority income that would have arisen from the relevant Tax Site under the no-freeport scenario as set out in the following table:

Tax Site	**Billing Authority**	**Counterfactual Income over 25 years**

Harwich	Tendring District Council	£1,000,000
Gateway 14	Mid Suffolk District Council	£25,500,000
Felixstowe	East Suffolk District Council	£2,750,000

2.7 Where funds are distributed from Pot A, those funds shall be split on an 80/20 basis between the district level Billing Authority and the county level authority, as follows:

Tax Site	**Billing Authority proportion of Pot A**	**County Council proportion of Pot A**
Harwich	80% Tendring District Council	20% Essex County Council
Gateway 14	80% Mid Suffolk District Council	20% Suffolk County Council
Felixstowe	80% East Suffolk District Council	20% Suffolk County Council

2.8 Pot A funds shall be profiled to reflect a gradual increase over time, rather than applying a fixed rate of total Retained NNDR from year one onwards. This should permit funds to flow into Pot B and Pot C faster in earlier years of the Benefit Window. For the Felixstowe and Harwich Tax Sites no Pot A funds will be distributed in the first 10 years of the Benefit Window in respect of either Tax Site. Where Pot A funds are deferred in the first 10 years of the Benefit Window pursuant to this paragraph 2.8 such funds shall be wholly disbursed within the following 5-10 years (to ensure funds are disbursed before the end of year 20).

2.9 In respect of Gateway 14, the Suffolk County Council proportion shown in the table above at paragraph 2.7 shall be allocated from year 6 of the Benefit Window onwards.

2.10 The Mid Suffolk District Council proportion shall follow a formula in the first 10 years of the Benefit Window where their allocation will be the lower of 16% of the Freeport Free Cashflow generated by the Gateway 14 Tax Site and the figures set out in the table below:

Year	**Year**	**Maximum Pot A allocation to Mid Suffolk District Council**
1	2023-24	Zero

2	2024-25	£277k
3	2025-26	£277k
4	2026-27	£422k
5	2027-28	£734k
6	2028-29	£808k
7	2029-30	£650k
8	2030-31	£650k
9	2031-32	£650k
10	2032-33	£650k

2.11 A Billing Authority may, by notifying FEL and the Accountable Body in writing, waive or defer any proportion of their Pot A allocation. Where a Billing Authority waives a proportion of their Pot A allocation, that allocation shall be made available for use under other areas of spending (as may be determined by a decision of the FEL Governing Board).

2.12 Where funds under Pot A are distributed to the relevant Local Authority Founding Member, it is expected that these funds will be utilised by the relevant authority to support the overall vision of Freeport East and be identifiable as such.

Pot B

2.13 Subject to paragraph 2.14, Pot B shall be a pooled fund that can be utilised across all Tax Sites providing funds to expedite the increase in the attraction of individual Tax Sites to inward investment in line with the Freeport East objectives, including the sectoral targets for individual Tax Sites that are set out in the Full Business Case.

2.14 Initial priority for allocation of funds from Pot B will be given to opportunities identified on the Tax Site that has generated those funds. Any award of funds made under the Pot B allocation must be supported by a clear site development plan and fully developed business case.

2.15 Across the duration of the Benefit Window the Pot B allocation for each Billing Authority shall be up to 35% of the Freeport Free Cashflow for the relevant Tax Site.

Therefore, the total funding for Pot B across the duration of the Benefit Window = (.35 x Retained NNDR generated by the Harwich tax Site) + (.35 x Retained NNDR generated by the Gateway 14 Tax Site) + (.35 x Retained NNDR generated by the Felixstowe Tax Site).

Pot C

2.16 Pot C shall be a wholly pooled fund that reflects Retained NNDR from all the Tax Sites. Pot C can be utilised anywhere across the Freeport East geography and wider travel to work area.

2.17 Pot C shall be at least 45% of the Freeport Free Cashflow generated by each Tax Site location.

Pot C Sub-Allocation – Enterprise Zone funds on Gateway 14

2.18 The parties acknowledge and agree that a proportion of the Gateway 14 Tax Site was originally identified as an Enterprise Zone. As such, 10% of the Freeport Free Cashflow under Pot C that accrues from that area or plot of the Tax Site that was also designated as an Enterprise Zone site shall be allocated to Suffolk County Council for delivery of the Suffolk County Council Investment Fund. The relevant sum for each Financial Year shall be confirmed and transferred from the Accountable Body to MSDC within 30 days of the relevant Rates Reconciliation Statement being approved by the FEL Governing Board pursuant to clause 6.1.4.

Schedule 3 Authorised Representatives

1 Authorised Representatives

1.1 ESC's initial Authorised Representative:

Lorraine Rogers, Chief Finance Officer & Section 151 Officer.

1.2 MSDC's initial Authorised Representative:

Melissa Evans, Director of Finance and Procurement.

1.3 TDC's initial Authorised Representative:

Richard Barrett, Corporate Director Finance & IT.

1.4 FEL's initial Authorised Representative:

Steve Beel, Chief Executive Officer.

Schedule 4 Investment Strategy

Freeport East Local Growth & Investment Strategy

Using retained business rates on freeport tax sites to help strengthen and level-up our region

October 2024

Contents

1. Introduction

About Freeport East

Freeport East aspires to be the UK's leading centre for trade, green energy and innovation. It will be a Global Freeport for a Global Britain. It will deliver unique opportunities for investment, business-led growth and levelling-up that will create benefits at a local, national and international level.

Purpose of this strategy

The freeport model designed by UK Government provides that all growth in business rate income on designated tax sites above a specified baseline figure over a 25-year period is to be collected locally and then utilised to support the aims of the freeport.

This model is a significant benefit when compared to the extant approach whereby a significant proportion of business rate income would otherwise flow directly to HM Treasury. The freeport model thereby secures greater funds for regional growth and investment under governance mechanisms and processes which are locally-led.

As set out in relevant documents from the Department for Levelling Up, Housing and Communities (DLUHC) and the Memorandum of Understanding implemented between DLUHC, the Billing Authorities and Freeport East Ltd, the principle of the retained rates strategy should be to maximise the amount of pooled funds that can be utilised to support the Freeport vision and objectives. These funds can be deployed to promote the freeport vision within the Freeport East Outer Boundary (the 45km zone) or wider "travel to work" area.

Initial proposals for how these funds would be used were set out at a high level in the Full Business Case that was submitted by the partners of Freeport East and approved by Government in December 2022. Outline forecasts suggested that the total funds available under the freeport business rate model could be up to £300m over 25 years. The first year of the 25 year period is 2023/24 and the final year is 2046/47.

The purpose of this strategy is to provide a more detailed articulation of how funds will be allocated and utilised in support of the Freeport East vision and the mechanisms, governance and processes required to deliver that.

It is noted that each relevant Billing Authority has separately sought approval for business rate retention mechanisms. This strategy draws upon those policies but, reflecting the essence of the freeport model as a joint endeavour, goes further in terms of how business rates collected will be deployed in the best interests of the overall success of Freeport East.

This strategy is owned and approved by the Freeport East Supervisory Board which comprises appointees of each of the Founder Members of Freeport East Ltd. This includes the three Billing Authorities and both Suffolk and Essex County Councils.

The strategy will be reviewed every year by the Freeport East Board.

Once approved, this strategy will be made available for public access on the Freeport East website. Some of the processes set out in this strategy may also call for wider consultation with the business community and/or public, which will be dealt with on a case-by-case basis.

Scope of this strategy

The business rate income subject to this strategy is as set out in the Non-Domestic Rating (Designated Areas) Regulations 2023 and includes premises wholly or partially within the three tax site location that are also designated by HM Government in legislation[1].

The three Freeport East tax site locations are in Felixstowe, Harwich and Stowmarket.

Gateway 14 in Stowmarket was originally set up as a single site in single ownership and developed by Gateway 14 Ltd. In due course, where Gateway 14 Ltd enters into freehold sales, the tax site will be split into individual plots for ownership purposes, albeit remaining under the banner of the Gateway 14 .

In the case of the Felixstowe, there are two discrete sites. One site is owned by the Felixstowe Dock and Railway Company and comprises approximately 32 hectares of brownfield or under-utilised port land. The second is occupied by Maritime Transport Ltd under the terms of a long lease, the site of the former Anzani House, and is approximately 5 acres of brownfield land.

In the case of Harwich, there are also two discrete sites. The first is the area known as Bathside Bay, which is a mixture of existing quay, under-utilised warehousing and cleared land and shallow water and owned by Harwich International Port. The overall site comprises approximately 132 hectares and is currently the subject of planning permissions for redevelopment for port infrastructure (the Green Energy Hub). The second is approximately 4 acres and known as Iconfield Park, where the owner is J&J Holdings. It is largely under-utilised industrial derelict land with some existing engineering workshops and offices.

Baseline business rate income for each of these three tax site locations is as set out in the Non-Domestic Rating (Designated Areas) Regulations 2023 and laid out in the table below. All business rate income over the specified baseline in each year of the 25-year period commencing on the 1st April 2023 shall accrue for the purposes of the freeport and be subject to the content of this strategy.

[1] www.gov.uk/government/publications/maps-of-freeport-east-tax-sites

If in any year the amount of retained business rate income for a tax site is lower than the baseline amount then the collected business rate income subject to this strategy for that site and year will be zero.

Tax Site	Billing Authority	Baseline business rate income to be applied from 1st April 2023
Harwich	Tendring District Council	£841,447
Gateway 14	Mid Suffolk District Council	£0
Felixstowe	East Suffolk District Council	£774,808

In consideration of the approach and governance for spending of retained business rates, the new Subsidy Control Act will be an important consideration alongside other relevant legislation. Subsidy control assurance is to be provided by the public body which provides public funding and therefore is most likely to be the role of the Accountable Body (East Suffolk Council) or a relevant Billing Authority. In delivery of the governance processes set out in this strategy, all partners and particularly Freeport East Ltd will need to be cognisant of the implications of the Subsidy Control Act, particularly where funds are being deployed to support private sector activity.

