

Humber Leadership Board
28 January 2021

Humber Freeports Bid

1. Purpose of the Paper

To update the Board on progress in submitting a Humber Freeport bid and to seek endorsement for both the bid principles and the principles within a supporting Memorandum of Understanding.

2. Background

The Freeports Bidding Prospectus was published by Government on 16 November 2020, inviting bids to boost the economy and level up the country. Specifically, three objectives have been identified which need to be met by successful bids.

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

Bids need to be submitted by Friday 5 February 2021.

There are effectively three elements of a Freeport – Customs Site, Tax Sites, and Seed Capital.

Businesses operating within **Customs sites** will 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.

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.

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.

At its meeting of 3 December 2020, the Board agreed:

- To re-affirm its decision to support a Humber wide Freeport bid following the publication of the Freeport Guidance on 16 November;

- To support the Humber Freeports Group in its proposed role in developing and submitting a Freeports bid, noting that accountability for expenditure within the bid sits with the local authorities;
- That the HLB's interests in relation to the work of the Humber Freeports Group (referred to below as Steerco) are represented via Cllr Waltham and Cllr Brady supported by an officer role on the group provided by North East Lincolnshire Council;
- That each local authority represented at the HLB agree to ensure the necessary resources are deployed to provide to the Bid Director with any information required in relation to their local authority area in a timely manner in order to realise a robust, cohesive and compelling bid;
- That, as a matter of priority, each local authority work with private sector businesses or landowners in their area to agree a unified position in terms of aspirations for a tax site within their authority area in order to ease the final site selection process.

3. Bid Development

Since the Board meeting, the bid team has been progressing the bid and now requires endorsement for the bid from the Humber Leadership Board and Steerco to enable submission on 5 February.

4. Bid Principles

4.1 Outer Boundary

Bidding guidance requires bids to define a Freeport Outer Boundary which will contain all Freeport sites. The largest area a Freeport Outer Boundary can cover is a circle of diameter 45km. It is additionally indicated that the inclusion of sites outside the Freeport Outer Boundary limit requires a strong economic rationale.

Inclusion of all of the Humber's ports cannot be achieved within that 45km limit. It is the bid team's assertion that we cannot submit an outer boundary which truly reflects the economic geography of the Humber. Therefore, there will need to be a core outer boundary and an economic case for inclusion of Goole as a Freeport site based on that strong economic rationale.

4.2 Customs Sites

There is no limit on the number of customs sites which can be included in the bid. To date, the following customs sites have been confirmed and will be included.

- ABP @ Grimsby/Goole/Immingham/Hull
- British Steel @ Scunthorpe
- CLH @ Immingham
- Inter Terminals @ Immingham
- P&O @ Hull

- IBL @ Hull
- AKK @ Hull
- UM (East & West sites) @ Hull

A number of other potential customs sites are in discussion so this list is likely to evolve further prior to final submission.

4.3 Tax Sites

Critically, there can be a maximum of three tax sites, a requirement which was confirmed in the bidding clarification guidance.

Following a call for potential tax sites – five sites were initially shortlisted for a Humber Freeport:

ABLE Marine Energy Park and Logistics (AMEP);
Goole J36 Industrial Area;
Hull East Cluster;
Hull West Docklands;
South Humber Industrial Investment Programme (SHIIP).

All five sites are deemed extremely strong tax sites and it was initially proposed that all five should be included in the bid. However, the bidding clarification document is explicit that there should be a maximum of three tax sites and we risk the bidding failing on that criteria alone if we do not address that issue.

Therefore, it has been agreed, on the basis of geographical balance and the need to support the OWMIS bid at AMEP (see below) with a tax site, that the three sites which will form tax sites will be:

AMEP,
Hull East Cluster
Goole J36 Industrial Area

The bid justifies that on the following basis:

AMEP through tax site status and OWMIS funding will deliver a globally significant integrated offshore wind manufacturing cluster and bespoke port facility, ultimately employing 1,600 FTE. The site is ideally located and DCO consented and could start this year.

The Hull East Tax site encompasses a significant contiguous developable land opportunity fed by green energy and critical to kickstarting the UK's clean hydrogen economy. The site hosts: Yorkshire Energy Park; Saltend Chemical Park; and HIEP.

