

NORTH LINCOLNSHIRE COUNCIL

Cabinet

Humber Freeport

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To update Cabinet on progress with the Humber Freeport.
- 1.3 To confirm Cabinet commitment to the Freeport Memorandum of Understanding and to seek delegation to the Deputy Chief Executive in negotiation with Cabinet Member for the detailed documentation to be developed and agreed to enable the next stage of the Freeport to take place.
- 1.3 To accept the recommendation of the Humber Leadership Board that North East Lincolnshire Council be appointed as the Accountable Body for the Humber Freeport.

2. BACKGROUND INFORMATION

- 2.1 On 16 November 2020, the Government launched a competitive bidding process for Freeports in England and sought proposals from bidding coalitions.

A bidding coalition, reporting to the Humber Leadership Board chaired by North Lincolnshire Council's Leader, including the four Humber local authorities along with private sector interest was formed to shape the Freeport bid.

A bid was submitted in February 2021 that included Customs, Tax and Seed Capital sites across all four local authority areas. The Humber Freeport was announced as successful (subject to business case) in the Chancellor's Budget (March 2021).

The outline business case is expected to be submitted to Government in the summer and the final business case in the autumn with the first Freeports expected to be launched in November 2021.

It is proposed that a Humber Freeport Company will be established and will be responsible for the delivery of the Freeport. The company board is expected to comprise the Leaders from the four Humber Unitary Authorities along with Associated British Ports (ABP) as the Statutory Harbour Authority, the two Local Enterprise Partnerships covering the area and private businesses.

- 2.2 'Build Back Better: Our Plan for Growth' has set out how Freeports are a flagship government programme that will play an important part in the UK's post- Covid economic recovery and contribute to realising the levelling up agenda, bringing jobs, investment and prosperity to deprived communities across the four nations of the UK with targeted and effective support.

The Freeport Bidding Prospectus was published by Government on 16 November 2020, inviting bids from areas of the country to bid for Freeport Status for parcels of land within their areas which would be designated to boost the economy and level up the country. The Government set out three objectives they wish to achieve through allocated Freeport areas:

- *Objective 1 - establish Freeports as national hubs for global trade and investment across the UK.*
- *Objective 2 - Promote regeneration and job creation.*
- *Objective 3 - Create hotbeds of innovation.*

- 2.3 The prospectus outlined three elements of a Freeport – Customs Sites, Tax Sites and Seed Capital.

Custom sites

Businesses operating within Freeport custom sites will receive tariff benefits, including duty deferral while goods remain on site, and duty inversion if the finished good exiting the Freeport attract a lower tariff than their component parts. As set out in the Freeport bidding prospectus, subject to the UK's trade agreements, businesses may also be able to take advantage of customs duty exemption on goods that are imported into a Freeport, processed into finished goods and subsequently re-exported. They will also be able to suspend import VAT on goods entering the Freeport. In addition, businesses operating in Freeports will be authorised to use simplified import procedures.

Tax sites

Tax sites will offer businesses a range of incentives. Examples include: Stamp Duty Land Tax relief; Enhanced Structures and Buildings Allowance; Enhanced Capital Allowance; Employer National Insurance Contributions Rate Relief; and, Business Rates Relief. In addition, it is intended that the council in which the freeport tax sites are located will

retain business rates growth for that area above an agreed baseline. This will be guaranteed for 25 years.

Seed Capital

In the bidding prospectus, the government set out that they propose that successful bidders will have the opportunity to access a share of £175 million of seed capital funding. Funding will be subject to the submission of a detailed business case in 2021.

2.4 Humber freeport bid

A Humber Bid for Freeport Status was submitted to Government before the 5 February 2021 deadline. The bid 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 located in North Lincolnshire, 199.2 ha.
- Two Seed Capital sites – one in Hull and one in North East Lincolnshire.
- 36 Customs Sites, mainly around the port of Goole, Hull, Grimsby and Immingham.

2.5 The next steps of development for the Humber Freeport is submission of an Outline Business Case for approval. The Outline Business Case submission will be followed by a Full Business Case. It is anticipated that the Outline Business Case will be submitted in summer and the Full Business Case in Autumn.

A Freeport Company

A delivery company must be in place to deliver the Freeport and it is proposed that a Freeport Company will be set up to have responsibility for the long-term governance of the Freeport. The entity will be established as a Company Limited by Guarantee (CLG).