Structure of this strategy

This strategy is structured into five sections as set out below:

- Section 1 - Aims and objectives - outlines the key aims of Freeport East, which provide the focus for spending plans and associated governance processes for use of the retained business rates. If the outputs and objectives of individual projects are aligned to these aims and met, then they will support us in delivering the vision for Freeport East
- Section 2 - Key principles for high level allocation of retained business rates income – outlines the means by which retained business rates will be allocated for different high-level purposes, together with exploration of some of the key mechanisms and considerations for how funds are used in support of the Freeport East vision
- Section 3 - Decision-making – following the high-level allocations made, this section outlines the basis upon which individual projects and interventions will be brought forward and assessed and the governance in relation to those decisions.
- Section 4 - Financial management – outlines the mechanisms to be deployed by the Accountable Body, Billing Authorities, Freeport East Ltd and others to ensure effective and efficient financial management of the retained business rates
- Section 5 - Programme management – outlines the key operational processes to be used in delivering all spending activity utilising the retained rates, principally under the guidance of the Accountable Body.

2. Aims and objectives

Freeport East objectives

Freeport East is a public-private partnership, based on a shared endeavour and common objectives to drive a more sustainable and diverse regional economy and to address the inequalities that prevent members of our communities benefiting from equal access to good education, skills and employment opportunities.

The vision for Freeport East is to help facilitate a better place to live, work and invest with a multi-faceted approach that attracts and facilitates greater domestic and international inward investment, whilst also ensuring that the benefits of growth are felt more broadly and equally.

In order to do this, we intend to utilise the funds captured within the scope of this strategy across the following broad areas of activity:

- Site development for inward investment
- Skills
- Net Zero
- Innovation
- Trade & Investment
- Local growth & infrastructure

The strength of particular interventions across these areas will be judged not only by their ability to support private-sector-led growth, but also to facilitate wider socio-economic benefits, such as improvements in our natural environment, strengthening public services, increasing health & wellbeing outcomes and child poverty rates. Naturally some interventions will deliver more strongly in specific areas, and these funds are only a small part of wider public and private sector spending in our region – but in totality, we will be focusing on a portfolio of actions that can collectively strengthen the region for years to come.

Freeport East Aims

The overall aims of Freeport East, against which spending proposals will ultimately be judged are to be able to contribute effectively to:

- create, strengthen and extend the UK's primary hub for global trade and investment
- facilitate a more diverse, sustainable and inclusive regional economy that creates a variety of well-paid jobs and career paths for local people
- level-up the region, reduce inequalities and broaden access to opportunity, particularly in relation to education and employment

- drive innovation, in order to 1) deliver an increase in public and private R&D spend; 2) strengthen the physical and virtual networks to allow innovation to flourish; 3) use innovation as a key enabler of inward investment and 4) help direct emerging innovations to tackle local socio-economic challenges
- support the Government's Net Zero Ambitions including through delivering a cleaner, greener energy sector, protecting and nurturing our local biodiversity and supporting those sectors that are able to contribute to cleaner growth

Key target outputs for use of retained business rates income

Outputs will be more specifically defined as part of specific funding proposals and in line with sub-strategies. Whilst there is an interest in targeting and tracking a wide set of outputs across all interventions, in practice this will need to be balanced against the resource demands of sensibly tracking such outputs. Where possible, business cases and appraisals will seek to be clear about where outputs are likely to be used to inform decision-making only and the basis of those estimated outputs, versus those that are essential to be monitored over the long term. These are likely to dovetail with cases where DLUHC are able to specifically provide additional M&E capacity support.

However, high level outputs of the overall combination of outputs will seek to mirror those set out in the DLUHC Monitoring and Evaluation framework and which therefore reflect the original policy intent of the freeports programme.

These outputs will therefore be likely to include:

- Jobs
- Inward Investment

In addition, more specific outputs will reflect local priorities and sub-strategies and may be particularly relevant to certain funding proposals or areas of work. For example, across areas such as inequalities, innovation and net zero, outputs applied from time to time may include:

- Land brought forward for development
- New floorspace created
- Number of persons enabled to access employment and education opportunities
- £ increase in R&D/innovation spending
- Total MW (or equivalent) of new clean energy capacity
- Total sqm of additional PV solar roof installations across new developments in the Freeport East Outer Boundary

Any combination of outputs will be kept under review including the means of estimating and tracking those. Wherever possible we will seek to ensure these flow from our business plan and strategy as well as DLUHC M&E to ensure top-to-bottom visibility on impacts of the programme and spending within Freeport East.

3. Key principles for high level allocation of retained business rates income

Scale, timing and uncertainty of retained business rates income

Implementation of this strategy will depend on the ongoing revision of forecasts of business rate growth, combining forecasts of various degrees of (un)certainty. A single combined business rate income forecast over the remainder of the 25 year period, utilising the Freeport East single financial model, will be produced at least bi-annually and will be reviewed by the Freeport East Finance and Audit Committee.

An annual update on future forecast business rate income across the sites will be published as part of the Freeport East Business Plan process. This will include a single year-ahead retained business rates forecast that will be part of the one year Business Plan cycle.

Appendix A provides a technical note outlining how the forecasting process will be undertaken. It should particularly be noted that all numbers in this document are provided in 2023 real terms, i.e. they are not adjusted for inflation that will arise over the 25 year period. In practice, it is assumed that business rate income will grow broadly in line with inflation and that expenditure will grow at a similar rate. For simplicity, all numbers in the document are maintained in 2023 real terms and will be adjusted year-by-year as this strategy is updated.

At the current time, as of November 2023 the current forecast is for a high-low range of between approximately £300m and £210m of total income over the 25 year period, from 2023/24 through to 2046/47.

Of this, £61m reflects business rate growth that is already supported by existing contracts/leases/sales of plots on one or more of the tax site locations and therefore of high certainty. We refer to this as our FIRM forecast (see Annex A). Our current ANTICIPATED forecast would be approximately £75m. As set out in Annex A this includes future rates income where we know there are current commercial arrangements under discussion that make this future income likely.

Finally, a summary of the November 2023 HIGH LEVEL forecasts for business rate income are provided in the table below. These are over and above the baseline income set out in the relevant legislation and the table above. It should be noted that these are merely indicative and reflective of various uncertainties. A full technical note on the forecasting model is provided at Appendix A:

Tax Site	Local Billing Authority	High Outcome	Low Outcome
Harwich	Tendring District Council	£105m	£22m

Gateway 14	Mid Suffolk District Council	£141m	£136m
Felixstowe	East Suffolk District Council	£55m	£51m
Total		**£301m**	**£209m**

*All figures are quoted in real terms in 2023 figures.

In the first five years, HIGH LEVEL forecasts for High and Low scenarios are:

Tax Site	Local Billing Authority	High Outcome First Five Years (23/24 to 27/28)	Low Outcome First Five Years (23/24 to 27/28)
Harwich	Tendring District Council	£1m	£0.6m
Gateway 14	Mid Suffolk District Council	£18.4m	£15m
Felixstowe	East Suffolk District Council	£1.8m	£1.2m
Total		**£21.2m**	**£16.8m**

For spending that is based on in-year income (i.e. where expenditure is largely matched in-year with available income), the forecasting process will principally be used to provide an important forward-look on upcoming income, to ensure that appropriate planning and processes are in place to deliver expenditure in a timely manner.

However, it is acknowledged that to deliver the maximum impact from the expenditure, it would be preferable for a significant proportion of it to be undertaken as early in the 25-year period as possible. This will require one or more mechanisms to bring forward future income for current expenditure (e.g. by borrowing against future business rate income) (see section on Forward Funding).

Where such proposals or mechanisms are envisaged, the forecasting model referred to here will likely need to be supplemented by more detailed, project-specific bespoke modelling to ensure that commitments are not made that cannot be funded in the future, and which do not inadvertently constrain other future options, or incur unreasonable opportunity costs.

The following section sets out the principles and ordering of how retained business rate income shall be allocated towards different high level applications.

Primary allocations for Freeport East delivery costs & committed spend

Prior to making allocations of funds towards investments or programmes , a set of primary uses will need to be satisfied and accounted for first, on an annual basis.

Top slice for Freeport East Ltd delivery costs

The primary use of any retained business rate income in any given year will to be cover the running costs of Freeport East Ltd. Freeport East Ltd plays a critical role as counterparty to the Government to ensure the freeport initiative is delivered effectively and efficiently, including acting as the gateway to investment incentives and decision-making body on how a range of public funds are utilised in support of the freeport vision. Freeport East Ltd also sets the vision and strategy for the freeport, works to attract inward investment and oversees and delivers a range of interventions to fulfil the freeport objectives on skills, net zero, local growth and innovation. The requirement to ensure that Freeport East Ltd is adequately funded is also captured in the MoU with Government and the Delivery Plan Framework.

On an annual basis, an allocation will be made to cover Freeport East Ltd operating costs, based on a budget approved annually by the Freeport East Board and Members.

For years 1-5 the full year budget for Freeport East Ltd is estimated at up to £1.25m per annum, recognising the benefits of investing in capacity early to drive greater long-term benefit. However, this is an upper range and any final budget would need be agreed by the Freeport East Board and Company Members on an annual basis.

In the initial years, these costs are also supported by a Capacity Grant provided by DLUHC, before the retained business rates are available. Where there remains a gap between these mechanisms, the Accountable Body will need to work with other partners to provide an appropriate cashflow mechanism to support Freeport East Ltd costs that will be repaid in future years. Any such mechanism may involve associated financing costs that would also need to be covered by this allocation in future years.

