

# Scrutiny Briefing Note

## Subject: Humber Freeport

### Summary:

In November 2020, the government published its Freeport prospectus seeking bids from across the country. In February 2021, a consortium of private sector partners led by the Association of British Ports (ABP) and supported by the four Humber local authorities through the Humber Leadership submitted a Freeport proposal for the Humber – see plan attached. In March 2021, it was announced that the Humber was one of eight successful Freeport proposals.

Following submission of an Outline Business Case, it is currently expected that the Freeport will 'go live' in November.

### About a Freeport

In November 2020, the government launched its Freeport Prospectus inviting areas to submit Freeport proposals which would maximise its three key objectives, namely:

- a. establish Freeports as national hubs for global trade and investment
- b. promote regeneration and job creation
- c. create hotbeds for innovation

Freeports are a special kind of port where normal tax and customs rules do not apply. Freeports are similar to free zones, or 'enterprise zones', which are designated areas subject to a broad array of special regulatory requirements, tax breaks and government support. The difference is that a freeport is designed to specifically encourage businesses that import, process and then re-export goods, rather than more general business support or regeneration objectives.

Freeports are intended to stimulate economic activity in their designated areas. The main intention is to attract inward investment to build new facilities such as manufacturers or research and development facilities which bring jobs to an area, taking advantage of the incentives of being inside the Freeport zone.

There are three core elements of a Freeport – Customs Sites, Tax Sites, and Seed Capital. Taking each in turn:

**Customs Sites:** allow businesses operating within Customs Sites to 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 customs sites within a Freeport.



**Tax Sites:** 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 available until 2026. However, as with Enterprise Zones, the tax sites allow the retention of business rates for 25 years.

**Seed Capital** is designed to unlock potential inward investment – the potential use of Seed Capital is broad (for example, land purchase, infrastructure investment etc.) but it must contribute to the key aims of the Freeport and must be capital rather than revenue expenditure. Guidance suggested that, unless there were exceptional circumstances, Seed Capital would be capped at £25m per Freeport area.

### Humber Freeport Steerco

In late 2020 following the publication of the Freeport prospectus, ABP set out its intention to work with private sector landowners across the Humber region to deliver a Freeport bid. The Freeports Steerco is an unconstituted group of stakeholders brought together to develop and submit the Humber Freeport bid. Its membership is in line with guidance within the Freeport bidding prospectus and includes representation from ABP (as the main port operator), a range of landowners, Local Enterprise Partnerships, Universities and Local Authorities.

Once the Freeport goes live, it will be necessary to move towards the establishment of a constituted Freeport Company in line with any proposed delivery arrangements set out within the Freeport Business Cases.

### The Humber Proposal

The Humber Bid for Freeport Status submitted on 5 February comprised:

- Three Tax Sites comprising 596.1 ha of land. These three tax sites were Goole (198.8 ha), East Hull (198.1 ha) and the Able Marine Energy Park (199.2 ha)
- Two Seed Capital Sites – a priority seed capital site in North East Lincolnshire (totalling £15m) and a second seed capital site in Hull (totalling £10m).
- 36 Customs Sites mainly around port estate in Grimsby, Immingham, Goole and Hull.

In the budget of 3 March 2021, it was announced that the Humber Freeport bid was successful (subject to business case) as one of eight in the UK. Subsequent information released by Government disclosed the Humber Bid as being the highest scoring bid received as part of the EOI process.

### Outline Business Case:

The Steerco submitted an Outline Business Case for a Humber Freeport on 30 July 2021.



Two elements of the OBC are particularly noteworthy for North East Lincolnshire.

First, a commitment that all retained business rates from the three tax sites would be pooled into a single pot, to be reinvested across the Humber region to meet the strategic regeneration needs of the region and the objectives of the Freeport.

Second, that the first £15m of seed capital made available would be earmarked for North East Lincolnshire. A number of projects have been identified which could make up the seed capital programme around the areas of skills infrastructure, commercial premises to support SMEs, inward investment and innovation. Subject to feedback from government, these projects would need to be worked up to full business case before any funding offer could be made.

