

# CABINET

<b>DATE</b>	14 <sup>th</sup> February 2024
<b>REPORT OF</b>	Councillor Philip Jackson, Leader of the Council and Portfolio Holder for Economy, Net Zero, Skills and Housing
<b>RESPONSIBLE OFFICER</b>	Sharon Wroot Executive Director for Place and Resources
<b>SUBJECT</b>	Humber Freeport
<b>STATUS</b>	Open
<b>FORWARD PLAN REF NO.</b>	CB 12/23/08

## 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 provides an update on the progress in the establishment of a Humber Freeport Company and seeks Cabinet approval to support the submission of three NEL Seed Capital Business cases to the Accountable Body, on behalf of the Humber Freeport Company, to utilise £15m of the Freeport Seed Capital funding as allocated to NEL in the Freeport Business Case.

## RECOMMENDATIONS

It is recommended that Cabinet:

1. Authorises the Executive Director for Place and Resources in consultation with the Leader of the Council to enter into appropriate agreements, including acceptance and defrayal of £15m of Seed Capital funding.
2. Supports the submission of three Seed Capital Business Cases to the Accountable Body, on behalf of the Humber Freeport, to utilise the £15m NEL Seed Capital funding allocated by the Humber Freeport to bring further inward investment to the South Humber Industrial Investment Programme (SHIIP).
3. Subject to acceptance of seed capital funds, and support of internal governance mechanisms, delegates authority to the Executive Director for Place and Resources in consultation with the Leader of the Council to:
  - 3.1 implement such projects and arrange for all procurement activity, including award, mobilisation, and delivery,
  - 3.2 keep Cabinet updated as to progress of delivery at such times as the Executive Director shall deem fit,
  - 3.3 be responsible for all ancillary activity reasonably arising from the above.

4. Delegates to the Assistant Director Law and Governance (Monitoring Officer) the responsibility to execute all documentation arising.

## **REASONS FOR DECISION**

The Accountable Body (acting separately from the Council) is the Accountable Body for the Humber Freeport and is responsible for the administration and defrayment of public funds to further the Humber Freeport initiative. The submission of Seed Capital Business Cases will allow the delivery of projects approved by Government in the Freeport Business Case deliverable in North East Lincolnshire. In furtherance of these projects, an allocation of £15M has been made.

### **1. 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. establishes Freeports as national hubs for global trade and investment.
  - b. promotes regeneration and job creation.
  - c. creates hotbeds for innovation.
- 1.2 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.
- 1.3 There are three core elements of a Freeport – Customs Sites, Tax Sites, and Seed Capital. Taking each in turn:
- 1.4 **Customs Sites:** allow businesses operating within Customs Sites to 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.
- 1.5 **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 100% retention of business rates for 25 years which will be used to fund further opportunities across the wider Freeport boundary).
- 1.6 **Seed Capital** is designed to unlock potential inward investment, must contribute to the key aims of the Freeport and be capital rather than revenue expenditure.
- 1.7 A Humber Bid for Freeport Status was submitted to Government before the 5 February 2021 deadline. This 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 (199.2 ha)
- Two Seed Capital locations – supporting the delivery of SHIP in North East Lincolnshire (totalling £15m) and a second Seed Capital site in Hull (totalling £10m).
- Potential Customs Sites mainly around port estate in Grimsby, Immingham, Goole and Hull. (Subsequently amended to one site in Grimsby)

1.8 In the budget of 3 March 2021, it was announced that the Humber Freeport was successful in being designated by UK Government (subject to business case) as one of only eight in the UK. On 1 June 2021, Cabinet agreed that the Council would accept the roles of Lead Authority and Accountable Body for the Humber Freeport.

1.9 On 14 July 2021, Cabinet further agreed the submission of an Outline Business Case for the Humber Freeport, including the principle of Seed Capital funding for North East Lincolnshire and the establishment and subsequent implementation of a Humber Freeport Company.

1.10 In May 2021, seven potential NEL Seed Capital projects were submitted and assessed based on additionality, strategic fit, deliverability, impact, and value for money.

1.11 The five top scoring projects were approved and submitted to government as part of the Freeport Full Business Case in January 2022. As described at the time, the schemes put forward in 2021 were likely to evolve, particularly those led by the private sector. Two of the projects have subsequently secured funding elsewhere and been withdrawn, however, construction costs have increased substantially since 2021 and the removal of these two schemes from the programme allows the remaining three to progress utilising additional funding from the Seed Capital.

1.12 The three NEL Seed Capital projects are briefly outlined as follows.

- a. Investment into the delivery of flexible industrial workspace on Pioneer Business Park to support growth and local opportunities in the supply chain.
- b. CATCH expansion to facilitate growing demand and the creation of an Industrial Decarbonisation Centre. The investment will function as a precursor to the recently announced private sector led proposal for up to £60m industrial sponsorship to support an expansion to meet industry need.
- c. A small investment into infrastructure at Humber Gate, match funded by private industry. The project will replace pipeline needed for surface water run off which is over 50 years old, unlocking brownfield development on the site.