Given the ramp-up in costs during the set-up phase and ongoing use of the DLUHC capacity funding together with availability of interest on cash balances, the actual forecast for costs to be set against retained business rates in year 1 (23/24) is now zero, meaning a total forecast of £5m in the first five years, or an average of £1m per annum. The forecast of delivery costs on a five year basis is as follows:

Years	1-5	6-10	11-15	16-20	21-25	**Total**
Freeport East Ltd	£5m	£5m	£5m	£4.5m	£2.5m	**£22m**

delivery costs						

Where other funding streams for Freeport East Ltd are subsequently identified then these would be used to reduce the call upon the retained rates. Examples of this could include other funding received by Freeport East for services provided or under grant arrangements. No such income is included in the current forecasts.

For the purpose of subsequent estimations, we currently assume that total Freeport East Ltd delivery costs over the 25 year period will total to £22m.

Top slice for Accountable Body administration costs

To recognise the additional costs incurred by the Accountable Body in delivering their role in support of the freeport, a top slice will allow for reimbursement of appropriately incurred costs from the retained business rates income.

On an annual basis, an allocation will be made to cover Accountable Body administration costs, based on a budget approved annually by the Freeport East Board and Members.

For years 1-5 the costs for Accountable Body administration costs are estimated to be up to £100k per annum. These would be focused on costs of commissioning new external advice and additional resources brought into the Accountable Body to deliver the Freeport role.

Administration costs for other local authorities are covered by the amounts they receive under the Pot A mechanism (see Pot A later).

For the sake of subsequent estimations, we currently assume that total Accountable Body administration costs over the 25 year period will total to £2.5m.

Prior commitments or repayments arising from previous years

Where repayment obligations have been created to support expenditure in prior years (e.g. to support a borrowing mechanism that accelerates spending in early years) then these will need to be accounted in the current year prior to further expenditure being considered or committed.

Similarly, where commitments have previously been made on a multi-annual basis (for example to a multi-year skills programme) then these will also need to be accounted for in the current year prior to further expenditure being considered or committed.

As at November 2023, the only pre-committed sums to date relate to forward funding provided by the Freeport East Local Authority Members.

The five local authorities each contributed £80k per year for two financial years to provide early stage funds to accelerate delivery across the freeport area. These funds were made available as forward funding for Pot C activities (see later section on purpose on Pot C). These funds will be available for repayment to each relevant Local Authority, as and when the respective tax sites in their Districts create sufficient contributions to support the repayment, after other delivery costs are adequately covered, from year 6 onwards (i.e. 2028/29). Even once repayment is possible, Local Authorities may also choose to defer or void these repayments as a means of strengthening freeport delivery.

MoU Sanctions

In extreme circumstances there may be occasions where the Accountable Body suffers sanctions in relation to its responsibilities under the MoU. This principle is set out in the Members Agreement. In accordance with that agreement the Accountable Body would be able to propose that these are covered from the retained business rates allocations at the time of such unforeseen circumstances arising.

Annual contingency allocation

Prior to further allocations or commitments, an appropriate contingency will also be carried to manage any variations in areas of expenditure in relation to freeport operating costs and existing commitments, including unforeseen legal events and MoU sanctions.

A contingency allocation will be agreed as part of the annual expenditure forecasting process and if necessary, increased during the year with approval of the Freeport East Ltd Board.

For the sake of subsequent estimations, we currently assume that the contingency allocation over the 25 year period should be set at up to £2.5m (i.e. £100k on average). Unused contingency allocations would be returned for use in line with the remainder of this strategy.

Banking Mechanism for site contributions to freeport delivery costs

In any given year, particularly in the early stages of the freeport, it is possible that contributions from individual sites to the freeport delivery costs could be highly variable. This would principally be the case where one site has not yet created sufficient retained business rate income to make a proportionate contribution for the freeport delivery costs.

As set out separately, it is expected that over the 25-year period the contribution to the freeport delivery costs will be supported equally by business rate income from the three tax sites. For example, assuming the total outturn freeport delivery costs over 25 years was £27M then we would expect each site to have supported a total of £9m each.

In order to target an equal contribution over 25 years, whilst also recognising that some sites will create business rate income earlier than others, a Banking Mechanism will be used. This will enable Freeport East to record tax sites, on an annual basis, with an “intention to fund” in relation to that same years freeport delivery costs, and then repay those costs at a later date. Such an “intention to fund” could be provided when a tax site is providing zero income or where the income is lower than the relevant contribution to delivery costs for that same year. In the latter circumstance it would allow, in the early years, some funds to be passed straight through to Free Cash Flow. Overall, this will mean that a site that has developed earlier, will pay a greater contribution to freeport delivery costs in the early years, and less in later years as others sites catch up with their contributions. Conversely, sites that develop later will be seeking to cover a fair proportion of the delivery costs over a shorter period of time, with greater annual contributions as a consequence.

It is important to note that this does not create any form of liability for the owners or occupiers of any tax site, nor for the relevant Billing Authority – the "intention to fund" is set against the future business rate income itself, and merely creates a clear record that, as soon as is possible, the business rate income from a tax site will be used to contribute to the freeport delivery costs of earlier years, when there was insufficient business rate income to contribute at the time.

At years 5, 10, 15 and 20 a review will be undertaken of the outstanding "intention to fund" sums under the Banking Mechanism. If necessary these will be recalibrated at the time against forecast business rate income from that year onwards, to ensure that sites do not end up carrying "intention to fund" sums that cannot be repaid from that site. At the review points in years 5, 10, 15 and 20, the Board will have the opportunity to review site progress against the "intention to fund" sums being incurred and consider any amendments at that point in time, including a re-set of the contributions between the sites and/or a reduction in future delivery costs. By commencing this process in year 10 we consider there will be sufficient time for all sites to cover any extant "intention to fund" sums built up at that time.

Secondary Allocations to Pots A, B and C (Freeport East Free Cashflow)

For the sake of subsequent estimations, we currently assume that the total allocation for freeport delivery costs and associated contingencies over the 25 year period, as set out in the previous section, will be £27m.

In any given year, once the costs of Freeport East delivery and previously-committed spend (including those for multi-year programme commitments and repayments against pre-agreed borrowing mechanisms) has been accounted for, then Freeport East will allocate any remaining business rate income across three Pots – A, B and C. This shall be referred to as the **Freeport East Free Cashflow**.

As set out in the relevant freeport guidance, the MoU with DLUHC, and the FBC, the overriding principle of the freeport is a) to create the greatest amount of locally retained business rates through support for individual tax sites whilst b) ensuring as much of those resultant business rate income is pooled across the freeport area to deliver interventions that are of highest value in supporting a more diverse and inclusive economy and tackling all relevant aspects of the levelling-up agenda, particularly inequalities in access to education, skills and employment.

The high level purpose of the pots for distribution of the Freeport East Free Cashflow are:

- Pot A – to partially cover "lost income" for local authorities when compared to a counterfactual scenario of "no freeport development" and to support local services to support businesses

- Pot B – to support the development of tax sites in line with the vision and objectives of the freeport in order to attract earlier, higher value and higher business rate income investments

- Pot C – to support the overall Freeport East geography to meet the vision of the freeport initiative

In any given year, allocations to Pots A, B and C will vary according to need and profiling of spend, but over the 25 year period will be managed to ultimately balance against the percentage allocations set out later in this section.

Pot A Allocations

Pot A is used to provide an income to the relevant Billing Authority to partially offset the lost income that would have occurred had the freeport not been in place, with the purpose that those funds are then used to support vital services in the local area that businesses would benefit from.

Pot A funds can only be distributed to the relevant Billing Authority from business rate income that arises from the tax site locations within that same Billing Authority jurisdiction. It is therefore a requirement that a tax site location must have contributed sufficient business rate income before Pot A income can be received by that same Billing Authority. Such income will also need to have been sufficient enough to cover liabilities for freeport delivery costs before any distribution of income under Pot A can be made.

Over the course of 25 years Pot A will be the lower of:

a) 20% of total retained business rates from the relevant tax site; or

b) the value of the reasonable counterfactual for local authority income that would have arisen from that site under the no-freeport scenario.

This latter calculation will reflect that, as well as the slower and lower value development potential of any site in a non-freeport scenario, local authorities would receive only a proportion of business rate income on that site. The non-freeport counterfactuals are as set out in the following table:

Tax Site	**Billing Authority**	**Counterfactual income over 25 years**
Harwich	Tendring District Council	£1,000,000[2]

[2] Based on a partial development of existing landed areas of Bathside Bay but without any reclamation project.

Gateway 14	Mid Suffolk District Council	£25,500,000[3]
Felixstowe	East Suffolk District Council	£2,750,000[4]

In relation to each tax site, the Pot A funds are split on an 80/20 basis between the district-level Billing Authority and the County level Authority, as set out in the following table.

Tax Site	Billing Authority proportion of Pot A	County Council proportion of Pot A
Harwich	80% Tendring District Council	20% Essex County Council
Gateway 14	80% Mid Suffolk District Council	20% Suffolk County Council
Felixstowe	80% East Suffolk District Council	20% Suffolk County Council

The counterfactual development scenarios (i.e. without the freeport) show slower build-out and a less comprehensive approach to addressing barriers to investment. Pot A funds are therefore profiled to reflect a gradual increase over time, rather than applying at a fixed rate of total income from the first year onwards. This also means that funds can flow into Pots B and C faster in earlier years, allowing for broader-based investments across the freeport areas.

In relation to the Felixstowe and Harwich tax sites this means no Pot A funds would be distributed for the first 10 years on either site. Any Pot A funds deferred in the first ten years would then expect to be wholly disbursed within the following 5 to 10 years (i.e. before end of year 20).

In the case of the Gateway 14 tax site, the Suffolk County Council proportion will be allocated from year 6 onwards (i.e. no Pot A funds for the first five years). The Mid Suffolk District Council proportion will follow a formula for the first 10 years where it would be **the lower of** 16% of the Free Cash Flow on the Gateway 14 tax site or the figures set out in the table below.