The Steerco has received one critical follow up question from government in relation to the OBC which has now been addressed. They are now awaiting formal approval of the OBC.

#### [Go Live Date:](#)

Government has indicated that, in order for a Freeport to 'go live', the following needs to be in place:

- An approved OBC – this is expected shortly;
- An application submitted for at least one Customs site – this is in place;
- At least one entire tax site ready formally ready to go with tax benefits in place – it is currently expected that the AMEP tax site and, potentially, the Hull East tax site will be able to meet that criteria and allow the Humber to be announced in the first wave of 'go live' Freeports. However, there are still some legal issues and documents to be resolved between the landowners within the tax sites, the Steerco and the local authorities within which the tax sites sit.

It is possible, if all of the above are in place within the next two weeks, that the intention to go live could be made as early as the Autumn Statement on 27 October. This would mean the Humber Freeport was live from mid/late November. Clearly, this is a rapidly changing picture. A further update will be provided on progress at the Scrutiny meeting itself.

#### [Full Business Case:](#)

Whilst the Freeport may go live as early as November, government will require the submission of a Full Business Case, setting out how the Humber Freeport will meet the Freeport objectives in much more detail. The current expectation is that this will be submitted on 10 December 2021. Draft guidance on the Full Business Case was provided earlier this month. Steerco still awaits the final and formal guidance.

#### [Cabinet Decisions:](#)



Whilst the Freeport has been a private sector led initiative, it has had the support of the four local authorities within the Freeport boundary through the Humber Leadership Board.

The following Cabinet decisions have been made in that respect.

On 1 June 2021, Cabinet agreed the following recommendations. That Cabinet:

1. Confirms its agreement to the Council accepting the roles of Lead Authority and Accountable Body for the Humber Freeport;
2. Authorises the Executive Director for Environment, Economy and Resources in consultation with The Leader of the Council to develop the Humber Freeport proposal on behalf of the Council including the completion of all agreements and supplementary arrangements to implement the above and to accept any grant funding to support the above process;
3. Delegates to the Assistant Director Law, Governance and Assets the responsibility to execute all documentation arising.

On 14 July 2021, Cabinet agreed the following recommendations. That Cabinet:

1. Supports the submission of an Outline Business Case for the Humber Freeport including the principle of seed capital funding focused on bringing further inward investment to the South Humber Industrial Investment Programme (SHIIP);
2. Supports the establishment of a Humber Freeport Company in due course to administer the Freeport and to realise its objectives;
3. Authorises the Executive Director for Environment, Economy and Resources in consultation with The Leader of the Council to:
  - a. Negotiate suitable terms and governance arrangements with Central Government, other constituent Humber Authorities and stakeholders including the Humber Freeport Company;
  - b. To enter into appropriate agreements, including an outline bid for an initial £15m of seed capital funding, leading to the establishment of the Humber Freeport Company;
  - c. To implement the Freeport proposal generally and to carry out all activity reasonably ancillary to such implementation.
  - d. To regularly update the Economy Scrutiny Panel as to progress of such implementation.
4. Delegates to the Assistant Director Law, Governance and Assets the responsibility to execute all documentation arising.



### Freeport Accountable Body:

As set out above, the Council has agreed to be the Accountable Body for the Freeport. This is on a cost recovery basis. As yet, there is no formal agreement between the Council and either of the government or Steerco, although discussions are ongoing about the breadth of the role. The Council has received £300,000 as a contribution towards the bid costs for the Freeport. This has been made available to ABP who have led the bid.

### Next Steps:

The next steps for the Freeport are as follows:

- Go live of the Freeport in November, subject to meeting the three requirements;
- Submission of the Full Business Case – expected to be December 2021;
- Formation of the Freeport Company – expected to be December 2021;
- Development of the North East Lincolnshire Seed Capital projects – expected to take place in the first half of 2022.

Clearly, the development of the Seed Capital projects will be of particular interest to Scrutiny and as proposals are developed, the Economy Scrutiny panel will be consulted. More generally, the Freeport is a strategically very important project for North East Lincolnshire and the region as a whole and we will be asking representatives of the Freeport Company to provide regular updates to the panel in relation to delivery, once it is established.

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