

## **Appendix 1 – Solent Freeport Designation Process**

*(source – Solent LEP)*

### **The Business case process**

- 1.1 The business case process is led by the Department of Levelling Up, Housing and Communities (DLUHC). The purpose of the business case process is to enable prospective Freeports to fully consider all factors that are critical to the successful delivery of a Freeport, and assure Government that public funding both directly (such as seed capital funding) and indirectly (such as forgone tax revenue) delivers value for money.
- 1.2 The focus of the OBC was on the overarching strategic vision for the Freeport as a whole, including how the Freeport levers will be used to address longstanding challenges in the region, and was a critical stepping-stone to the approval of the Solent's proposed Tax Sites, which is expected this month. The other critical stepping-stone is the agreement of a series of Site-Specific Agreements between the Freeport Company the Solent has established to deliver the Freeport, the landowners of each of the Tax Sites, and the relevant Local Authority. These agreements are designed to ensure that activity on Solent Tax Sites delivers genuinely additional growth and employment for the Solent and that those investing in these sites are fully engaged in the Freeport's supporting skills, innovation, and net zero programmes. These agreements are now ready for signature, once the OBC has been approved.
- 1.3 The FBC involves adding further detail to the vision set out in the OBC, particularly regarding the use of seed capital funding and retained business rates, alongside refining the content of the OBC in line with government feedback.
- 1.4 As set out in Figure 1, the OBC is expected to be approved by DLUHC by the end of February 2022. This will allow the Solent Freeport to submit a FBC by 8 April 2022 (ahead of the formal deadline of 15 April) and proceed with tax site designation.<sup>1</sup> Approval of the FBC (which may take 6 weeks from submission) will lead to the Solent signing a series of Memorandums of Understanding (MoUs) with Government on how the Freeport will operate, which in turn will unlock the central funding for business rates reliefs on Tax Sites; retained business rates from those sites for 25 years; and the £25m of Seed Capital funding.

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<sup>1</sup> Tax sites are designated via secondary legislation

## **2 Tax site process**

- 2.1 The tax site process is led by the HM Treasury (HMT), and its purpose is to verify that prospective Freeports' proposed tax sites adhere to the criteria set out in the Bidding Prospectus, in terms of both physical size and shape and potential to meet the policy objectives. This is important to ensure that the selected tax sites maximise the benefits of the Freeport whilst minimising any deadweight or displacement and the case provided by prospective Freeports will help the Government and Freeport governing bodies evidence the value of the policy. As noted above, the Solent is using Site Specific Agreements with landowners to mitigate risks in this area. Subject to approval by HMT by the end of February, approval of the OBC by DLUHC, and signature of the Site Agreements, it is expected tax sites will be designated by the end of March.

## **3 Custom site process**

- 3.1 Each Freeport customs site will need to be approved by HM Revenue and Customs (HMRC) prior to designation. This will involve HMRC checks to ensure the operator is legitimate, the location is secured, and that the businesses operating within the customs site are complying with relevant security standards. There are also additional checks relating to specific conditions of designation, for example IT system to ensure it can keep records in specified format. Businesses wishing to access the customs benefits of a Freeport will need a separate Freeport Business Authorisation. Each customs site operator is responsible for liaising with HMRC through its application process.
- 3.2 In order for the FBC to be approved, the Solent Freeport will need at least one customs site designated by the FBC deadline (15 April 2022). As noted above, there is no time limit on when other Solent customs sites can be brought forward once the Freeport is formally established following the approval of the Full Business Case.
- 3.3 Figure 1 summarises the timings of the Solent Freeport designation process

Figure 1. Solent Freeport designation timelines