Year	Year	Maximum Pot A allocation to Mid Suffolk District Council
1	2023-24	Zero
2	2024-25	£277k

[3] Reflecting significantly slower expected build out and lower value use cases through absence of tax reliefs, wider freeport visibility, seed capital and Skills & Innovation Centre.
[4] 10% of proposed freeport scenario reflecting severely limited capacity for private sector investment without seed capital funds to address remediation and other infrastructure barriers

3	2025-26	£277k
4	2026-27	£422K
5	2027-28	£734K
6	2028-29	£808K
7	2029-30	£650K
8	2030-31	£650K
9	2031-32	£650K
10	2032-33	£650K

Again, any deferred Pot A funds from the early years period, would be planned to be fully disbursed over the next 5 to 10 years and in any case fully by year 20.

While funds under Pot A are returned to the relevant Local Authorities, there will remain a strong expectation that the funds are used to support the overall vision of the freeport and should be identifiable as such. Responsibility for accounting to DLUHC for the use of the Pot A funds will remain with the Accountable Body, irrespective of which local authority receives the funds.

As of the November 2023 forecasts, Pot A estimates for 25 years across each site would be:

Tax Site	**Recipient Local Authority**	**High Outcome**[5]	**Low Outcome**[6]
Harwich	Tendring District Council	£3.8m[7]	£0.8m
Harwich	Essex County Council	£1m	£0.2m
Gateway 14	Mid Suffolk District Council	£20.4m	£20.4m
Gateway 14	Suffolk County Council	£5.1m	£5.1m
Felixstowe	East Suffolk District Council	£11m	£7.5m
Felixstowe	Suffolk County Council	£2.7m	£1.8m

Each local authority will have the option to defer or waive any proportion of their Pot A allocation. Where a proportion of the Pot A allocation is waived, it will be made available for use under other areas of spending.

[5] Based on current High Income scenario for Freeport East on page 8
[6] Based on current Low Income scenario for Freeport East on page 8
[7] 80% of the maximum Pot A allocation of £6.2m

Pot B Allocations

Pot B provides funds to expedite and increase the attraction of individual tax sites to inward investment in line with the vision and objectives of the freeport, including the sectoral targets for individual tax sites that were indicated in the Full Business Case. This applies to all components of the three tax site locations, across the different identified ownerships.

It is a pooled fund that can be utilised across all tax sites. However, initial priority will be given to identifying opportunities for use of Pot B funds from a particular site to maximise the rate-producing potential of that same site, before considering the use of those funds elsewhere (e.g. business rate income on Harwich Iconfield Park would first consider Pot B uses on that site before pooling of remaining funds). The rationale is that helping tax sites to bring forward investment that is faster and delivers higher rates of business rate income, aligned with the freeport vision and objectives, will itself create greater retained business rate income for the freeport overall. Awards made under the Pot B allocation would be supported by a clear site development plan as well as a relevant business case (as set out in section 4).

A key factor in the use of Pot B will also be in judging how such a funding contribution would enable a site to deliver on the ambitions set out in the Full Business Case in terms of the *types* of businesses and their sectoral split. When assessing the ability of an investment to deliver higher rates of business rate income, the counterfactual may not therefore be "any development" that may otherwise have occurred, but the degree to which the *types* of business outcomes targeted in the Full Business Case would have occurred without the proposed funding support.

Over the course of the 25 year period, the Pot B allocation will be up to 35% of the business rate income of each of the tax sites (i.e. Total Pot B over 25 years = (35% * Harwich) plus (35% * Gateway 14) plus (35% * Felixstowe)).

Pot B allocations are limited in this way to recognise the uncertainties that still come with investments into the tax sites (and therefore the risk of prioritising further site re-investment disproportionately over other beneficial uses of rates income) and to ensure a proportionate allocation of funds are available to support wider initiatives.

As of the November 2023 forecasts, Pot B estimates across each site would be:

Tax Site	High Outcome Pot B Limit
Harwich	£33m
Gateway 14	£49m
Felixstowe	£16m
Total	**£98m**

The types of expenditure that may be relevant for Pot B spending are likely to relate to addressing key barriers to development and investability, such as power connections, local transport links or other factors that would otherwise stymie investment. Certain types of expenditure may also create added value for an inward investor that could help drive higher retained business rate income, such as access to certain innovation facilities or green logistics options.

A key determinant of whether proposed expenditure from Pot B is considered appropriate for approval will be its ability to drive a higher total business rates income level from any particular site. If a proposal delivers high socio-economic returns but does not drive higher business rate income, then it may be better suited for consideration under Pot C.

Each year, the Board will review the forecast of Pot B funds together with an indicative pipeline of potential uses to consider whether funds should remain ring-fenced or be re-allocated to support other tax sites or into Pot C. This would be intended to avoid a situation of dormant Pot B funds that could be better utilised elsewhere to support the freeport objectives. Where accumulated funds within Pot B remain unallocated for year 10 onwards there would be a strong expectation that they would be likely to be reallocated. In any case, any such reallocations would only occur following Board approval and would not cut across repayment mechanisms that extend beyond year 10 and which may have been created to bring forward expenditure against future business rate income.

Pot C Allocations

Pot C is a wholly pooled fund that reflects business rate income collected across all tax site locations and can then be utilised anywhere across the Freeport East geography and wider travel to work area.

Pot C will be at least 45% of the retained business rate income on each relevant tax site location. Based on November 2023 forecasts and the high and low scenarios set out previously, this would suggest a range of approximately £90m to £145m for Pot C based on 45% of the 25 year forecast income.

Pot C is designed to support a range of interventions across the Freeport East geography that will support the high level aims and objectives of the freeport, including reducing inequalities, growing a more diverse and sustainable economy, establishing deeper innovation clusters that drive productivity, increasing access to education and employment and driving decarbonisation and net zero.

Whilst all interventions under Pot C should also be considered in light of increasing the attractiveness of the area to inward investment, thereby increasing business rates income on both tax sites and non-freeport sites, the purpose of Pot C is principally about delivering wider benefits that help to reinforce the Freeport East geography as a great place to live, work, invest and grow.

Initial thematic areas in which funding allocations are intended to be allocated would be:

- Skills
- Innovation
- Net Zero & Decarbonisation
- Inward Investment & Trade
- Local Growth & Transportation

It is acknowledged that some major tax site investments could benefit from both Pot B and Pot C allocations. This would apply where an investment is helping to bring forward inward investment as well as creating significant wider socio-economic benefits and delivering on other Freeport East aims and objectives. The primary example of this would be the Bathside Bay site in Harwich. The use of Pot B funds for Bathside Bay could be justified to address site delivery barriers that prevent wider inward investment and creation of business rate income. At the same time, it may also be proportionate to utilise Pot C funds to address barriers to development for the site given the significant catalytic effect the project would have on the wider Tendring and Freeport East economies as well as delivering on local and national net zero, employment and innovation objectives. Reflecting this principle in the case of Bathside Bay specifically, and to fully reflect the intent of decisions made by Tendring District Council in relation to business rates usage and to achieve the site developments envisaged in the Full Business Case, 70% of the Free Cash Flow from the Harwich tax site are planned to be allocated to support the development of the Harwich tax site to achieve the outcomes of the Green Energy Hub. Any such proposal would be considered by the Board at the appropriate time, but any projects that could span Pots B and C would be encouraged to provide an early indication to Freeport East to aid effective financial and process planning.

Pot C Sub-Allocation – Enterprise Zone funds on Gateway 14

Within the Pot C allocations, a specific additional mechanism applies in relation to a proportion of the Gateway 14 Free Cash Flow. A segment of the Gateway 14 tax site operates under a dual designation – it is a Freeport Tax Site, but was also originally identified as an Enterprise Zone site, one of 6 Enterprise Zone sites that were designated across Suffolk as part of the Space to Innovate initiative.

With the creation of the Freeport East Gateway 14 tax site, which overlays and expands on the Enterprise Zone site, the partners have agreed to continue to contribute 10% of the retained rates uplift on the Enterprise Zone site to the future Suffolk Investment Fund (a fund set up to support growth-related investments in Suffolk). Under Pot C, 10% of the Free Cash Flow relating to the Enterprise Zone site (itself only a proportion of the total Freeport East Gateway 14 tax site) will therefore be allocated to Suffolk County Council for delivery of the Investment Fund. In practice this means that business rate growth associated with any plots/development lying wholly or partially within the Enterprise Zone site boundary will be treated in this way.

Based on the current Gateway 14 masterplan, it is currently envisaged that 10 out of the identified plots are likely to be subject to the sharing mechanism identified in this section. This includes plots now allocated to The Range and Assan Panel, but not, for example, the plot allocated to Bauder.

In order to ensure that any use of freeport retained business rates is compliant with this strategy and the Memorandum of Understanding, relevant projects to be funded in this way and within the Freeport East area, will need to support and drive Freeport East's stated ambitions, in line with the vision expressed under the Pot C objectives and within the Freeport East geography. As such, there will also be close collaboration between Suffolk County Council and Freeport East in the identification of projects to be supported, and relevant funding recipients/investments will be discussed with the Freeport East Executive to maximise the potential of co-funding opportunities.

Other considerations for funding allocations

Forward funding

In many intervention areas, it is apparent that investing funds earlier in the 25-year life of the freeport model will help deliver greater overall benefits. For example, it would be preferable to invest in skills support or local transport interventions before a significant demand for new employment. Similarly it would be better to invest in site infrastructure that addresses delivery barriers in order to reap greater business rates income and employment benefits. This can only be done if there are effective mechanisms to bring forward future forecast business rate income. Most simply, this would be a form of borrowing against future business rate income to make investments now. However, any such approach brings a degree of risk which will need to be carefully considered by the Freeport East Board.

