

## **Humber Leadership Board**

**29 April 2021**

### **Freeport: Approach to Governance and Confirmation of Accountable Body**

#### **Introduction**

Following submission of the Humber Freeport bid on 5 February 2021, it was announced at the Budget on 3 March that the bid has been successful.

A first priority identified through discussions with the MHCLG team, was the requirement for clarity in relation to governance of the Freeport initiative including identifying an Accountable Body. Whilst a Freeport delivery company will be established, one of the requirements of Freeport status is that the accountable body and lead authority functions will be provided by a single local authority.

#### **Recommendation**

It is recommended that the Board:

- Notes the approach to governance submitted to HMCLG on 20 April 2021 and set out below;
- Agrees North East Lincolnshire Council (NELC) as the Accountable Body for the Humber Freeport and asks NELC to confirm its agreement and to progress necessary internal sign off.

#### **Background**

MHCLG produced guidance on 6 April 2021 which highlighted the need for Freeports to submit an appropriate proposal for the Governance and Capacity to oversee the 'set up' phase of the Freeport. Submissions were required by 20 April and were completed and submitted by the bid team in conjunction with the Freeport Steerco and the officer working group. The submission is attached below for noting.

One requirement of the submission was to provide details of the accountable body/lead authority for the Freeport, with a steer that one authority should play both roles.

At its meeting on 3 December 2020, the Board considered the appointment of lead roles to its key areas of activity and resolved that North East Lincolnshire Council be the lead authority in relation to the Humber Ports, manufacturing clusters and the Freeport opportunity.

As a result, NELC provided support into the Freeports Steerco to enable the submission of the Freeports bid by Steerco on 5 February 2021.

Following the announcement that the Humber Freeport bid had been successful and that the Humber would be invited to proceed to the next stage of the process, HMCLG has confirmed an expectation that there will be a lead local authority which will also play the role of Accountable body supporting the further development of the bid. The role of that authority is expected to include, by way of examples:

- Receiving funding on behalf of the Freeport company and responsibility for its proper administration, ensuring that Funding is used appropriately in accordance with the law, good financial management and any applicable grant conditions;
- Establishing and maintaining financial systems to account for all funding received and disbursed on behalf of the Freeport company;

- Embedding good governance into decision making;
- Retaining necessary information and ensuring all required information on expenditure, activities and outcomes are properly recorded and reported;
- Operating as a single point of contact for MHCLG on all Freeport matters.

At its meeting on 29 March 2021, the Freeport Steerco proposed that NELC be asked to act as the Accountable body for the Humber Freeport and agreed that this proposal should be presented to the Humber Leadership Board for ratification.

It is therefore recommended that the Humber Leadership Board ratify the Freeport Steerco's proposal that NELC become the accountable body on a cost recovery basis and ask NELC to formally confirm its agreement to that proposal.



# Prospective Freeports Setup Governance Form

20 April 2021

## Introduction

On 12 April 2021, Humber Freeport's SteerCo met to discuss the Governance Guidance and Prospective Freeports Setup Governance Form issued on 1 April 2021. The principles of the response were approved, and the Working Group, led by the Bid Director, then developed the detailed response to the questions.

The following definitions are used in this response:

|                     |                                                                                                                                                                          |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SteerCo             | The informal body set-up by stakeholders across the Humber to coordinate the production of the bid and business case.                                                    |
| Humber Freeport CLG | The intended long-term Freeport Governance Body which will evolve from SteerCo. CLG refers to 'Company Limited by Guarantee'.                                            |
| Working Group       | A regular scheduled meeting, daily in the bid and weekly thereafter, comprising the Bid Director, advisers, representatives from each Local Authority, the LEPs and ABP. |

## Responses

### Q1. Freeport Name

Humber Freeport

**Q2. Please identify which authority will act as the Lead Local Authority (role as set out above). Please provide name and contact details. This will be the main point of contact for Government liaison once the proposal is approved. NB: where it is proposed to split the roles between organisations please provide a detailed justification, demonstrating ability of the organisation to fulfil the role.**

As described in our bid, a consortium of public and private stakeholders joined together to submit the Humber Region bid. This consortium formed a Steering Committee ("SteerCo") with Simon Bird, Associated British Port's (ABP) Regional Director, acting as its Chair. David Gwynne acted as the Bid Director coordinating the day-to-day production of the bid liaising with public and private stakeholders.