The Goole Tax Site is a greenfield extension of the successful Goole 36 Enterprise Zone (EZ), which is about to run out of capacity as a result of construction now underway on Siemens Mobility's £200m new rail factory and a £7m rail innovation centre.

The bid notes that one site (AMEP) is dependent on a parallel OWMIS funding bid. The bid will propose that, should the OWMIS bid fail, SHIP will be a default alternative tax site to ensure the South Bank of the Humber has tax site status unless the funding gap can be demonstrably filled by the private sector in a timely fashion.

4.4 Seed Capital Sites

The bid proposes that the seed capital available to support the Freeport be focused on those proposed tax sites which have had to be excluded to meet the bid guidance. There is strong justification for this approach in that those additional sites are viable inward investment options in their own right which will contribute to the economic growth of the region and that it is therefore appropriate to focus the seed capital on those areas. These sites will be earmarked as seed capital sites within the bid and indicated on the bid map.

The principles of how the seed capital funding (and potential future business rate retention if seed capital is reduced as part of a successful bid) are set out in Appendix I and will form part of a Memorandum of Understanding between the Freeport local authorities.

A map showing the tax sites and seed capital sites is attached.

5.0 Governance

5.1 Bid Sign Off

The Freeport proposal is a private sector led bid. It will be signed off and submitted by Steerco with indicative support from the local authorities and the two LEPs. The bid must have that local authority support (a proposed letter of support which will need to be signed by Leaders is attached), but the bid itself does not create a commitment to any action from any individual local authority. If the bid proceeds it will need to go through the formal decision-making processes of each authority but this is not deemed necessary or practical in advance of the bid.

Board members should be aware that the bidding guidance sets out that there is a requirement for bids to have a single local authority as accountable body for the funds which will flow into the area as a result of a successful Freeport bid. It is not necessary to determine the accountable body at this stage.

5.3 The Freeport Company

A delivery company must be in place to deliver the Freeport if the bid is successful.

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). This is a common structure (eg used for LEPs and Business Improvement Districts).

The company will be established by Articles of Association to be its own corporate identity, able to enter into contracts, hold moneys and receive grant funding in its

own name. Any surplus generated by a CLG must be applied towards the purpose of the vehicle and may not be distributed to Members.

The right to membership of each local authority and LEP will be enshrined in the Articles and only possible to change with their consent. Other Members of the company will be elected according to a process outlined in the Articles. Members will nominate and elect Board Members, according to a process outlined in the Articles that ensures a balance of public and private sector representation, and with an obligation to consider diversity and inclusion requirements.

The Board will delegate control of public money to the 'Public Funds' Committee consisting of the 4 local authority Members. Retained business rates and any other funds provided via local/central government will be distributed only subject to the committee's approval (on recommendations provided by the Board) except where directed by the principles set out in the appended Memorandum of Understanding. This ensures meaningful accountability for public moneys and will be supported by a Freeport Assurance Framework modelled on the National Local Government Assurance Framework.

5.2 Delivery Structure

There will need to be a Freeport Board supporting delivery. It is proposed that the make up of the Board will be as follows:

- Independent Chair: a robust appointment process will be conducted to identify somebody with sufficient experience and 'gravitas' to act as a figurehead for the Freeport and ensure good governance. An 'interim' chair will act until such a point as the Chair is selected.
- 4 X Local Authority Leaders
- 1 X ABP representative as the Statutory Harbour Authority
- 2 X LEP representatives;
- 4 X representatives of landowners/ operators/ businesses operating in the Freeport. These individuals will have a responsibility to engage with and represent the Freeport Business Liaison Group (see below). Will be representative of location (e.g. from different tax sites), type/ size of business.
- 1 X innovation stakeholder': recognise that innovation is a broad term and the representative on the Board will engage with and represent the Freeport Innovation Liaison Group;
- 1 X Environment Agency representative (representing the Single Conversation group which pulls together Highways England, Natural England, Historic England, Marine Management Organisation and the Environment Agency –statutory consultees).