We are continuing to explore different options, including through discussion with Government, in relation to creating effective mechanisms for forward funding. At the current time, we consider there are three high level forms of mechanism that could be utilised to help bring forward funding in this way. Each of these options are hypothetical at this stage and actual deliverability would depend on the specifics of the financial case and intended use:

1. **Internal local authority allocations** – local authorities that are part of the Freeport East geography could use existing reserves to help provide a forward funding mechanism, especially where those same local authorities will be receiving the future business rates income directly themselves.

2. **Assignment of future business rate income to tax site landowners and/or related delivery partners** – a mechanism could be created to assign an agreed proportion of the future business rate income on a site to enable a public or private sector partner to deliver upfront investments. This would bring the added benefit of aligning incentives such that the tax site landowner benefits from its own investments and actions in terms of developing a site and attracting tenants.

3. **External borrowing** – retained business rates could be used to borrow funds, such as from the Public Works Loan Board or the UK Infrastructure Bank. Such borrowing would require well-established mechanisms for forecasting and managing business rate income to meet the requirements of a third party lender.

Additionality alongside other funding sources

As set out in DLUHC guidance for freeports, it is important that retained business rates income should not merely be seen as a substitute for other funding sources and should be aiming to enhance the benefits that can be delivered for the region by going above and beyond what other agencies may be able to do. In particular, retained rates business income should not be seen as a substitute for other public funds, nor unnecessarily veer into core spending responsibilities of public agencies.

Spending interventions should also be compared to a counterfactual – what would happen in the absence of funding - based on evidence of one or more market failures.

In addition, funding proposals and business rates should always consider match funding to varying degrees. Not only does this serve to minimise the call upon retained business rates alone, but it is also broadens the management of risk and ensures that other parties who may have greater agency around outcomes are also incentivised and aligned in terms of delivery and financial contributions.

High priority for cross-boundary, multi-outcome interventions

In line with Freeport East being a collective endeavour that seeks to deliver change across political boundaries, we will need to work hard to ensure we design and deliver interventions that support the development of the freeport overall. By delivering interventions that are spread across the freeport geography and particularly tackle areas of highest socio-economic need we increase our ability to help level-up opportunities and outcomes.

This means an emphasis will be placed on articulating aggregated interventions that collectively benefits the freeport vision, even if individually delivered in discrete geographic areas, e.g. supporting the expansion of an innovation cluster may merit discrete expenditure in different areas but which collectively deliver across the freeport area.

Assessing Value for Money

The assessment of value for money will be central to all appraisals of spending proposals. The core methodology for such assessments will follow HM Treasury's Managing Public Money guidance on use of public funds, and its Green Book guidance for economic appraisal and evaluation. This comprises the five-case model that works through the Strategic, Economic, Commercial, Financial and Management cases for a particular funding proposal. We will reflect the important recent emphasis on the Strategic Case, and the acknowledgement of limitations of the Economic Case in directing funding towards low-demand areas.

We will also seek to be mindful of the moral hazard associated with selecting shorter-term, lower value, lower risk projects and shying away from tackling complex, multi-stakeholder problems to transform areas with high levels of need. In the context of Freeport East funds being targeted at going and above beyond other funding functions that can be delivered by other public agencies, it follows that part of this stretch should be manifested in a form of higher risk appetite, a willingness to tackle intractable, long-term challenges and a bias towards utilising cutting-edge or innovative approaches.

Freeport East Calibrated Benefit Cost Ratio

Under the five case model, the Strategic Case carries significant importance in decision-making, especially in the context of Levelling Up, which seeks to counter lower economic indicators in certain areas (e.g. in deprived areas, the benefit associated with certain forms of value capture are naturally lesser than in more economically successful areas, even though the cost inputs may be broadly the same).

The freeport policy objectives create an opportunity and imperative to ensure that funds respond to the needs of more deprived areas. This may manifest in different ways. The Freeport East Board have already incorporated differentiated decision-making in how they have sought to target the first round of spend under the Freeport East Clean Growth Fund and Freeport East Skills & Innovation Facility. In these cases, it has been done through setting thresholds for allocations of funding to particularly align with indices of deprivation.

In other cases, the scale of investment may merit a more formalised economic analysis based around a Freeport East Calibrated Benefit Cost Ratio (e.g. by using average benefits per output across the Freeport East region). Such a ratio could be presented to decision-makers, where appropriate and proportionate, alongside the Exchequer Benefit Cost Ratio to ensure that lower demand areas are not disadvantaged.

Managing opportunity costs and no-regrets options

There are many more potential uses of retained rates income than there are likely to be funds available. As well as delivering value for money on a case-by-case basis, it is therefore important that, as far as possible, the best overall combination of spending options are chosen over time. It will never be possible to do this perfectly, but key considerations are around how opportunity costs are managed whilst facilitating no-regrets decisions and avoiding delayed or deferred decision-making.

Visibility of forward pipeline

We will aim to provide decision-makers with maximum feasible visibility of the forward pipeline of projects, and therefore comparable choices, in order to ensure that the opportunity cost of each investment decision are transparent. To do this we will build an understanding of the needs and opportunities of the local area as well as deploying "call for proposal" windows that seek to allow multiple projects to be prioritised, rather than decision-making on a first-come-first-served approach. This will rely on an effective forecasting mechanism such that we are well-informed as to which funds will be available over what timeframe – but it will also involve carefully selecting those areas in which well-defined calls for proposals can be sought, to provide reliable data whilst avoiding wasting the resources of those required or requested to submit proposals. For 2023/24 and 2024/25 we have set out in section 4 our proposed priorities.

No regrets interventions

Notwithstanding the need to maximise visibility of future options and manage opportunity costs effectively, there is also a need to ensure that effective decision-making and delivery is not unnecessarily delayed, either in the pursuit of perfection or as a result of the lowest common denominator. Decision-makers will be supported to make "no regrets" decisions where possible. This is more likely to be possible there the spending levels are involved do not impinge on multiple other options but would recognise that the success and public support for the overall freeport initiative will depend on bringing forward investments sooner rather than later.

The implementation of the Clean Growth Fund and Skills & Innovation Fund using £800k of brought-forward Pot C funds, are models of prioritising particular no regrets decisions and which are designed to facilitate wider benefits that will repay in tax site income and wider socio-economic benefits over time.

4. Decision-making

This section sets out the processes through which decision-making will be delivered on specific projects.

Twenty-Five Year and Five-Year Forecasts

Freeport East Ltd will maintain both a twenty-five-year forecast and a rolling five-year forecast that brings together the best available information on existing and new site occupation and indicative allocations across the cost requirements and pot allocations set out in section 3. The twenty-five year forecast will also include actual received income and expenditures made in any period prior to the date on which the forecast is considered.

The two forecasts will provide context and a “lead-in” to individual project decisions as and when they need to be made during that period. The distinction between different levels of certainty of income (as set out in the technical note at Annex A) as well as the different time periods will provide an important mix of data to support effective decision-making.

The forecasts will be reviewed bi-annually by the Freeport East Board, with relevant support from the Finance & Audit Committee.

Both forecasts will follow the principles and provisions set out in this strategy to maintain an effective forward-look on potential income and expenditure to support effective decision-making.

Annual Budget Allocation

Each year, as part of the Freeport East business planning process, the Freeport East Board will approve a proposed allocation of the retained business rates for the same one year period covered by the Business Plan. The allocation will reflect the principles and provisions of this strategy, together with all relevant existing decisions made by the Board from time to time, including prior commitments already made. The annual budget allocation approval will allow for spending to be delivered in the same year, i.e. it will be actionable with as much appropriate detail necessary to allow the Executive Team to deliver through the course of the financial year.

Funding Allocation process

Strategic Direction of Funding

In formulating proposals for how retained rates funds should be utilised as part of the annual process the Freeport East FBC/strategy, vision and business plan will be the basis for these proposals. Freeport East Ltd, together with its associated governance and through wider engagement as appropriate with other stakeholders, will provide the steer for what funds should be made available for proposals and under what conditions and criteria. Freeport East will also provide leadership on using freeport-specific analysis and studies, for example into possible transport and connectivity interventions, to determine prioritised interventions that support the freeport vision.

Call for Proposals

Wherever possible, Freeport East will utilise a Call for Proposals model to solicit the widest possible inputs on appropriate forms of spending. The audience for any such Call for Proposals will vary according to the specific needs. For Pot B, this is likely to be more restricted, given the focus on advancing development on the existing tax sites, than for Pot C which has much wider application. The intention to and benefits of consulting widely shall not undermine the need for Freeport East to use its strategic leadership role to appropriately shape the focus and criteria for a particular funding allocation. For example, Freeport East has already instigated two such Calls for Proposals in relation to the Clean Growth Fund and Innovation and Skills Funds. In these cases the Call for Proposals is against an already defined need and target outcomes, such that external stakeholders are able to respond more specifically to a specific opportunity.

Any Call for Proposals will set out the eligibility of different types of organisations to bid for funding, and the format and minimum information requirements for an Expression of Interest (which may include inter alia: problem, proposed intervention, anticipated timing, anticipated amount of funding required, Upper and Lower Tier Authority sponsors). This will recognise the different types of possible Calls (e.g. ranging from major infrastructure interventions that may require a public sector sponsor through to small business support grants that would open to all relevant applicants).

As part of the process of projects being added to the pipeline, they will be discussed as appropriate as part of expert-led thematic analysis and in any relevant thematic working group to ensure that projects are cross-authority where relevant, or otherwise complementary across the Freeport East area.

Initially, in 2023/2024 we propose the following call for proposals should be prioritised:

- Pot B expenditure – a call for proposals from local authorities and tax site landowners to propose appropriate interventions that could enable earlier, higher quality and higher business rate income on tax sites; and

- Freeport East Growth Fund and Freeport East Skills & Innovation Facility using Local Authority Forward Funding under Pot C – an initial call for proposals has already been made. Depending on the volume of applications, the proposed funding of £800k could be increased and support further proposals.

