

CABINET

DATE	01/06/2021
REPORT OF	Councillor Philip Jackson, Leader of the Council
RESPONSIBLE OFFICER	Sharon Wroot Executive Director for Environment, Economy and Resources
SUBJECT	Lead Authority and Accountable Body for the Humber Freeport
STATUS	Open
FORWARD PLAN REF NO.	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 accept a request from the Humber Leadership Board for North East Lincolnshire Council to become Lead Authority and Accountable Body for the Humber Freeport and to be the single point of contact with the Ministry for Housing Communities and Local Government on all Lead Authority/Accountable Body issues.

The role of the Lead Authority/Accountable Body is expected to include but not be restricted to, by way of example:

- Receiving funding on behalf of the Humber 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 Humber Freeport company;
- Embedding good governance into decision making; following the Nolan principles and the National Local Growth Assurance Framework;
- Retaining necessary information and ensuring all required information on expenditure, activities and outcomes are properly monitored, recorded and reported;
- Operating as a single point of contact for MHCLG on all Lead Authority/Accountable Body matters in relation to the Freeport.

RECOMMENDATIONS

It is recommended 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.

REASONS FOR DECISION

Accepting the role of Lead Authority and Accountable Body for the Humber Freeport will help deliver the economic growth envisaged by a successful Freeport and will ensure that the Council plays a key role in delivery of a scheme of regional and national significance.

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 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.
- 1.5 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 local authority.

- 1.6 At its meeting on 3 December 2020, the Humber Leadership 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.
- 1.7 As a result, the Council provided support into the Freeports Steerco to enable the submission of the Freeports bid by Steerco on 5 February 2021. 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.
- 1.8 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, MHCLG 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 but not be restricted to:
 - 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; following the Nolan principles and the National Local Growth Assurance Framework;
 - 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.
- 1.9 At its meeting on 29 March 2021, the Freeport Steerco proposed that the Council be asked to act as the Lead Authority/Accountable body for the Humber Freeport and agreed that this proposal should be presented to the Humber Leadership Board for ratification. The Humber Leadership Board considered that request at a meeting on 29 April and confirmed its preference for the Council to be the Lead Authority/Accountable Body subject to democratic process.

2.0 RISKS AND OPPORTUNITIES

- 2.1 Accepting the role of Lead Authority and Accountable Body for the Freeport will give the Council the opportunity to play a significant part in delivering the single largest economic growth opportunity across the Humber region.

- 2.2 The acceptance of the role comes in advance of any published guidance on the duties to be performed by the Lead Authority. However, the Council has experience of being an Accountable Body and is well placed to develop proposals for how the role should operate.
- 2.3 Acceptance of the role also comes in advance of any agreement on funding to support the function. However, the principle that the Council undertake the lead authority/accountable body functions on a cost recovery basis has been agreed by the Humber Leadership Board. It is expected that the risks and rewards of Freeport status will be shared with other authorities – the approach to ensuring that is the case will form part of the accountable body agreement.

3.0 OTHER OPTIONS CONSIDERED

- 3.1 **Do Nothing** – There must be a Lead Authority/Accountable Body for the Humber Freeport, otherwise the bid will not be able to proceed. As such, the do nothing option would make it unlikely that the Humber could progress its Freeport status.
- 3.2 **Seek an alternative Local Authority** – the Council could decline the request to become the Lead Authority/Accountable body and ask another local authority within the Humber region to take on the role. However, as the Lead Authority on the Humber Leadership Board for Freeports to date, that would mean that the Council was creating some degree of disruption at a critical time in the Freeport bid process.

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 A decision for the Council to become the lead authority/accountable body for the Freeport would have some resource implications with existing or new staff resourced needed to ensure the Council acts robustly going forward. As yet, these costs have not been identified. However, in asking the Council to become the accountable body, the Humber Leadership Board acknowledged that this should be on a cost recovery basis.

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.

8.0 FINANCIAL IMPLICATIONS

8.1 As stated above the arrangement will be financed on a cost recovery basis. Wider financial risks and opportunities will be shared with the Company and other stakeholders including the Humber authorities.

9.0 LEGAL IMPLICATIONS

9.1 It must be acknowledged that the overall proposal is still at an early stage and is subject to the development of more in-depth business cases pursuant to the successful bid articulated in the report.

9.2 The appointment of the Council as Lead Authority and Accountable Body as outlined in this report will likely be achieved through a contractual relationship and signature of a funding contract with both MHCLG and the Humber Freeport. The recommendations sought are consistent with this approach.

9.3 Legal Service colleagues are available to advise on and support the completion and signature of the funding contract and ensure that risk to the Council is fully understood and mitigated through appropriate governance. Further, they will offer support in the delivery of the project as and when required by the anticipated project team.

9.4 The appointment to Lead Authority and Accountable Body status will enable the Council to be directly and indirectly involved in the delivery of the Humber Freeport objectives.

9.5 The delegations sought are consistent with an exercise of this nature.

9.6 It is recommended that the Economy Scrutiny Panel be updated as to general progress.

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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COUNCILLOR PHILIP JACKSON
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