In many respects, these arrangements are a precursor to how the eventual Governance body will function. As such, we propose that David continues to act as MHCLG's primary point of contact for Government liaison and to drive the set-up of our proposed Humber Freeport CLG, the CLG's Board), and associated structures. As set out in Question 5, David shares information with both the SteerCo and the Working Group on which each Local Authority is represented. Given the success of these arrangements in developing the bid, SteerCo has agreed that David will continue to fulfil the role as point of contact. David is expected to remain as Bid Director until such point as the Humber Freeport CLG Board is able to hire a permanent Chief Executive Officer.

Contact details:

- David Gwynne, Bid Director

Through the bid process, a senior North East Lincolnshire Council officer, Clive Tritton, represented the Humber Joint Strategic Unit on both SteerCo and the Working Group. Subject to approval by its cabinet, North East Lincolnshire Council has agreed to act as the Accountable Body for the Humber Freeport. Discussions around this role are ongoing and SteerCo anticipates that a service agreement between the Accountable Body and the Humber Freeport CLG will be developed setting out each parties' role and responsibilities. We would anticipate this role covering the coordination of SteerCo meetings, minutes, ensuring public monies have been appropriately spent and decisions taken in

accordance with the Nolan principles. In this initial phase, we anticipate North East Lincolnshire Council acting to disburse moneys relating to the costs of set-up. We anticipate setting up appropriate contractual arrangements between North East Lincolnshire Council and ABP who has funded the development to date. A set-up cost budget has been discussed and approved by SteerCo together with a process for agreeing variation of cost and delegation of authority for small value items. To date, payments have been met by ABP and subject to their policies and procedures. We will be happy to share with you details of our budget and planned expenditure.

Contact details:

- Sharon Wroot, Executive Director, Environment, Economy & Resources (S151 Officer), NELC

**Q3. Please identify a Chair for your proposed governance board and the reasoning behind selecting this Chair. If you are yet to select a Chair, please describe the process via which you will select a Chair.**

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name                        | Simon Bird                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Organisation                | Associated British Ports                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Rationale                   | As the largest port operator in the region and the Strategic Harbour Authority, ABP has a significant strategic interest in the Humber Freeport being a major success. A successful Freeport will drive increased trade volumes through the port across each of the facilities across the estuary. Further, ABP has significant land holdings that form part of the proposed tax and custom sites. Simon Bird is ABP's Regional Director responsible for the Humber ports and played a pivotal role in establishing and funding SteerCo leading to the successful bid. As such, he is an appropriate Chair to continue to provide strategic leadership through the set-up phase and into initial delivery. |
| Process for selecting Chair | At the SteerCo meeting on 12 April 2021, it was agreed that Simon Bird continues to act as Chair with term to run to 31 December 2023 to provide leadership and continuity through initial set-up period and ramp-up period. This is to be subject to formal approval by the members of the Humber Freeport CLG when it is established and legally constituted. The time period allows an orderly selection process once the initial set-up and ramp-up period for the Humber Freeport CLG has been agreed.                                                                                                                                                                                                |

**Q4. Please list all members of your proposed governance board. Add or remove rows as needed.**

| Organisation                     | Person                    | Role  | Rationale                                                                                                                                                                              |
|----------------------------------|---------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Associated British Ports         | Simon Bird                | Chair | <ul style="list-style-type: none"> <li>• Largest port operator and statutory harbour authority.</li> <li>• Significant landowner</li> <li>• Potential customs site operator</li> </ul> |
| East Riding of Yorkshire Council | Councillor Richard Burton |       | <ul style="list-style-type: none"> <li>• Planning authority for 2 tax sites</li> <li>• Landowner within tax site</li> </ul>                                                            |
| Hull City Council                | Councillor Stephen Brady  |       | <ul style="list-style-type: none"> <li>• Planning authority for tax and seed capital sites</li> </ul>                                                                                  |

