

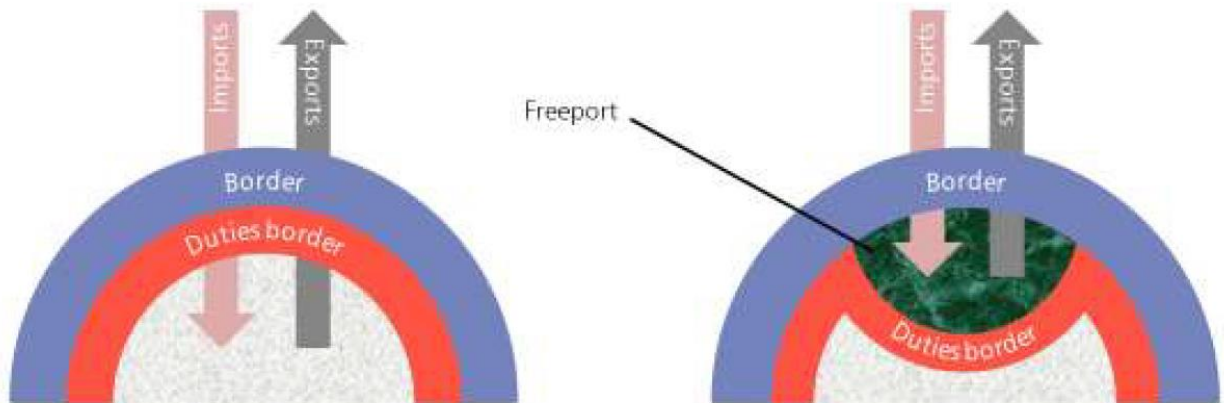
Appendix 2 – Governance Further Detail

1.1 The Freeport Operating Company will have the following features and principles.

- **A strategic steering group** made up of the leaders of each of the three local authority partners will provide strategic oversight and ensure alignment with the emerging County deal and respective corporate strategies.
- **A board of directors** with a chair from the private sector to provide clear evidence of private sector leadership, we will set out the process through which the chair will be appointed in the scheme of delegation.
- **Founding members**, the three local authorities, will nominate representatives to serve as company directors.
- **The landowners** will each nominate a director to the board.
- **The port operators, the universities and the Local Enterprise Partnership** will each nominate a single director to the board to represent them.
- **A Memorandum and Articles** of Association setting out the remit and roles of the directors, a scheme of delegation and matters reserved to the founding members.
- **A Members' Agreement** binding the three local authorities to perform their functions and roles and their engagement with the Freeport company based on the key principle of a partnership of equals.
- **An annual delivery plan** – proposed by the Freeport Company, sanctioned by the Founder members with respect to their reserved matters and approved by the Board of Directors who will hold the Freeport Company to account for its delivery.
- **Policies and bilateral agreements between the Local Authorities governing the use of Business Rates** - to supporting borrowing and long term operational costs, including the proportion of business rates from each collecting authority, and the mechanisms for deciding the application of surplus retained business rates and redressing displacement.
- **A standard Service Level Agreement** to secure and fund commissioned activities from the Freeport Company to a range of partners including – Skills, Inward Investment, Innovation Services - where a budget is available or has been secured.
- **Partnering Agreement / Local Authority Agreements** – where it would not be appropriate to utilise the Members Agreement.

Appendix 3 - Customs site background

1.1 A Freeport customs site (also known as a 'free zone') is a secure, enclosed customs zone where some normal tax and customs rules do not apply. It is the presence of customs sites that define a Freeport as something more than an economic zone.