## **2. RISKS AND OPPORTUNITIES**

- 2.1 The customs and Tax sites of the Freeport zone will attract large scale investment. Seed Capital projects will improve neighbouring infrastructure, including small scale commercial space to encourage industrial clustering which in turn will encourage more investment. The facilitation of research and development and innovation opportunities in low carbon technology will support a localised supply chain and skills base.
- 2.2 Risks associated with the delivery of these projects include.
  - a. Delays in securing Seed Capital Funds. This could result in projects not being able to meet the expenditure deadline of March 2026. To mitigate against this, detailed programmes of activity are being developed to ensure projects can progress at pace once approved.
  - b. Costs exceed budget. Concerns around an increase in material costs in recent years, and although this has stabilised somewhat, it remains a concern. The budget allows for contingencies, and it will be incumbent on designers, in consultation with the Council to value engineer the project to align aspirations with the available budget, while minimising the potential impact on project outcomes.

## **3. OTHER OPTIONS CONSIDERED**

- 3.1 The Council could choose not to support the submission of the Seed Capital Business Cases but to do so could result in the £15m allocation being withdrawn from NEL.
- 3.2 The Council could choose not to support the three projects identified. However, these are schemes identified and approved by both Government and the Humber Freeport as part of a rigorous assessment process in the development of the Freeport Business Case.

## **4. 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. The Humber Freeport should enhance the offer of the Council's SHIP programme which is seeing several large investment propositions being responded to.
- 4.2 The communications plan for the Humber Freeport has been developed at a regional level and will include press opportunities, stakeholder management and public engagement.
- 4.3 For the NEL Seed Capital projects, a communications plan will be developed as part of the Seed Capital Business cases, and a member of the communications team will be engaged with the project delivery.

## **5. FINANCIAL CONSIDERATIONS**

- 5.1 Match funding for the Pioneer Park industrial units is in the form of land acquisition and infrastructure already expended as part of the SHIP programme. The site is an allocated Enterprise Zone, so the Council will benefit from 100% business rate retention.
- 5.2 Similarly with CATCH, the expectation is that all match funding will be met through the proposed private sector investment. However, as landlord and land owner of the site, any additional opportunities should be considered if they arise and would go through the normal governance channels.
- 5.3 The Humber Gate project will be match funded and led by private industry investment and any financial risk will be met by them.
- 5.4 Specialist Subsidy Control advice will be sought for all projects.
- 5.5 Up to 5% of the Seed Capital allocation can be used for development of the business cases, including the cost of procuring specialist support where required.

## **6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS**

There are no direct implications on children and young people within this report.

## **7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

- 7.1 The Humber Freeport has a strong focus on realising the ambition to reach Net Zero carbon by 2050 or earlier, particularly by supporting new and emerging clean energy production. A Freeport Innovation Liaison Group has been established to promote emerging opportunities and business engagement.
- 7.2 Wherever possible, clean energy technologies will be incorporated into new buildings, and the natural environment considered in associated landscaping.
- 7.3 An Industrial Decarbonisation Centre at the CATCH facility will provide space for research and development, and bring together industries to share knowledge, experience, and innovation technologies in the development of emerging clean energy technology such as Hydrogen production and Combined Capture and Storage (CSS).
- 7.4 The Humber Gate project will replace a 50-year-old, poor quality effluent pipe which is essential in the management of surface water run off on the site.

## **8. CONSULTATION WITH SCRUTINY**

Business cases will be put before Scrutiny as part of the governance process once developed fully.

## **9. FINANCIAL IMPLICATIONS**

- 9.1 The £15m projects for NEL will be added to the Council's Capital Investment Programme (subject to sign off of the Final Business Cases). The projects will

be fully funded through external grant and not require any external borrowing.

- 9.2 The additional investment will help generate employment, skills and regeneration opportunities to the area and will generate additional business rates income to the Council which will be available for reinvestment back into services.
- 9.3 The Council will continue to act as accountable body for the overall £25m seed capital funding received from Government.

## **10. LEGAL IMPLICATIONS**

- 10.1 The delegations sought provide for the acceptance and ultimate defrayal of seed capital totalling some £15M to further the identified seed capital projects. These will proceed by way of business cases to be tested by internal governance procedures.
- 10.2 Subject to such process the delegations provide for the delivery and implementation of such projects.
- 10.3 Ultimately the Council, acting as Accountable Body, will be responsible for the oversight of the projects and will ensure that the anticipated outputs are met. The Council's role as Accountable Body is recognised by way of agreement with the Humber Freeport and is founded upon established governance principles.

## **11. HUMAN RESOURCES IMPLICATIONS**

There are not direct HR implications

## **12. WARD IMPLICATIONS**

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.

## **13. BACKGROUND PAPERS**

None

## **14. CONTACT OFFICER(S)**

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**COUNCILLOR PHILIP JACKSON**  
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