|                                 |                           |                |                                                                                                                       |
|---------------------------------|---------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------|
|                                 |                           |                | <ul style="list-style-type: none"> <li>Landowner within tax site</li> </ul>                                           |
| North Lincolnshire Council      | Councillor Rob Waltham    |                | <ul style="list-style-type: none"> <li>Planning authority for tax site</li> </ul>                                     |
| North East Lincolnshire Council | Councillor Philip Jackson | Lead Authority | <ul style="list-style-type: none"> <li>Planning authority for Seed Capital sites</li> <li>Accountable body</li> </ul> |
| ABLE                            | Neil Etherington          |                | <ul style="list-style-type: none"> <li>Owner and developer of potential tax site</li> </ul>                           |
| Siemens Mobility                | Finbarr Dowling           |                | <ul style="list-style-type: none"> <li>Major regional inward investor and sponsor of potential tax site</li> </ul>    |
| University of Hull              | Maggie McGowan            |                | <ul style="list-style-type: none"> <li>Innovation representative</li> </ul>                                           |
| Greater Lincolnshire LEP        | Pat Doody                 |                | <ul style="list-style-type: none"> <li>Chair of LEP covering South Bank of Humber</li> </ul>                          |
| Hull and East Yorkshire LEP     | Stephen Parnaby           |                | <ul style="list-style-type: none"> <li>Vice Chair of LEP covering North Bank of Humber</li> </ul>                     |

During the bid phase, the Local Authorities were represented by one north bank and one south bank authority, in line with discussions at the Humber Leadership Board. As we transition to long-term Governance arrangements, the other two authorities have now been invited to join SteerCo meetings.

There are several other people who attend SteerCo meetings:

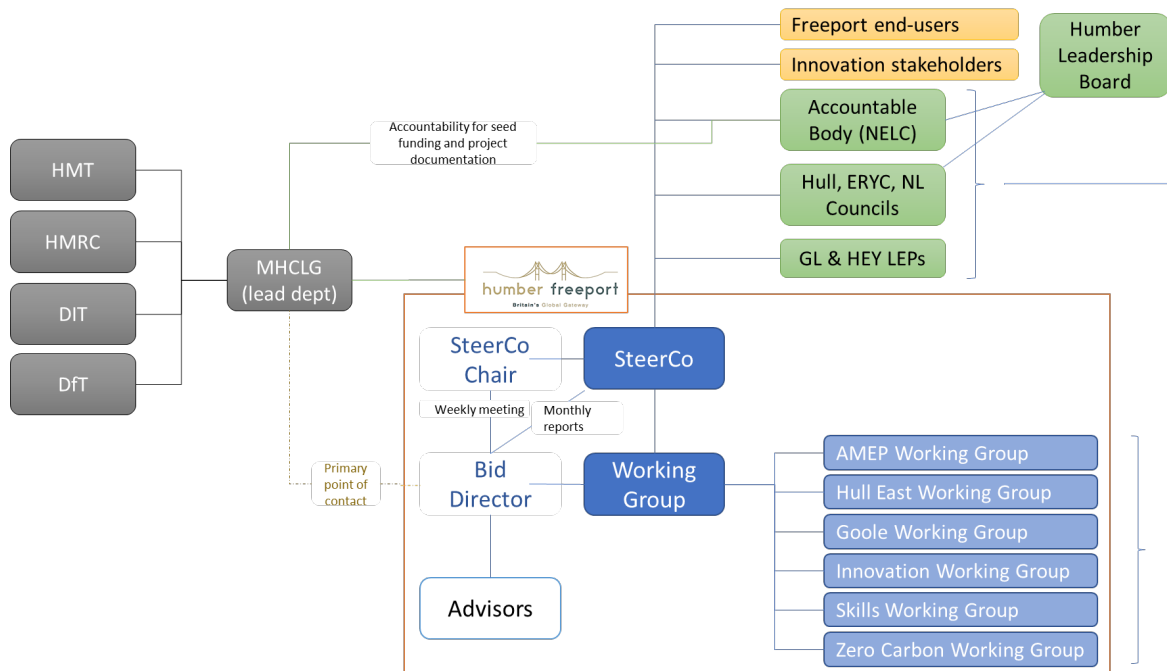
- David Gwynne (Bid Director)
- Clive Tritton (North East Lincolnshire Council and JSU (Joint Strategy Unit) representative)
- Kishor Tailor (Humber LEP CEO)
- Ruth Carver (Greater Lincolnshire LEP CEO)