- 1.1 Businesses operating from within a customs site derive 3 three main opportunities: -
 - Tariff suspension - the ability to defer payment of VAT and excise duty until such time as imported goods cross into UK customs territory.
 - Tariff exemption – goods brought into the Freeport for export that never enter UK customs territory generate no liability to the payment of VAT or excise duty at all.
 - Tariff inversion – where goods are brought into a customs zone and processed into a final product and the excise duty on the final product is less than it would be on some or all of its components.
- 1.2 The main customs sites will be delivered at two locations within the tax site boundaries at Langage and Sherford, at the locations indicated on the appended master plans. Since these sites cannot be delivered before necessary core site infrastructure, a third customs site has been identified for immediate use.
- 1.3 This will be located at Burrington Way on the old Bestaway Cash and Carry site in Plymouth, ensuring that an HMRC requirement that a fully operational customs site is available is met, before the Freeport can be formally designated. Taken together these facilities will provide over 50,000 m² of warehouse and advanced manufacturing space.
- 1.4 To operate a Freeport customs site it must meet the conditions of an HMRC 'designation order'. The designation order sets out who the Freeport customs site operator is and the conditions they must comply with. In the short term Babcock, who already meet the criteria, have agreed to seek authorisation as our customs site operator at the Burrington way site. The Freeport team are currently considering longer term options, including the procurement of a single customs operator to cover all the customs operations.

- 1.5 The Freeport has committed to upholding the UK's high standards for security and combatting illicit activity and we have therefore agreed to honour the obligations set out in the OECD Code of Conduct for Clean Free Trade Zones and the UK's Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.
- 1.6 It will also have to maintain a security and illicit activity risk assessment with local partners and security stakeholders and put in place appropriate processes and governance arrangements for actively managing the security risks identified. These processes are subject to an annual security audit.

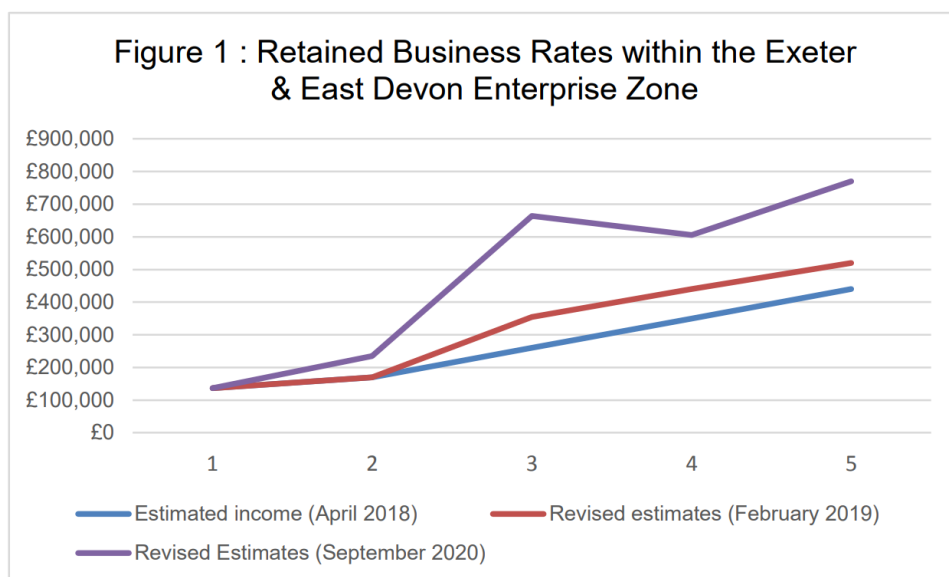
Appendix 4 – East Devon District Council Enterprise Zone Background

1.1 East Devon Enterprise Zone

1.2 As part of the risk assessment work for the project, the performance of the East Devon Enterprise Zone was considered, given its proximity and similarities (loosely equivalent to the tax site of a Freeport). The following has been extracted from the last public report by East Devon District Council, showing a better than expected business uptake at the site and a decision to extend borrowing as a result (report words in italics).

1.3 Section 2.4 and 2.6 of the East Devon Enterprise Zone report is set out below:-

The EZ financial position has been reviewed in light of the Covid-19 pandemic and subsequent economic recession. It is estimated that levels of income will prove to be resilient relative to original assumptions which were deliberately conservative. To date business rate income has exceeded original estimates as set out below;



The reasons for this improved financial position are:

Delivery of development on site has been quicker than estimated – the timescale for delivery of buildings on site included slippage, whereas most of the buildings have been completed on time.

Rateable values are higher than estimated – initial estimates were based upon limited information due to small number of buildings within the EZ sites

- 1.4 Below is a link to a recent report (Cabinet, 30th September 2020) to East Devon District Council on their Enterprise Zone.

<https://democracy.eastdevon.gov.uk/documents/s9664/Enterprise%20Zone%20Update.pdf>