The CLG membership will comprise the four Humber Unitary Authorities along with ABP as the Statutory Harbour Authority, the two Local Enterprise Partnerships (Greater Lincolnshire LEP and Hull and East Yorkshire LEP) and private businesses who are operating tax and custom sites. The members will select a board which will include the leaders of the respective authorities.

For the purposes of the Humber Freeport CLG, the Accountable Body has been nominated by the Humber Leadership Board to be North East Lincolnshire Council.

To move forward both the governance arrangements and the business cases, several agreements are required to be negotiated and agreed. These include, but are not limited to, Articles of Association for the CLG;

Local Authority Services Agreements; Memorandum of Understanding and Site-specific agreements.

3. OPTIONS FOR CONSIDERATION

3.1 Option 1 – To endorse and support the Progress of the Humber Freeport.

4. ANALYSIS OF OPTIONS

4.1 Option 1

Endorsing and supporting the role that the Humber Freeport will ensure that significant progress can be made in creating the right economic landscape to support growth across the Humber and Greater Lincolnshire.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1 Legal

Legal advice will be sought by the Deputy Chief Executive on all matters related to development of the Humber Freeport and all decisions taken will have the legal implications considered.

Financial

All decisions related to the development of the Humber Freeport will be considered in light of the financial impact on the Council. All decisions and agreements will be made in consultation with the council's Section 151 officer.

HR

It is envisaged that internal staffing resources will be used for the next phase of the development of the Humber Freeport. Any decision and agreements made for additional resources will be made in consultation with the Director of Business Development.

Communications

Communication around the development of the Humber Freeport from the council has been undertaken through the Strategic Communications Group.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1 Equalities impacts

Equalities impacts are covered in the bidding prospectus. The government sets out is it committed to the location of Freeports advancing the equality of opportunity and fostering of good relations for people of protected characteristics (age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation). As part of the bid bidders were required to make any relevant representations on impacts on people with different protected characteristics to assist the government's ongoing assessment.

Equality implications have been considered as part of the development of the bid and no negative impacts upon protected characteristic groups were identified. As part of the continual development of business cases, equalities impacts will be further explored and considered.

Council Plan 2018 – 2021

The Humber Freeport can contribute to the achievement of several of the outcomes of the council plan, particularly under the Prosperous outcome – More jobs, better paid jobs; improved skills, Thriving businesses. The aims of the Humber Freeport support the council priorities of Enabling economic growth and renewal and enabling resilient and flourishing communities.

Economic Growth Plan

The development of a Free Trade Zone and port development is an idea directly referenced as Idea 1 in the North Lincolnshire Council Economic Growth Plan.

Environmental

All decisions related to the development of the Humber Freeport will be considered in light of environmental impacts on the local and wider area.

Risk

A risk register is in place for the Humber Freeport. A North Lincolnshire Council Internal Risk Register is in development and will be owned by the Deputy Chief Executive and contributed to by all necessary parties (legal, financial, environmental, business development etc).

Crime and Disorder

It is expected that the Freeport Company will work with land owners to minimise the risks associated with some global freeports such as illegal

activity and money laundering. It is anticipated that any agreements entered into by the Freeport Company will seek to ensure a strong management framework is in place to minimise the risk of illegal activity.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 An IIA has been completed on the Humber Freeport proposal based on the initial bid stages. A further IIA will be undertaken for the next stage of the development of the Freeport.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 Consultation

Consultation has taken place as part of the development of the Freeport proposal. These include a call for tax sites as part of the site selection for the Humber Freeport bid and several webinars, including a webinar run by North Lincolnshire Council for transport and logistics companies, with a presentation and questions and answers on the Humber Freeport.

9. RECOMMENDATIONS

9.1 That Cabinet endorse and support the development of the Humber Freeport by;

- confirming Cabinet commitment to the Freeport Memorandum of Understanding and to seek delegation to the Deputy Chief Executive in negotiation with Cabinet Member for the detailed documentation to be developed and agreed to enable the next stage of the Freeport to take place.
- accepting the recommendation of the Humber Leadership Board that North East Lincolnshire Council be appointed as the Accountable Body for the Humber Freeport.

DEPUTY CHIEF EXECUTIVE

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Background Papers used in the preparation of this report –

- *Freeports – Bidding Prospectus*, HM Treasury / HM Government, November 2020
- *Humber Freeport Fact Sheet*
- *Humber Freeports bid*, paper to the Humber Leadership Board, 28 January 2021