**Q5. Please return a copy of:**

- An annotated structure diagram identifying sign off responsibilities and information flow within your Governance Structure.**
- Terms of Reference for your proposed Freeport Governance Board.**
- Any other relevant documents setting out the Governance structures constitution and operation, and links to wider governance structures across the geography to ensure strategic alignment (This should be kept to a minimum.)**

I confirm I have done this.

## Structure Diagram



A strong, collaborative process was established from the outset of the bidding process with SteerCo working to ensure that all stakeholders were able to support the single Humber bid. A Working Group consisting of the Bid Director, representatives from each Local Authority, the LEPs, ABP and KPMG (as adviser) was established to develop proposals on a day to day basis. Innovation and Skills groups are to be established which will have both representation on the Working Group and a reporting line via the Bid Director to SteerCo. Clive Tritton sits on Working Group representing the Humber Joint Strategic Unit (JSU) group of officers. As each Local Authority Leader will sit on SteerCo and each authority is represented on the Working Group, information distributed by the Bid Director has scope for input by local stakeholders. Private sector members of SteerCo report back to their respective organisations. Additionally, Simon Bird has regular diarised catch-ups with Local Authority leaders, MPs and key officials. ABP is also represented on the Boards on both LEPs. It is the parties' expectation that the SteerCo will transition into the Humber Freeport CLG Board. SteerCo meetings are minuted as the forum for decisions regarding the Freeport including strategy and potential costs.

As noted in Q1, a budget for the remainder of 2021 was approved by SteerCo at its meeting on 29 March 2021. Ad hoc expenditure can be approved by the Bid Director with escalation to the SteerCo Chair subject to a £5k cap. Variations to budget of more than 5% must be approved by SteerCo. We are discussing with the proposed Accountable Body how those finance arrangements will dovetail with their own procedures and the requirement to ensure public money is appropriately spent.

### Worked example

To help MHCLG understand how decisions have been made to date, we have set out below the process that was used for the development and sign-off of the bid. This exemplifies the strong working practices established that we believe form the basis for ongoing governance of the Freeport.

The Bid Director regularly updated SteerCo on the progress of the bid seeking strategic guidance around key issues. A competitive process was established for the identification of potential sites following which the Working Group undertook an analysis of proposals which was presented for discussion and agreement by SteerCo. The detailed bid was reviewed by Working Group members, consulting as required within their organisations, with key issues debated and agreed at ad hoc meetings. The bid was summarised by the Bid Director for SteerCo highlighting the key points for agreement. Final sign-off of the bid was delegated to the Chair, Councillor Waltham (on behalf of the

Local Authorities - previously the Humber Leadership Board had agreed that Councillor Waltham would act as their lead) and the Chairs of the Greater Lincolnshire and Humber LEPS.

We envisage decision making to continue to follow a similar process prior to formal establishment of the Humber Freeport CLG.

### Terms of Reference

Terms of reference have been drafted for the Humber Freeport CLG Board, and for SteerCo in the interim period prior to the formal establishment of the long-term governance body. The terms of reference are similar with those for SteerCo having an additional focus on the set-up activities. Both of these sets of terms were reviewed at the 12 April 2021 SteerCo. The draft articles of association are annexed to this document. MHCLG is asked to note that these are not in final form and subject to further review and comment from the potential members of the CLG.

