

Humber Leadership Board

3 December 2020

Humber Freeports Bid

1. Background

The Freeports Bidding Prospectus was published by Government on 16 November 2020, inviting bids to boost the economy and level up the country. Specifically, three objectives have been identified which need to be met by successful bids.

- Establish Freeports as national hubs for global trade and investment across the UK;
- Promote regeneration and job creation;
- Create hotbeds of innovation.

Bids need to be submitted by Friday 5 February 2021.

There is much in the bidding document to suggest that the Humber is well placed to submit a strong bid and, arguably, uniquely positioned to meet the objectives set out in the guidance. However, the level of information and analysis required by the bid process is significant and the complexity of the work needed to stitch together the assets and aspirations of each part of the Humber into a compelling single proposal will create challenges given the short timescale. It will require absolute commitment across the region to a joined-up approach.

Since the Humber Leadership Board (HLB) on 5 November, a number of private sector stakeholders across the Humber have come together to form The Humber Freeports Group, chaired by ABP with a view to submitting a Humber bid by the February deadline.

The HLB needs to decide how it is going to work with the Humber Freeports Group to ensure that the best possible bid is submitted to government.

2. Previous Policy Issues

The previous HLB took place before the bidding guidance was issued. At that meeting, Members agreed that we should raise concerns to government in relation to two proposed policy constraints within the emerging guidance, namely:

- That any single Freeport bid can only have one tax site of no more than 600 ha.
- That the extremities of a Freeport should be no more than 45km.

The guidance published on 16 November has, to some degree, addressed those concerns. It has now been clarified that a single Freeport bid can have up to three tax sites as long as, in aggregate, they do not exceed 600ha. The 45km restriction remains but there is a concession that exceptional customs subzones and tax sites outside the boundary may be considered provided inclusion is supported by a clear economic rationale.

3. Freeport Sites

There are effectively three types of sites within a Freeport – a Primary Customs Site, additional Customs Subzones and Tax Sites.

Businesses operating within Customs sites will receive tariff benefits, including duty deferral whilst the goods remain on site, and duty inversion if the finished goods exiting the Freeport attract a lower tariff than their component parts. There is no limit to the number of subzones within a Freeport.

Tax sites will offer businesses a wide range of incentives. Examples include Stamp Duty Land Tax relief, Enhanced Structures and Buildings Allowance, Enhanced Capital Allowances, National Insurance Rate Relief, Business Rates Relief and Local Retention of Business Rates. These benefits are only available until 2026 (with retention of business rates for 25 years) – it will be expected therefore that any tax sites proposed will have a very clear route to early occupation of businesses.

4. Humber Freeports Group

The newly established Humber Freeports Group is chaired by ABP and has membership from a number of private landowners and businesses along with the two LEPs. At its most recent meeting, membership was extended to include an officer from North East Lincolnshire Council and Cllr Waltham as HLB Chair to ensure that the four local authorities are represented.

The group has identified a Bid Director, David Gwynne, who will attend the HLB meeting on 3 December and the process to bring in further bid support is underway. In addition, the bid team will build upon a considerable amount of work undertaken to date by Arup supported by the local authorities and the two LEPs. The approach to funding the bid work is still to be agreed.

The group has agreed that it should submit a Freeports bid for the Humber by 5 February deadline.

Should the HLB agree to support the Humber Freeports Group's decision, it will be essential that a single approach to decision making and communications is achieved. It could potentially undermine a bid if the HLB and Humber Freeports Group are progressing elements of bid development in parallel rather than in unity.

5. Governance

Members need to be aware that, whilst it is not expected that bidders have formal governance in place at the point that bids are submitted, there is an expectation that a Bidding Coalition be formed which represents all those who will have a role in delivering a successful Freeport. There is also a requirement that the approach to the Freeport Governance Body be clearly set out within the bid. Whilst the Freeport Governance Body is responsible for the effective delivery of the Freeport, the local authority(ies) will be accountable to MHCLG for the expenditure and management of funds.

It is suggested that bidding coalitions should include, by way of example: landowners; operators of customs sites; firms, investors and public sector bodies who will operate within customs and tax sites; the LEP(s); local MPs and innovation stakeholders such as universities and Catapult Centres.

In terms of the bid process, the position agreed by the Humber Freeports Group is that there will be the formation of a Steerco with an associated Working Group developing the bid. Steerco will represent the bidding coalition for the Humber under this model. The expectation, therefore, will be that Steerco manages the bidding team and signs off the bid – the local authorities will have representation via its nominated position(s) on Steerco. The

HLB should consider whether they believe this model is appropriate noting the regulatory role that local authorities will be expected to play and, additionally as set out above, their accountability for the management of the funds.

6. Criteria for Tax Sites

One of the biggest challenges to achieving a cohesive Humber Freeports bid is likely to be the process for selecting Tax Sites.

Discussions to date suggest that, with both local authorities and private businesses and landowners having aspirations to have areas included as tax sites, the call for such sites is likely to exceed the limit of three individual sites and 600ha in aggregate of land. Therefore, there will have to be a mechanism for choosing which sites go forward. That mechanism has not yet been agreed.

In the first instance, it would seem appropriate for each local authority to work with any private sector interests within their local authority area to consider which site(s) should be put forward to the Humber Freeports Group for consideration. At that point there would need to be an assessment process to consider which sites are included in the bid. The required criteria for tax sites are challenging and it is possible that a number of proposed sites will fall away when they are looked at in detail. However, there is a very real risk that not all sites will be able to be included.

It may be sensible to consider mechanisms by which the benefits of sites within the Freeports are shared across the Humber as a whole and not ringfenced to a local area. This might include the retention of business rates for example as well as any levy placed on Customs Zones. The agreement to use the income regionally to realise the objectives of the HLB's LIS lite for example may ease the process of site selection.

7. Recommendations

That the HLB:

- Re-affirms its decision to support a Humber wide Freeport bid following the publication of the Freeport Guidance on 16 November;
- Agrees to support the Humber Freeports Group in its proposed role in developing and submitting a Freeports bid, noting that accountability for expenditure within the bid sits with the local authorities;
- Agrees that the HLB's interests in relation to the work of the Humber Freeports Group are represented via the Chair, Cllr Waltham, supported by an officer role on the group provided by North East Lincolnshire Council. The Board may wish to further consider whether it would be appropriate to seek additional Membership so that the North Humber authorities can be specifically represented;
- That each local authority represented at the HLB agree to ensure the necessary resources are deployed to provide to the Bid Director with any information required in relation to their local authority area in a timely manner in order to realise a robust, cohesive and compelling bid;
- That, as a matter of priority, each local authority work with private sector businesses or landowners in their area to agree a unified position in terms of aspirations for a tax site within their authority area in order to ease the final site selection process.