Whilst the makeup of the proposed Board exceeds the recommended limit of 12, this is driven by a need to ensure all 4 Local Authorities are represented whilst ensuring that the Board has sufficient private sector representation to ensure private sector stakeholders are fully represented.

6.0 Proposed Memorandum of Understanding

Whilst the single most important factor in preparing the bid has been ensuring that we have a robust and coherent Humber offer which meets the core Freeport aspirations, it is acknowledged that the benefits of Freeport status have a degree of geographical specificity and there is a need to put in place measures to maximise the opportunities for businesses and residents across the whole Humber.

As such, there are some bid principles set out above which will, if the bid is successful, underpin how those benefits are secured – and in particular, the distribution of tax sites and availability of seed capital.

Those principles are summarised in Appendix I and it is proposed that a Memorandum of Understanding be agreed by the four local authorities represented in the Freeport bid to adhere to those principles.

At its meeting on 27 January, Steerco agreed in principle to sign up to the Memorandum of Understanding.

7.0 Recommendations

The Board agrees:

- To endorse the bid principles set out above and to support final submission of the bid by Steerco;
- To the principles set out in appendix I in respect of tax sites and seed funding and to the development of a Memorandum of Understanding to ensure that those principles are adhered to;
- That in the event of a successful bid each local authority will progress the bid principles through their individual local decision-making processes.

Appendix I – Bid Principles To Form a Memorandum of Understanding

- The three tax sites will be Able, Goole and Hull East
- We will make a case for the full £25m of seed capital funding.
- SHIIP, in lieu of giving up tax site status, will have the right to the first £15m of seed capital funding secured. ie if we bid for £25m but receive £17m, SHIIP still receives £15m.
- If we are successful in securing more than £15m, additional seed capital funding will be made available to Hull West up to £10m
- if SHIIP becomes a tax site by default because the OWMIS bid is unsuccessful for Able, then SHIIP's claim on seed capital drops to £10m and frees up additional seed capital for other areas.
- The seed capital priorities will be included on the map submission as 'sites' in their own right.
- That all business rates retained within the tax sites are pooled for the benefit of the whole of the Humber (with how spent to be determined?) except where specifically identified to repay LA borrowing on previous investment into EZs within those tax sites.
- Should £25m of seed capital not be secured through the bid, any shortfall (and allocations set out above) will have a first call on business rate retention secured in the future.
- Over and above any shortfall in seed capital, the use of business rate retention to fund additional projects be determined by a suitable future process but it be noted that SHIIP and Hull allocations are made in lieu of giving up tax site status and therefore it should not be deemed that these areas have already benefited.



EAST RIDING
OF YORKSHIRE COUNCIL



Hull
City Council

North
Lincolnshire
Council



Greater
Lincolnshire
Local Enterprise Partnership



[x] February 2021

Dear Rt Hon Rishi Sunak MP and Rt Hon Robert Jenrick MP,

Humber Freeport proposal

The parties to this letter are delighted to embrace the opportunity afforded by Freeports.

The four local authorities of East Riding of Yorkshire, Hull, North Lincolnshire and North East Lincolnshire, along with the two Local Enterprise Partnerships of Greater Lincolnshire and the Humber, have formed a partnership with the Humber's port operators and businesses from across the region to assemble a powerful proposal for Freeport status.

It is a proposal that builds on longstanding collaboration between our local partners and the government, in particular through the Humber Leadership Board (HLB). The HLB is a statutory committee created as part of the Hull & Humber City Deal in 2013, and has recently adopted the *Humber Estuary Plan* which identifies distinctive opportunities in clean growth and port-related manufacturing.

This Freeport bid has a foundation in evidence-based local plans, as well as key government policy initiatives and private sector ambition, and is at the heart of a strategy to catalyse future development around the Humber Estuary, an underutilised national asset, including in offshore wind, zero carbon industries, advanced manufacturing and new innovative technologies, building on the momentum of the last 10 years. At the same time, it is a significant opportunity to accelerate the levelling up of our region – which is home to some of the most deprived areas in the country and faces some significant economic threats as well as opportunities.

The opportunity in the Humber

We believe that successful execution of the Freeports programme will materially contribute to the regeneration of areas within our geography.