Humber Freeport CLG Terms of Reference:

- Develop and own the objectives and aspirations of the Freeport, promote or facilitate Freeport activity
- Promote growth of trade and investment, within the Humber Freeport Outer Boundary
- Promote or advance directly or indirectly regeneration, economic growth and job creation within the Humber Freeport Outer Boundary, its Customs Zones, Tax Sites and Seed Capital Sites
- Promote or facilitate innovation and investment in research and development within the Humber Freeport

SteerCo additional Terms of Reference

- Deliver the business case proposition to central Government
- Establish robust policies and procedures to underpin the establishment of the Humber Freeport CLG
- Establish the Humber Freeport CLG, including by developing:
  - Articles of Association
  - Terms of Reference of key committees
  - Recruitment processes
  - Site specific agreements
  - Local Authority agreements:
    - Memorandum of Understanding
    - Lead Authority service agreement
    - Other authority
- Liaise with key stakeholders and the Accountable Local Authority to develop the Freeport proposition and establish the Humber Freeport CLG

**Q6. Please return a diversity statement alongside this form. This should set out how within your Freeport Governance structure you will: reflect the local community; monitor and encourage diversity at Board level; and take steps to ensure diversity and inclusivity in your engagement with local stakeholders.**

I confirm I have done this.

On its formal establishment, the Humber Freeport CLG will need to approve and adopt a number of policies and procedures which will include a Diversity Policy. At SteerCo on 12 April 2021, it was agreed that the Humber Freeport use the Diversity Policy developed by Greater Lincolnshire LEP, annexed, as the basis for a bespoke Humber Freeport policy. That policy notes as key points:

- Appoint a Board Champion for Equality and Diversity.



- Produce an Equality and Diversity Policy Statement which will be published and reviewed annually.
- Ensure representation at Board and Sub-Board level is reflective of the local business community (including geographies, gender and protected characteristics).
- Produce an annual report to the Board which monitors diversity at board level and sets out the steps the organisation is taking to ensure diversity in its engagement with local communities and businesses. The report should also make suggestions as to how improvements can be made during the year.
- A commitment to ensure that by 2023 at least one third of members of Boards are women with an expectation for equal representation by 2025.

**Q7. Having reviewed the governance proposal included in your bid, we would like you to elaborate on the following areas:**

- 1. How the proposed structure will support effective decision-making, enabling delivery of Freeports at pace.**
- 2. How will these governance arrangements evolve between the set-up and delivery phases including the timeline for the establishment of a company limited by guarantee.**
- 3. How board appointments will meet the Nolan principles set out above.**

The effective working of the SteerCo to date establishes a strong basis for delivery of the Humber Freeport CLG. Through setting up the key structures early, working relationships have been established and the basis of decision making has been formed. Submitting a unified bid, with support from a wide range of regional stakeholders, provides a common starting point for the next phase of the project. Agreement in principle to pool retained business rates is an important building block in sustaining the collective approach adopted by the region. With the work done to date on thinking about the legal structure of the Freeport and its supporting architecture of contracts, there is a clear path for the evolution of the SteerCo into the Humber Freeport CLG. As the evolution continues, SteerCo expects to draw upon the appropriate elements of established local authority rules concerning the operation of boards recognising the nature of the partnership being created. It is our expectation that potential beneficiaries will enter into site specific agreements to support the delivery of broader benefits supporting the overall policy goals for freeports. Those entities will be invited to become members of the Humber Freeport CLG. Once established, those members will elect representative board members to represent land holder, investor and operator interest. However, we recognise that the presence of such members will create a de facto conflict of interest. This is recognised by SteerCo who transparently identify and ask for declarations of interest within the Governance framework. The public private nature of the CLG creates other potential tensions and a potential need to manage commercially confidential and potentially market sensitive information. Such use of non-disclosure would be within the exclusion of the fifth principle of the Nolan code relating to lawful disclosure. SteerCo also recognises that the Humber ports are a national strategic asset. To that end, it anticipates that it will look for representation on its board from people who take a broader national view on the role of the ports within the broader economy. As Humber Freeport CLG moves to make permanent appointments to its Board, SteerCo can confirm that it will require all potential directors to comply with the Nolan standards on public life.