In parallel, we will continue to build visibility on the pipeline of potential future Pot C projects, principally through bespoke Freeport East analysis in relevant thematic areas and through engagement with local authorities and other public bodies.

In 2024/25, we would then seek to prioritise:

- Pot B expenditure – continued engagement with local authorities and tax site landowners to focus on those proposed interventions that demonstrate value for money and contribute effectively to accelerate or increase the quality of business rate income on tax sites. Such proposals could be brought forward to the Board at any point to reflect the pace of individual site development;

- Freeport East Clean Growth Fund and Freeport East Skills & Innovation Fund – assessment of ongoing progress and impact, with a view to determining whether these funds should become rolling models of support in future years under Pot C.

- A first formal process to commence allocations against future Pot C income guided by a strategic focus to be agreed by the Freeport East Board.

Assessment Gateways

In formulating proposals for how retained rates funds should be utilised and depending on the nature and size of specific proposals we will set out a form of gateway process. The elements set out subsequently are indicative at this stage but provide an outline of the type of gateway process we would expect to implement which would be detailed in relation to specific funding allocations.

Gateway 1: Strategic Outline Business Case (SOBC) / Site Development Plan (SDP)

For higher value projects (i.e. in excess of £10m or where they are novel, contentious or highly innovative) Freeport East would look to assess a SOBC and/or SDP to gauge an understanding of a proposal at a high level. Part of the purpose of this exercise would also be to provide a steer on the relative benefits of expending further time and resource on developing a certain proposal.

Gateway 2: Outline Business Case

For individual or cumulative projects up to a total of £1m, an outline business case may be considered sufficient to enable a positive funding decision and to reflect the need to keep decision-making processes sufficiently agile and light-touch to enable robust decisions and minimise burdens on delivery partners.

As defined in relation to specific funding allocations, such a business case would be expected to be in a format satisfactory to Freeport East and for the purposes of ensuring appropriate governance and financial compliance through the Board.

Larger projects, or those where Freeport East determines there is a need for greater examination and articulation of the proposal, will be put through the Full Business Case process.

Unsuccessful projects will be provided with feedback, whilst successful projects may have conditions imposed that would be reflected in the ultimate funding agreements put in place via the Accountable Body.

Gateway 3: Full Business Case

For larger projects, Freeport East would require the submission and appraisal of a full business case that is compliant with the HMT Green Book methodology and the five case model. This would ensure an appropriate examination of the funding proposal and it's contribution to the delivery of the freeport objectives. It would also allow for systematic comparison between options, noting that the demands on use of the retained business rate income are likely to be high and therefore comparative analysis and consideration of opportunity costs are likely to be a critical aspect of the process.

Projects that are not successful at this stage would be provided feedback and there may be an opportunity for a resubmission of a similar or reconfigured proposal once any weaknesses are addressed.

As noted above, smaller projects which are considered particularly risky, novel or contentious may also be required to deliver a full business case for assessment by Freeport East.

Where relevant, Freeport East will also align its own appraisal and timelines to match those of other public and private funding providers.

Successful projects will be provided with an outline of the funding process to be implemented and Freeport East would continue to support the process, even where grant funding agreements are subsequently put in place directly with the Accountable Body. In addition, Freeport East may seek to agree conditions and requirements as part of the funding delivery, for example to ensure effective oversight and to maximise the benefits of the project to other freeport initiatives and stakeholders.

Assurance at Gateways 1, 2 and 3

Key criteria will be set out in relation to specific funding allocations and based on the specific outcomes or need that a funding allocation is seeking to address. However, this strategy sets out some of the broader considerations that will inform the specific cases.

Pass / fail criteria

It is possible that certain pass/fail criteria will be utilised to ensure a focus on compliant proposals. The criteria will be assessed by Freeport East Ltd, with advice from independent technical specialists as appropriate and oversight from the Accountable Body where required. These pass/fail criteria may include:

- Strategic alignment – fit with the freeport vision, strategy, business plan, relevant sub-strategy and criteria related to the relevant "Pot" from which funding is proposed;
- Value for Money – based on a minimum Exchequer Benefit Cost Ratio and/or Freeport East Calibrated Benefit Ratio
- Affordability – Impact on current retained rates funds held in reserve/future income
- Compliance – With procurement, Subsidy Control and other relevant regulations
- Deliverability – No major interdependencies / barriers to delivery

Prioritisation criteria

Again, specific prioritisation criteria will be set in relation to specific funding allocations. These will be used to determine the ranking of options in relative priority and therefore the allocation of funds. These will be used to determine choices between options that are being proposed at the same time but will also be used to track and monitor comparative decisions that may be taken over time.

Specific criteria will be set out in relation to the relevant allocation but may likely include:

- Contribution to the Freeport East objectives
- Freeport East Calibrated Benefit Cost Ratio
- Opportunity cost - Impact on current reserve/future income stream
- Wider intangible benefits in terms of strengthening the outcomes, coherence and wider opportunities for Freeport East

Formal decision-making

To summarise the key methods of governance for each of area of spending allocation:

- For Freeport delivery costs, the Freeport East Board will agree an annual budget, and then submit to Members for approval as part of the annual Freeport East Business Plan

- For Pot A, retained business rates income will be distributed in accordance with this strategy and the annual allocation agreed by the Freeport East Board. Decisions on use of the funds will be taken by the local authorities as per their respective constitutions with regard also to this strategy and the Freeport vision, with reporting to Freeport East and the Accountable Body as required to satisfy the requirements of the MoU with DLUHC (for example in relation to reporting under the Monitoring & Evaluation framework);

- For Pot B, the Freeport East Executive, with input from the Management Committee, will recommend funding proposals, based on the principles of Green Book business cases and Site Development Plans or equivalent plans for wider interventions, for approval or rejection to the Freeport East Supervisory Board, which will take the final decision in line with its usual governance arrangements and delegations; and

- For Pot C, the Freeport East Executive, with input from the Management Committee will recommend appropriate assessments, based on the principles of Green Book business cases but proportionate to the level of spend involved, for approval or rejection to the Freeport East Supervisory Board, which will take the final decision in line with its usual governance arrangements and delegations

Transparency

To the extent possible and in compliance with relevant legislation and commercial considerations, decisions will be published as per the governance arrangements of the Freeport East Supervisory Board. This will be done via the Freeport East website.

5. Financial Management

Implementing effective financial processes

Annual Forecasting and Cash Transfer Cycle

Each year Billing Authorities will complete their NNDR1 (January) and NNDR3 (August) reporting processes to DLUHC to provide an upfront estimate (NNDR1) and outturn validation (NNDR3) of all relevant business rate income relating to the freeport tax sites.

NNDR1 data will be shared with the Accountable Body and Freeport East Ltd to ensure that forecasts of income are consistent and kept up to date.

A transfer equal to all recorded business rate growth subject to the scope of this strategy will be passed across to the Accountable Body by each Billing Authority no later than 30 days of the deadline date for completion of the NNDR3 return in each year. In circumstances where Billing Authorities receive more regular payments against NNDR1 estimates, then funds will be transferred across within 30 days of the relevant date of receipt of those funds. It is currently understood that DLUHC will make equal monthly instalments to each Billing Authority based on the forecast provided in the NNDR1, starting from May of the same year. It is therefore expected that monthly transfers will be made to the Accountable Body throughout the year.

Where there are subsequent amendments to the NNDR3 Return as part of the audit exercise, a reconciliation will take place and payments will be made to or from the relevant Billing Authority as required.

The Accountable Body, East Suffolk Council, will pool all such receipts and report to the Freeport East Finance and Audit Committee at least twice a year on the status of the pool and in accordance with HM Government requirements, including under the memorandum of Understanding with DLUHC.

Single Freeport Business Rates Account

Pooled business rate funds will be held by the Accountable Body in a single identifiable and auditable account. The Accountable Body will seek to earn a return on any uncommitted funds held in the single account in line with its Treasury Management policy which will be reported to the Finance & Audit Committee for oversight on a regular basis and at least annually as a minimum. Unless otherwise agreed by the Supervisory Board, all interest accruing on the pooled funds will be added to Pot C.

Longer term forecasting

Annually, each Billing Authority will be required to provide to the Accountable Body and Freeport East Ltd an annual updated forecast of business rates expected to be received in each tax site for the remaining period of the 25 years. These forecasts will be used to inform and keep up to date a single harmonised financial model across all Freeport East tax sites that enables consistent matching of income and expenditure and commitments.

6. Programme management

Pipeline management

Freeport East will manage a pipeline of future funding opportunities that could ultimately benefit from the support of funding mechanisms set out in this strategy.

Placing a particular project, proposal, programme or intervention on the pipeline at any time will not guarantee that any funding will be provided, nor that a full assessment has been undertaken that suggests that proposal would be suitable funding.

Pipeline opportunities may arise through bespoke Freeport East analysis or be provided by relevant partners, such as location authorities, tax site owners and a range of other stakeholders. Freeport East will formally request submission of pipeline ideas from relevant partners as well as update from time to time as new information emerges.

A new version of the pipeline will be published annually as part of this retained rates strategy.

Maintaining a future pipeline of opportunities will serve multiple purposes, including:

- Providing visibility internally on future opportunities to encourage discussion and consideration amongst partners about how best to bring proposals forward, as well as match with other available funding sources that may strengthen deliverability

- Provide visibility externally on the types of funding support that Freeport East may be able to consider providing and support investors and other stakeholders who may find this visibility aids their own decision-making

- Strengthening decision-making at any point in time, in particular in relation to opportunity costs and efficiency by having sight of other options and upcoming decisions

- Supporting resource efficiency and forward planning, especially given the very limited assessment resources available to Freeport East.

