

## **CABINET**

<b>DATE</b>	14/07/2021
<b>REPORT OF</b>	Councillor Philip Jackson, Leader of the Council
<b>RESPONSIBLE OFFICER</b>	Sharon Wroot Executive Director for Environment, Economy and Resources
<b>SUBJECT</b>	Humber Freeport
<b>STATUS</b>	Open
<b>FORWARD PLAN REF NO.</b>	GENERAL EXCEPTION - Not included on the Forward Plan therefore, to be considered under the General Exception provisions of the Constitution

### **CONTRIBUTION TO OUR AIMS**

The recommendations in this report will make a positive and tangible contribution to realising a “Stronger Economy”. The Humber Freeport will facilitate economic growth and provide new jobs across the Humber region via business expansion and inward investment from businesses realising the benefits of being located within a Freeport.

### **EXECUTIVE SUMMARY**

This report seeks Cabinet approval to support the submission of an Outline Business Case for the Humber Freeport, including in principle seed capital funding for North East Lincolnshire and the establishment of a Humber Freeport Company.

### **RECOMMENDATIONS**

It is recommended 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:
  - 3.1 Negotiate suitable terms and governance arrangements with Central Government, other constituent Humber Authorities and stakeholders including the Humber Freeport Company;
  - 3.2 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;
  - 3.3 To implement the Freeport proposal generally and to carry out all activity reasonably ancillary to such implementation.

3.4 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.

## REASONS FOR DECISION

Supporting the submission of an Outline Business Case and the principle of establishing a Humber Freeport Company will help deliver the economic growth envisaged by a successful Freeport and will bring additional benefits to North East Lincolnshire via an initial £15m of seed capital funding should the full business case be approved by Government.

### 1.0 BACKGROUND AND ISSUES

- 1.1 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
- 1.2 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.
- 1.3 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.
- 1.4 There are three core elements of a Freeport – Customs Sites, Tax Sites, and Seed Capital. Taking each in turn:
- 1.5 **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 subzones within a Freeport.
- 1.6 **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.

- 1.7 **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.
- 1.8 A Humber Bid for Freeport Status was submitted to Government before the 5 February 2021 deadline. This 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.
- 1.9 In the budget of 3 March 2021, it was announced that the Humber Freeport was successful in being designated by UK Government (subject to business case) as one of only 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. On 1 June 2021, Cabinet agreed that the Council would accept the roles of Lead Authority and Accountable Body for the Humber Freeport.
- 1.10 The next stage for the Freeport bid will be to submit an Outline Business Case (OBC) setting out how each of the above strands (ie tax sites, customs sites and seed capital) will realise the aims of the Freeport. A Freeports Steerco is in place to lead the submission of the OBC in the absence of a formal Freeport Company. The Steerco has indicated that it would wish to submit its OBC at the earliest opportunity. MHCLG has identified that the first deadline for OBCs will be the end of July. 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.
- 1.11 The OBC will include an indication of how the seed capital will be utilised to unlock inward investment sites. This will include the £15m earmarked for North East Lincolnshire within the SHIP area. A number of projects have been identified which could make up the seed capital programme and these are being developed more fully. Subject to feedback from government, these projects would need to be worked up to full business case towards the end of the year before any funding offer could be made.

## **2.0 RISKS AND OPPORTUNITIES**

- 2.1 The Humber Freeport provides a transformative opportunity for the Humber region, drawing on the unique asset of the Humber Estuary and our special

role in enabling clean energy growth on both sides of the Estuary. The Freeport bid identified that Freeport status could bring an additional 7,000 jobs to the region.

### **3.0 OTHER OPTIONS CONSIDERED**

- 3.1 The Council could choose not to support the submission of the Outline Business Case but to do so would lead either to the potential benefits to the region of the Freeport being lost or the rest of the region progressing without NEL.
- 3.2 Equally, the Council could choose not to support the establishment of a Freeport Company. However, a vehicle is needed which brings together the public and private sector to deliver the Freeport. The work undertaken thus far to deliver a successful Freeport bid to Government has been recognised as an excellent example of public and private partnership, working under tight time pressures.

### **4.0 REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

- 4.1 The Humber Freeport is an initiative of national significance which should enhance North East Lincolnshire's ability to realise economic growth and attract inward investment. In particular the Humber Freeport should enhance the offer of the Council's SHIP programme which is already seeing a number of serious inward investment enquiries being responded to.
- 4.2 The communications plan for the Humber Freeport will be developed at a regional level and will include press opportunities, stakeholder management and public engagement. A number of Freeport webinars are already underway aimed at a range of audiences.

### **5.0 FINANCIAL CONSIDERATIONS**

- 5.1 Any outline business case submitted to Government will need to demonstrate how the company delivering the Freeport will operate in a viable way.
- 5.2 Any future call on Council resources to fund any part of the Freeport will be considered by Cabinet as appropriate in the usual way. The recommendations in this report do not commit the Council to any funding.

### **6.0 CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

- 6.1 A key ambition of the Freeport initiative is their potential to contribute towards the government's decarbonisation agenda – bidders were expected to outline how their Freeport ambitions support decarbonisation and how they would reach Net Zero carbon emissions by 2050 or earlier. The Humber Freeport bid has a strong focus on realising this agenda.

### **7.0 CONSULTATION WITH SCRUTINY**

- 7.1 There has been no consultation with Scrutiny at this stage although it is envisaged that engagement with scrutiny will take place as matters around the

preparatory stages of establishing arrangements to underpin the Humber Freeport begin to crystallise.

## **8.0 FINANCIAL IMPLICATIONS**

- 8.1 As outlined in the report, the freeports would result in incentives for inward investment into the Humber region and specific benefits for North East Lincolnshire through seed capital funding and future business rates retention.
- 8.2 The submission does not, at this stage, commit the Council to incurring any costs and any requests for such will require business case submission and approval through the Council's normal governance and scrutiny process.

## **9.0 LEGAL IMPLICATIONS**

- 9.1 The submission of the business case raises no immediate legal implications. However, this will lead to the formalisation of relationships (both legal and otherwise) with other pan-Humber stakeholders and the Freeport Company itself. These will be multi-faceted, with the Council acting as a constituent local authority, lead authority and accountable body. Such agreements and arrangements will be underpinned by robust governance and support from professionally qualified officers both internally and with external support.
- 9.2 The updates via scrutiny are deemed both prudent and desirable.

## **10.0 HUMAN RESOURCES IMPLICATIONS**

- 10.1 There are no direct HR implications arising from the contents of this report.

## **11. WARD IMPLICATIONS**

- 11.1 Whilst the Freeport itself is focused on the area north of the A180, between the ports of Grimsby and Immingham, the economic benefits are regional in scale and will offer benefits to the whole of the borough.

## **12.0 BACKGROUND PAPERS**

None

## **13. CONTACT OFFICER(S)**

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