Sadly, a disproportionate number of wards ranking towards the lower decile of the Indices of Multiple Deprivation are located on the Humber. The region recognises the opportunity the Freeports programme affords to address the levelling-up agenda by attracting new business which will both drive exports and build on the emerging green energy cluster, creating high value jobs for the benefit our communities.

We believe that the Humber region has the fundamentals in place for a Freeport to be a success. As the busiest river estuary for trade in the UK, the Humber is ideally placed to exploit its natural geography. We are leading the country's growing offshore wind industry, with a track-record of innovation evidenced by the attraction of new businesses seeking to exploit the opportunities offered by energy transition.

However, we also recognise the opportunity that embracing energy transition creates to support other industries as they seek to reduce their carbon footprint. Not only does the Humber address the production of green energy and the development of new technologies and processes to utilise such energy, the decarbonisation of existing industry and our position at the centre of the logistics chain bridging marine to land transport, presents the opportunity to lead the decarbonisation of logistics chains throughout the UK in support of the ten point plan for a green industrial revolution.

The Humber Estuary covers a large area. However, the four local authorities covering the region recognise that the opportunities presented are complementary and not competing. As such, the authorities have

elected to bid as a single entity rather than submit individual proposals. This approach has the support of the region's largest port operator, Associated British Ports.

We have therefore carefully selected our most exciting development opportunities which – when brought together with the specific measures on offer through Freeport status – present a deliverable investment and growth package that we are totally confident will meet the government's objectives around trade and investment, much-needed regeneration and job creation, and innovation.

However, our commitment to a single bid has presented us with a considerable challenge in complying with the prospectus requirements. Strong sites, that would have met the criteria and contributed towards the key policy objectives, have had to be excluded as Tax Sites in order to meet the limit of three sites. We would welcome the opportunity to discuss with Government how we bring the benefits of Freeports to a wider number of sites and businesses whilst preserving the overall total area of 600ha.

Our ports

The Humber region plays a vital role in the fabric of the nation, as home to the UK's busiest port complex including the four major ports of Hull, Goole, Immingham and Grimsby.

Together, our ports handle around 17% of the nation's trade – more than 77 million tonnes of cargo a year (worth approximately £75bn), including the materials that supply 10% of the nation's energy, 25% of the UK's fuel for our vehicles, almost a third of our national timber supply and underpin the farming, food, retail, construction, automotive and pharmaceutical sectors across the UK, and especially the Midlands and the North of England.

This activity supports over 33,000 jobs in the region and contributes £2.5bn to the UK economy.

Our location and connectivity have enabled us to build a unique body of port-related logistics, engineering and manufacturing expertise and infrastructure, particularly in the food, energy and chemical industries. The Humber is a critical transport and logistics hub, with more than 60 sailings a week to mainland Europe. We provide a home to advanced engineering and international companies using cutting-edge techniques and processes.

The Humber, coined as 'the Energy Estuary', is leading the UK renewables sector with investments in wind and biofuels. The energy cargoes handled at the Humber ports keep a tenth of the UK's lights switched on. The region is building on its credentials in chemicals, offshore and marine engineering and exploring opportunities to capitalise on the global demand for sustainable energy, whilst taking forward ambitious plans to decarbonise the UK's highest-emitting industrial cluster with new hydrogen production and carbon capture and storage.

Why Freeport status is right for the Humber

The economic and geographic fundamentals of both banks of the Humber are strong, but the region's potential to further level-up socio-economic growth and the industries of the future is even greater.

Located in the UK's mid-point, 200 miles from both London and Edinburgh, as well as being close to mainland Europe, our ports have a unique ability to access both the UK hinterland and global markets, as the region takes its place both in the Midlands Engine and Northern Powerhouse. Through its access points on the Humber Estuary, the area provides unrivalled access into and out of the Midlands and Northern UK markets and forms part of the "land bridge" to Ireland.

But both of our LEP areas are in the bottom four in the country in terms of productivity and wage levels. In our local communities of Goole, Immingham, Scunthorpe, Hull and Grimsby, there are communities with high levels of deprivation and large potential workforces which – with the right skills investment and opportunities – can help to transform the economy of the area and well beyond.