- Support the planning of specific calls for proposals. For example, where it is known that a cohort of strong proposals around a specific theme are already well-developed then it may create the basis for a formal call for proposals to provide early indication of Freeport East funding support.

The pipeline will provide proportionate information in relation to individual funding options as well as providing a degree of qualitative prioritisation where is it is possible to do so in a proportionate manner.

As part of the annual process of updating this retained rates strategy, pipeline opportunities may be withdrawn or reconfigured where for example they have already been completed, are no longer deemed necessary or have found other funding sources to support them.

Funding agreements

At the current time, it is anticipated that all funding agreements will be entered into directly by the Accountable Body with relevant delivery partner and/or funding recipients. This process would follow a positive formal decision by the Freeport East Supervisory Board.

Where a forward funding or borrowing mechanism is proposed or a multi-year funding agreements is to be put in place, these would also be expected to be documented with the Accountable Body in so far as required.

The Accountable Body will include all necessary conditions and requirements in their funding agreements to ensure that they, and the Freeport East Supervisory Board have sufficient oversight, assurance and remedies to ensure funding is delivered appropriately and the desired outcomes are achieved. In extreme circumstances, the Accountable Body will consult with the Freeport East Board prior to implementing any remedy or funding withdrawal under a funding agreement.

Freeport East will maintain a decisions register on its website to provide appropriate visibility of decisions.

Spend management

Relevant controls on spending will be set out in funding agreements as required and will be recognise the different nature of spending proposals and how controls can best balance risk and accentuate efficient delivery and oversight In principle, they are likely to include provisions related to:.

- Releasing payments based on evidence of spend and availability of reserves
- Managing slippage across accounting periods during projects
- Managing underspends upon project closure / failure / withdrawal
- Repaying funds due to non-compliance with the funding agreement

This section will also confirm that the risks of overspends will lie with the funding recipient, save where explicitly addressed in approvals by the Freeport East Board and in the relevant funding agreement.

Change control

Where considered appropriate by the Accountable Body, funding agreements will include provisions for change control.

Thes could relate to changes to delivery timescales, the identity of certain delivery partners or members of the governance and delivery team arrangements. On the other hand, use of the change control procedure should be kept to a minimum, and the focus should be on ensuring timely and efficient delivery of the funding and the desired outcomes.

Where proposed changes are material to the original funding decision by the Freeport East Board then Freeport East would be involved in any process to expect or refuse the proposed changes.

Monitoring and evaluation

The Accountable Body will ensure that funding agreements provide the requisite degree of monitoring and evaluation data to satisfy Freeport East in its interest in driving success for the freeport, as well as to deliver accordingly under its' M&E obligations to DLUHC.

These M&E requirements will be set out upfront in calls for proposals and other related material to ensure that funding recipients are aware of their obligations. Most M&E requirements should be a function of seeking to maximise the benefit of Freeport East to local businesses and communities and should therefore be accepted as a means of all partners contributing to that success.

Following completion of funded projects, all relevant participants will be committed to appropriate lesson learning reviews. The outcome of such reviews will remain the property of Freeport East who will seek to share with partners and the general public to maintain maximum transparency.

Risk management

The Accountable Body will share any such information arising from the funding agreements with Freeport East such as to ensure that Freeport East can ensure visibility and oversight of the funding decisions it has made.

The Accountable Body and Freeport East will convene at least quarterly to review progress against all funding agreements utilising freeport funds in order to assess, understand and mitigate risks. Where necessary, risks will be escalated to the Freeport East Board for visibility and action.

Appendix A – Retained business rates income forecasting: Technical note

This appendix is intended to outline the structure, key assumptions and data sources to be used in the forecasting of retained business rates income. It will also seek to highlight key limitations and caveats.

The Freeport East forecasting model

A single Freeport East retained rates model will be used to forecast future income and to model forecast and outturn expenditure and commitments over time. Based on having these future forecasts for overall retained business rates income, it will also be able to provide ongoing forecasts of the likely distribution of Pots A, B and C across the overall freeport, as well as on a site-by-site basis.

The model will also seek to relate this information to other key indices, such as floorspace projections and jobs figures.

The model will be built around different scenarios based on degrees of certainty of future income. This will be based on categorisation of forecast income on the basis of:

1. FIRM - Business rate income that is backed by existing or fully committed developments (e.g. developments already in situ or where land sale and construction agreements are in place with well-defined delivery and occupation dates)

2. ANTICIPATED - Business rate income forecast in relation to known pipeline opportunities with high expectation of completion (e.g. Heads of Terms are in place and commercial discussions are underway)

3. HIGH LEVEL - Broader business rate forecasts reflecting likely occupier take-up based on site development plans and informed judgement of the Freeport East team with input from tax site owners and other relevant stakeholders and experts.

In addition, a further scenario will reflect the degree of risk around development of the Bathside Bay project, recognising it is the largest and most complex single development within the Freeport East proposals. Whilst the core scenarios above will be based on the successful development of the site in accordance with the Green Energy Hub proposals, a fall-back scenario for forecasting purposes is based on income associated with a development solely of existing land (less than 25% of the full income scenario).

Key assumptions

The model will incorporate the following set of core assumptions, which will be reviewed annually in line with publication of the forecasts.

Inflation

Growth Rate

Void Periods

Data sources

The primary data sources for the model will be the forecasts of likely tax site occupation and therefore future business rates income based on information provided by tax site owners and the Billing Authorities. Freeport East will categorise this information for use in the model based on the nomenclature set out above.

Freeport East will regularly engage with both groups of organisations to keep data fresh and to update accordingly for reporting to the Freeport East Board and Finance & Audit Committee.

Appendix B – Indicative longlist of future investments

Pot B – Enhancements for site investments and maximising business rate income (indicative as of January 2024)

Gateway 14

- Support for G14 Skills & Innovation Centre
- Green energy and green transport innovations
- Grow-on space to attract specific market segments

Felixstowe (FDRC)

- No information as yet

Felixstowe (Maritime Transport/Anzani Avenue)

- Financial support to enable delivery of new clean fuels centre and related infrastructure

Harwich (Bathside Bay)

- Financial support for reclamation and infrastructure costs alongside other public and private sector investment

Harwich (Iconfield Park)

- No information as yet

Pot C – Freeport East

List A - Infrastructure Investments

Green Hydrogen-related innovation, skills, infrastructure and fuelling capacity in Felixstowe and other locations

Harwich Pop-Up Innovation Hub (as per joint UoE, TDC, FPE study)

Harwich Innovation Centre (as per FBC proposals, Innovation Study and joint UoE, TDC, FPE study)

Green Skills Infrastructure provision in North Essex – building on Colchester Institute footprint to expand skills provision in response to green sectors

A133/A120 Interchange & Mobility Hub – all-movements interchange hub (subject to FPE transport masterplanning work)

A120 widening and Bus Rapid Transit (subject to FPE transport masterplanning work)

A133 widening (subject to FPE transport masterplanning work)

Support for increase in Colchester-Harwich-Clacton rail service frequencies in partnership with Greater Anglia (subject to FPE transport masterplanning work)

Clean fuel bus service support across various Freeport East geographies (emphasis on building on private sector employment support as well as reaching areas of relatively poorer employment access) (subject to FPE transport masterplanning work)

Felixstowe-Harwich ferry infrastructure and service enhancements – to build on emerging employment opportunities and strengthening of economic cluster and opportunities (subject to FPE transport masterplanning work)

Haven Ports 5G digital infrastructure, including widening of existing 5g testbeds and trials programme beyond Port of Felixstowe

Targeted support at net zero infrastructure solutions (e.g. EV charging, green hydrogen fuelling) where this particularly tackles under-served areas and/or contributes to our vision for a Net Zero Freeport economic area, alongside other public and private sector partners.

Various enhancements to cycle and walking infrastructure to better connect people to employment & education opportunities and reduce wider traffic impacts (inc Harwich, Clacton, Felixstowe-Ipswich-Stowmarket corridor)

Non-tax site land aggregation and/or enabling works (various possible locations)

List B – Wider Investments, Projects and Programmes

Freeport East Clean Growth Fund (with possible progression into large-scale clean growth investment fund for example such as the Mayor of London's Energy Efficiency Fund)

Freeport East Skills & Innovation Fund (ongoing funding and expansion against original objectives)

Projects to be delivered under some form of Suffolk Challenge Fund utilising that proportion of Gateway 14 Pot C funds which relate to the prior Enterprise Zone designation

Working with Institute of Export and local SMEs to maximise opportunities from Ecosystem of Trust pilots to strengthen trade with existing trade partners (such as EU) but also target new trade opportunities that support UK export objective but also international development (e.g with the Commonwealth)

Schedule 5 Rates Forecast Statement

Ser	Item	Note	Amount (£)	Cumulative Total (£)
Baseline Amounts for Designated Areas				
1	Felixstowe Tax Site	From ESC NNDR1/VOA	0.00	NA
2	Harwich Tax Site	From TDC NNDR1/VOA	0.00	NA
Tax Site Income (above Baseline Amount, where relevant)				
3	Felixstowe Tax Site NNDR (from s31 grant)	From ESC NNDR1	0.00	0.00
4	Felixstowe Tax Site NNDR (direct from business rate payers)	From ESC NNDR1	0.00	0.00
5	Gateway 14 Tax Site NNDR (from s31 grant)	From MSDC NNDR1	0.00	0.00
6	Gateway 14 Tax Site NNDR (direct from business rate payers)	From MSDC NNDR1	0.00	0.00
7	Harwich Tax Site NNDR (from s31 grant)	From TDC NNDR1	0.00	0.00
8	Harwich Tax Site NNDR (direct from business rate payers)	From TDC NNDR1	0.00	0.00
9	*Total NNDR from Tax Sites*		0.00	0.00
Delivery Costs				
10	Freeport Delivery Costs	From FEL Accounts	0.00	0.00
11	Accountable Body Delivery Costs	From ESC Accounts	0.00	0.00
12	*Total Delivery Costs*		0.00	0.00
Contributions to Total Delivery Costs (Row 12)				
13	Felixstowe Tax Site contribution to delivery costs		0.00	0.00

