

NORTH LINCOLNSHIRE COUNCIL

CABINET

HUMBER FREEPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To request Cabinet support the 'sign off' of the Humber Freeport Full Business Case.
- 1.2 To provide information on, and seek necessary approvals associated with, the governance and funding arrangements of the Humber Freeport, and to set out how the Council will be expected to support the Freeport in its early stages of operation.

2. BACKGROUND INFORMATION

- 2.1 A Cabinet report was taken in July 2021 providing an update on progress with the Humber Freeport and to seek the necessary approvals and delegations to enable North Lincolnshire Council to support the submission to Government of the Outline Business Case for the Humber Freeport.

The following was resolved at the Cabinet meeting

Resolved – (a) That the development of the Humber Freeport be supported and approved; (b) that Cabinet commits to the Freeport Memorandum of Understanding; (c) that the Deputy Chief Executive in consultation with the appropriate Cabinet Member, be authorised to develop and agree detailed documentation to enable the next stage of the Freeport to take place, and (d) that the recommendation of the Humber Leadership Board that North East Lincolnshire Council be appointed as the Accountable Body for the Humber Freeport be approved.

The Chancellor of the Exchequer announced as part of the budget on 27 October 2021 that the first tax sites will be in the Humber, Teesside and Thames, and those Freeports will be able to begin initial operations from November.

The Statutory Instrument, The Designation of Freeport Tax Sites (Humber Freeport) Regulations 2021, was laid before the House of

Commons on 29 October 2021 and came into force on 19 November 2021. The Humber Freeport includes three tax sites in total with two included in the Statutory Instrument, one being the Able Marine Energy Park.

The next stage for the Humber Freeport is the development and submission of the Full Business Case to Government by the end of January 2022. Following approval of the Full Business Case, the governance arrangements for the Humber Freeport Company will be established to facilitate the appropriate delivery and oversight of the Humber Freeport.

2.2 Governance

The Humber Leadership Board agreed to the establishment of Freeport Steerco to support the development of the freeport bid and agreed to North East Lincolnshire Council undertaking the role of Accountable Body and Lead Authority. Cabinet approved the Humber Leadership Board recommendation for North East Lincolnshire Council to undertake the role of Accountable Body at its meeting in July 2021.

The Humber Freeport company has been established as a company Limited by Guarantee (CLG) and it is expected that a nominee of the Council will be a director, holding a seat on the Board. The Board members will be formally elected following approval of the Full Business Case. The company's Articles of Association have not yet been agreed but discussions between the Freeport Steerco and the four Humber Local Authority legal and finance officers are in progress.

2.3 Funding

All four Humber Local Authorities have agreed in principle to pool retained business rates growth generated on tax sites. The Full Business Case will include the proposal for use of the Retained Business Rates. The funds will be ringfenced and used to meet the objectives of the Freeport and a separate agreement will be entered into between North Lincolnshire Council and the Department for Levelling Up, Housing and Communities (DLUHC) for this purpose.

The Freeport Company will be self-financing, utilising contributions from landowners and tenants on the tax sites and the business rates uplift receipts. Annual running costs are anticipated to be approximately £750,000 per annum.

In order to support the development of the Freeport Company within the first few years of operation until it is self-sustaining, the four Humber Local Authorities are agreeing to one authority making a direct financial loan to the Freeport Company guaranteed by the remaining authorities.

At this stage, the terms of the loan are not yet detailed. It is to be expected however, that such a loan meets expectations about proper use of public funds.

3. OPTIONS FOR CONSIDERATION

3.1 Option 1 – Agree to support the submission of the Full Business Case and delegate authority to the Deputy Chief Executive in consultation with the appropriate Cabinet Member to develop and approve the relevant documentation to allow submission, but do not agree to guarantee the loan.

Option 2 – Agree to support the submission of the Full Business Case and delegate authority to the Deputy Chief Executive in consultation with the appropriate Cabinet Member to develop and approve the relevant documentation to allow submission and agree to guarantee a loan to the Freeport Company along with the other Humber authorities. This is the preferred option.

Option 3 – Do nothing – do not agree to support the submission of the Full Business Case or to guarantee the loan.

4. ANALYSIS OF OPTIONS

4.1 Option 1 - If the Council decides to support the next step of the Humber Freeport and supports the submission of the Full Business Case, but does not wish to support the loan guarantee this would not allow the Humber Freeport initiative to move forward to the next stage of implementation as planned.

Option 2 – Implementing this option would allow the Humber Freeport to move forward to the next stage. This option would allow for the potential benefits of the Freeport around trade and investment opportunities, decarbonisation, increased high value jobs and supply chain opportunities to begin to be realised.

Option 3 – Doing nothing would not allow the Humber Freeport initiative to move forward to the next stage of implementation.

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

5.1 Financial – the council will be providing a guarantee to the loan.

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

6.1 Risks

Financial – Providing a guarantee for the loan places a potential financial risk to the authority. To mitigate this risk, the loan will be divided between the four Humber local authorities and will be monitored appropriately with trigger points built into the loan agreement.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 An Integrated Impact Assessment has been undertaken. The impacts of the Humber Freeport are being considered as part of the business case development, including setting out the impacts on people with protected characteristics. In terms of any impacts as a result of site development, the appropriate planning procedures will be followed including consulting with statutory consultees on the likely impacts and mitigations required.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 Engagement has taken place with legal and financial officers and the council's s151 officer.

9. RECOMMENDATIONS

9.1 That the Cabinet support the development of the Humber Freeport:

- That option 2, as set out in paragraph 3.1 of the report be approved, and
- That the financial package to support the development of the Humber Freeport Company, along with the other Humber Authorities be approved and that the Director: Governance and Communities (section 151 officer) be authorised to enter into appropriate financial arrangements associated with the Humber Freeport.

DEPUTY CHIEF EXECUTIVE

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Background Papers used in the preparation of this report –

- Draft minutes, North Lincolnshire Council Cabinet meeting – Monday 12 July 2021 [Democracy | \(moderngov.co.uk\)](https://www.moderngov.co.uk/2021/07/12/north-lincolnshire-council-cabinet-meeting/)