

Humber Leadership Board

18 February 2022

Humber Freeport

1. Purpose of the Paper

To update the Board in relation to progress on the developing Humber Freeport proposal.

2. Recommendations

It is recommended that the Board agrees:

- To note the update in relation to the Humber Freeport;

3. Background

The Government launched the bidding round for Freeports in November 2020. A Humber Freeport Steerco was established made up of key landowners, LEPs, Local Authorities and other stakeholders to progress a Humber Freeport proposal and a bid was subsequently submitted to government on 5 February 2021.

The Humber bid set out how we would use Freeport status in the region to specifically meet the three core objectives set out in the guidance, namely:

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

As has been previously reported, there are effectively three elements of a Freeport – Customs Sites, Tax Sites, and Seed Capital.

Businesses operating within **Customs sites** will, potentially, receive tariff and duty benefits. Discussions are ongoing with government about the most appropriate locations for customs sites in the Humber Freeport whilst the benefits of Customs sites are further developed.

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 (with retention of business rates for 25 years). Three tax sites were included in the Humber bid:

- AMEP,
- Goole
- Hull East Docklands

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. The bid made the case for the full £25m of seed capital funding, to be deployed in the following way:

- £15m to support inward investment in and around Stallingborough to complement proposals at the AMEP tax site and to unlock further inward investment in NEL's Enterprise Zones.
- £10m of seed capital funding to be made available to Hull West.

It was announced at the budget on 3 March 2021 that the Humber Freeport bid had been successful and had scored the highest of all the Freeport bids.

The Humber Freeport Steerco submitted an **Outline Business Case (OBC)** on 30 July 2021 further developing the above principles. It was announced at the autumn budget statement in October that two tax sites (AMEP and Hull East) would go live in November. Separately, Steerco received confirmation from DLUHC that the OBC had been approved including the indicative seed capital allocations and that the Steerco would be invited to submit a Full Business Case (FBC) – the date for which was later set for 31 January. Whilst tax sites went live in November, government was clear that the further benefits of the Freeport, for example business rate retention and seed capital draw down, required sign off of the FBC.

In parallel with developing the OBC, the Steerco bid team were negotiating **Site Specific Agreements (SSAs)** with landowners of tax sites to ensure that the benefits of the Freeport were secured – including cash contributions and processes for securing inward investment of the type which achieved the Freeport objectives. DLUHC announced that the two tax sites above would go live in November in the absence of the signed SSAs but clarified that the Full Business Case would not be considered until SSAs were signed off.

4. Freeport Full Business Case Submission

The FBC was submitted on 31 January 2022. It was signed off by the Chair of Steerco and the S151 Officer of North East Lincolnshire Council (The Freeport Accountable Body). Whilst described as a Full Business Case, the submission identified that the FBC had been prepared in the absence of a number of key documents, including but not restricted to further Freeport guidance, MoUs between DLUHC and the Accountable Body and Freeport Company, MoUs between DLUHC and individual Local Authorities in respect of retained business rates and guidance in relation to monitoring and evaluation.

It was additionally pointed out that the FBC was being submitted in advance of the publication of the Levelling Up White Paper (and associated or subsequent announcements such as the future role of LEPs and the emerging Opportunity Humber initiative) and that there should be an expectation that further work may be required to ensure the document is fully aligned to the principles of that White Paper.

In summary, whilst described as a Full Business Case, the expectation is that there will be further iterations and further clarification.

The FBC included:

- The Strategic Case for the Freeport
- The Economic Case
- The Financial Case
- The Commercial Case
- And the Management Case

In addition, there were further details set in relation to seed capital projects and specific proposals were put forward in relation to key thematic areas – including skills, net zero, innovation and inward investment and trade.

A key strand of the FBC was the process by which **retained business rates** would be re-invested to realise the objectives of the Freeport principles and contribute to economic growth across the Humber Freeport area. Modelling by the bid team has suggested that such income could be c£20m pa over a period of 25 years based on the development of 40% of tax site land in a phased way.

The four Local Authorities were fully represented in the development of the FBC. This included a Freeport Steering Group where the economic principles of the FBC were considered with representation from Economic Development leads and subsequently at Director level through the JSU. Additionally, governance and finance issues were considered by a working group of S151 and Monitoring Officers prior to sign off. Additionally, the FBC was signed off by the Freeport Steerco, membership of which includes the four Local Authority Leaders.

Whilst the yet to be established Freeport Company will progress and sign off any investment plan for retained business rates, given that these funds are public funds, it is important that the four local authorities are asked to endorse the Freeport Company's recommendations. Therefore, it is included in the FBC that there will be a **Public Funds Committee** (PFC) which sits as part of the Humber Leadership Board to play that role in a public forum. The PFC's terms of reference will need to mirror those of the Freeport Company and whilst it will have the capacity to ask for projects to be reconsidered or seek further information, it will not be able to replace them. The FBC outlined that retained business rates would be used in the following ways:

- Contributions to Freeport running costs, where required;
- Potential projects assessed in different themes aligned to Freeport objectives
- 'Call' for projects plus Freeport-generated ideas;
- A pot kept aside for contingency and 'walk ins'.

The FBC is a substantial document and it is not practical to cover off its detail in this paper but it is available to HLB Members for those who have not already had access to it.

At the point of submission, the SSAs with landowners on tax sites had still not been signed off. This remains a requirement before the FBC will be appraised by DLUCH,

who have indicated that SSAs must be signed this month. We understand from the Freeport bid team that this is on track.

5. Composition of the Freeport Board

Within the FBC were proposals for the composition of the Freeport Board once the Freeport Company is established. The Freeport guidance seeks to limit the size of the board which creates a challenge for the Humber given the number of public and private stakeholders. Feedback from landowners via the SSA negotiations are that there is an expectation that they should be represented on the board on the basis that those agreements at least partly fund it. The challenge of that approach is that the Freeport is about much more than tax sites and is about achieving growth across the whole Freeport area.

In light of that, it was agreed that the board would initially include landowners but that there should be a review of governance by the end of 2023, by which time the focus would be on the re-investment of business rates, which goes well beyond tax sites.

6. Bid Costs

The costs of developing our Freeport proposals are significant and will continue until sign off of the FBC and the establishment of the Freeport Company.

It is expected that total cost of the bid will be in the region of £1.6m – split between ABP who have employed the bid team, Andrew Jackson Associates who are providing legal input and NELC who are providing the Accountable Body function.

It is expected that government will provide £1m towards the costs and £800,000 of that has now been allocated. Assuming the further £200,000 is forthcoming from government, the c£600,000 gap in costs will be met by the private sector (via the signing of the SSAs), the four LAs and the GLLEP.

To that end, the four Local Authorities, through the JSU, have agreed in principle to contribute £75,000 per authority to the bid costs subject to the private sector commitments via the signing of the SSAs. Those commitments have either been through or are going through local sign off procedures.

7. Next Steps

There will now be a process of assessment of the Humber Freeport FBC by DLUCH and further development of the FBC as and when further guidance is issued. DLUCH have indicated that the MOUs will be available in the next 4-6 weeks.

It is hoped, but not yet clearly indicated that sign off of the FBC will be achieved by April/May. That sign off is expected to trigger the sign off of appropriate MOUs and, once that has been achieved, the Freeport will go fully live.

In the meantime, processes for the timing of the Freeport Company and the recruitment of a Freeport Chief Executive are under consideration and will be reported back to the HLB.