14	Gateway 14 Tax Site contribution to delivery costs		0.00	0.00
15	Harwich tax Site contribution to delivery costs		0.00	0.00

Free Cashflow (Tax Site Income less contributions to Total Delivery Costs)

16	Felixstowe Tax Site Free Cashflow		0.00	0.00
17	Gateway 14 Tax Site Free Cashflow		0.00	0.00
18	Harwich Tax Site Free Cashflow		0.00	0.00

Pot Allocations & Transfers

Allocation *amount refers to the headline allocation to a relevant Pot in accordance with the Investment Strategy.*

Transfer *amount refers to the movement of funds to a Local Authority Founding Member or sub-account in the given year after accounting for deferments or other adjustments as set out in the Investment Strategy.*

19	Felixstowe Tax Site – Pot A Allocation	Up to 20% of Free cashflow	0.00	0.00
20	Felixstowe Tax Site – Pot A Transfer	Allocation less funds deferred to Year 11 onwards	0.00	0.00
21	Felixstowe Tax Site – Pot B Allocation	Up to 35% of Free cashflow	0.00	0.00
22	Felixstowe Tax Site – Pot B Transfer		0.00	0.00
23	Felixstowe Tax Site – Pot C Allocation	At least 45% of Free cashflow	0.00	0.00
24	Felixstowe Tax Site – Pot C Transfer	Incl. any funds deferred from Pot A	0.00	0.00
25	Gateway 14 Tax Site – Pot A Allocation	Up to 20% of Free cashflow	0.00	0.00
26	Gateway 14 Tax Site – Pot A Transfer	SCC 20% allocation deferred to Yr 6 onwards & MSDC 80% allocation limited by agreement	0.00	0.00

27	Gateway 14 Tax Site – Pot B Allocation	Up to 35% of Free cashflow	0.00	0.00
28	Gateway 14Tax Site – Pot B Transfer		0.00	0.00
29	Gateway 14 Tax Site – Pot C Allocation	At least 45% of Free cashflow	0.00	0.00
30	Gateway 14 Tax Site – Pot C Transfer	Incl. any funds deferred from Pot A and Sub-allocation to Suffolk County Council for EZ.	0.00	0.00
31	Harwich Tax Site – Pot A Allocation	Up to 20% of Free cashflow	0.00	0.00
32	Harwich Tax Site – Pot A Transfer	Allocation less funds deferred to Year 11 onwards	0.00	0.00
33	Harwich Tax Site – Pot B Allocation	Up to 35% of Free cashflow	0.00	0.00
34	Harwich Tax Site – Pot B Transfer		0.00	0.00
35	Harwich Tax Site – Pot C Allocation	At least 45% of Free cashflow	0.00	0.00
36	Harwich Tax Site – Pot C Transfer	Incl. any funds deferred from Pot A.	0.00	0.00
Freeport Pot C				
37	Total Pot C Funds from Retained NNDR		0.00	0.00
38	Interest income earned on Retained NNDR		0.00	0.00
39	Total Pot C Funds from Retained NNDR including interest earned		0.00	0.00
Balance of "Intention to Fund" (relating to the contribution that each Tax Site makes to Total Delivery Costs)				
40	Felixstowe Tax Site – O/S Balance of "Intention to Fund"	Positive value indicates outstanding amount	0.00	0.00

41	Gateway 14 Tax Site – O/S Balance of "Intention to Fund"	Negative value indicates Credit to be rebalanced	0.00	0.00
42	Harwich Tax Site – O/S Balance of "Intention to Fund"	Positive value indicates outstanding amount	0.00	0.00

Balance of Forward Funding (relating to those funds advanced to the Freeport East initiative by each of the Local Authority Founding Members and to be repaid in accordance with the Investment Strategy)

43	O/S Balance Forward Funding – ESC		160,000	
44	O/S Balance Forward Funding – MSDC		160,000	
45	O/S Balance Forward Funding – TDC		160,000	
46	O/S Balance Forward Funding – Suffolk County Council		160,000	
47	O/S Balance Forward Funding – Essex County Council		160,000	

Schedule 6 Rates Reconciliation Statement

Ser	Item	Note	Amount (£)	Cumulative Total (£)
Baseline Amounts for Designated Areas				
1	Felixstowe Tax Site	From ESC NNDR3/VOA	0.00	NA
2	Harwich Tax Site	From TDC NNDR3/VOA	0.00	NA
Tax Site Income (above Baseline Amount, where relevant)				
3	Felixstowe Tax Site NNDR (from s31 grant)	From ESC NNDR3	0.00	0.00
4	Felixstowe Tax Site NNDR (direct from business rate payers)	From ESC NNDR3	0.00	0.00
5	Gateway 14 Tax Site NNDR (from s31 grant)	From MSDC NNDR3	0.00	0.00
6	Gateway 14 Tax Site NNDR (direct from business rate payers)	From MSDC NNDR3	0.00	0.00
7	Harwich Tax Site NNDR (from s31 grant)	From TDC NNDR3	0.00	0.00
8	Harwich Tax Site NNDR (direct from business rate payers)	From TDC NNDR3	0.00	0.00
9	*Total NNDR from Tax Sites*		0.00	0.00
Delivery Costs				
10	Freeport Delivery Costs	From FPE Ltd Accounts	0.00	0.00
11	Accountable Body Delivery Costs	From ESC Accounts	0.00	0.00
12	*Total Delivery Costs*		0.00	0.00
Contributions to Total Delivery Costs (Row 12)				
13	Felixstowe Tax Site contribution to delivery costs		0.00	0.00

14	Gateway 14 Tax Site contribution to delivery costs		0.00	0.00
15	Harwich tax Site contribution to delivery costs		0.00	0.00

Free Cashflow (Tax Site Income less contributions to Total Delivery Costs)

16	Felixstowe Tax Site Free Cashflow		0.00	0.00
17	Gateway 14 Tax Site Free Cashflow		0.00	0.00
18	Harwich Tax Site Free Cashflow		0.00	0.00

Pot Allocations & Transfers

Allocation *amount refers to the headline allocation to a relevant Pot in accordance with the Investment Strategy.*

Transfer *amount refers to the movement of funds to a Local Authority Founding Member or sub-account in the given year after accounting for deferments or other adjustments as set out in the Investment Strategy.*

19	Felixstowe Tax Site – Pot A Allocation	Up to 20% of Free cashflow	0.00	0.00
20	Felixstowe Tax Site – Pot A Transfer	Allocation less funds deferred to Year 11 onwards	0.00	0.00
21	Felixstowe Tax Site – Pot B Allocation	Up to 35% of Free cashflow	0.00	0.00
22	Felixstowe Tax Site – Pot B Transfer		0.00	0.00
23	Felixstowe Tax Site – Pot C Allocation	At least 45% of Free cashflow	0.00	0.00
24	Felixstowe Tax Site – Pot C Transfer	Incl. any funds deferred from Pot A	0.00	0.00
25	Gateway 14 Tax Site – Pot A Allocation	Up to 20% of Free cashflow	0.00	0.00
26	Gateway 14 Tax Site – Pot A Transfer	SCC 20% allocation deferred to Yr 6 onwards & MSDC 80% allocation limited by agreement	0.00	0.00

27	Gateway 14 Tax Site – Pot B Allocation	Up to 35% of Free cashflow	0.00	0.00
28	Gateway 14Tax Site – Pot B Transfer		0.00	0.00
29	Gateway 14 Tax Site – Pot C Allocation	At least 45% of Free cashflow	0.00	0.00
30	Gateway 14 Tax Site – Pot C Transfer	Incl. any funds deferred from Pot A and Sub-allocation to Suffolk County Council for EZ.	0.00	0.00
31	Harwich Tax Site – Pot A Allocation	Up to 20% of Free cashflow	0.00	0.00
32	Harwich Tax Site – Pot A Transfer	Allocation less funds deferred to Year 11 onwards	0.00	0.00
33	Harwich Tax Site – Pot B Allocation	Up to 35% of Free cashflow	0.00	0.00
34	Harwich Tax Site – Pot B Transfer		0.00	0.00
35	Harwich Tax Site – Pot C Allocation	At least 45% of Free cashflow	0.00	0.00
36	Harwich Tax Site – Pot C Transfer	Incl. any funds deferred from Pot A.	0.00	0.00
Freeport Pot C				
37	Total Pot C Funds from Retained NNDR		0.00	0.00
38	Interest income earned on Retained NNDR		0.00	0.00
39	Total Pot C Funds from Retained Rates including interest earned		0.00	0.00
Balance of "Intention to Fund" (relating to the contribution that each Tax Site makes to Total Delivery Costs)				
40	Felixstowe Tax Site – O/S Balance of "Intention to Fund"	Positive value indicates outstanding amount	0.00	0.00

41	Gateway 14 Tax Site – O/S Balance of "Intention to Fund"	Negative value indicates Credit to be rebalanced	0.00	0.00
42	Harwich Tax Site – O/S Balance of "Intention to Fund"	Positive value indicates outstanding amount	0.00	0.00

Balance of Forward Funding (relating to those funds advanced to the Freeport East initiative by each of the Local Authority Founding Members and to be repaid in accordance with the Investment Strategy)

43	O/S Balance Forward Funding – ESC		160,000	
44	O/S Balance Forward Funding – MSDC		160,000	
45	O/S Balance Forward Funding – TDC		160,000	
46	O/S Balance Forward Funding – Suffolk County Council		160,000	
47	O/S Balance Forward Funding – Essex County Council		160,000	