And while we have enjoyed considerable private sector investment in recent years, we also know that – especially in today's uncertain climate – there is often a need for investment in enabling infrastructure and environmental mitigation that the market cannot address without support.

The tax and customs arrangements offered through Freeport status will, we believe, provide a catalyst for this transformation. That is why we have put so much effort into this bid and included within it only those specific opportunities where the potential benefits will make a real difference.

Accordingly, key features of our bid include:

- A Freeport boundary carefully drawn within the parameters set by Government (and with a potential variant that would capture the most coherent economic geography of the Estuary).
- Tax Sites spanning the entire geographic expanse of the Freeport, on both banks of the Humber and located in both LEP areas. In doing so, we are pleased to be able to present a single Humber Freeport proposal – rather than multiple ones.
- Tax Sites consisting of those specific plots of land where the development opportunities offer the greatest potential for meeting the Freeport objectives. Innovation, sustainability and decarbonisation are the threads that hold our bid together.
- Identified ‘Seed Capital Sites’ where we will focus early investment activity. Taken together with the Tax Sites, this approach ensures the promotion of development locations in each of our four local authorities.
- A focus on additionality – we aren’t simply ‘banking’ development that will happen anyway, but we are committed to using Freeport status to unlock or accelerate opportunities that need a nudge.
- Robust governance arrangements to enable future decisions around the Freeport to be made in the best interests of the Freeport and the region. We want our Freeport to be dynamic, and we recognise that with that comes a need for accountability and structure. We have the foundation for this in the form of the Humber Leadership Board, a statutory joint committee which has been established with government backing as the mechanism for supporting cross-estuary economic development.
- A commitment to working together as a region – most demonstrably evidenced by the commitment of the four local authorities to pool future retained business rates for reinvestment in schemes that will allow the Freeport to grow and to continue to support the local and regional economy.
- Working hand-in-hand with our universities, Centres of Excellence, Catapult and Innovation Council to deliver hotbeds of innovation, building on local industry specialisms and providing the right skills to meet our growth ambitions for the Freeport.

Having engaged with the government throughout the development of the Freeports proposition, we have an excellent understanding of the government’s objectives and expectations, which are reflected in our proposal and our commitment to it.

Our commitment

We, the undersigned, are delighted to confirm our support for the Humber’s current proposal for Freeport status, and we urge the government to consider it favourably.

The four local authority leaders undersigned commit, in particular, to honour the proposals in the bid that relate to matters within our statutory responsibilities, including, amongst others:

- Our accountability for spending public money, and the associated monitoring and reporting obligations, as outlined in our response to questions 3.5, 3.11 and 3.14.
- The proposed arrangements for managing and investing retained business rates revenues, as outlined in our response to questions 3.5 and 3.11.
- The creation and maintaining of a supportive planning environment, as outlined in our response to question 3.1.

We understand that should our proposal be considered favourably, in the next stage we may receive funding to support establishing the Freeport Governance Body, and we will be expected to:

- Develop an Outline Business Case for the regeneration funding in line with HMT Green Book guidance, which will be submitted for government approval.
- Work with HMT and HMRC to review and confirm the boundaries of the proposed Tax Sites, prior to approval and commencement of tax measures.
- Begin the HMRC-run authorisation process for operators to run Customs Sites, and for businesses to operate within them, building on the existing Authorised Economic Operator (AEO) status already held by main Humber ports.

We commit to engaging constructively and in good faith with the government throughout this process.

Yours,

[Name]

[Role], East Riding of Yorkshire
Council

[Name]

[Role], Hull City Council

[Name]

[Role], North Lincolnshire
Council

[Name]

[Role], North East Lincolnshire
Council

[Name]

[Role], Greater Lincolnshire
Local Enterprise Partnership

[Name]

[Role], Humber Local Enterprise
Partnership

Site Type

- Seed Capital Site
- Tax Site

Outer Zone

- Proposed Freeport outer boundary (994.2 km²)
- Maximum allowable area (1590.4 km²)
- Potential variant based on most coherent economic geography (1475.4 km²)

