

ENVIRONMENT OVERVIEW AND SCRUTINY PANEL– 14 JANUARY 2021

FREEPORTS BID

1. INTRODUCTION

- 1.1 On 10 February 2020 the Government ran a consultation on proposals to establish Freeports across the UK. It outlined the government's proposals covering tax, customs, planning and encouraging innovation, and asked for views. The District Council were 1 of the 364 responses received to the consultation.
- 1.2 In the consultation response published in October 2020 the government set out a developed vision for UK Freeports and invited potential bidding coalitions (ports, businesses, academic institutes, local authorities and LEPs).
- 1.3 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 some of the most deprived communities across the four nations of the UK.
- 1.4 The government has the following objectives for UK Freeports:
- Establish Freeports as national hubs for global trade and investment across the UK
 - Promote regeneration and levelling up
 - Create hotbeds for innovation
- 1.5 The Freeport Bid Prospectus has now been launched with the submission deadline of 5 February 2021 for bids from bidding coalitions. It is understood that there is likely to be 7 winning Freeports in England, and 1 or more in each devolved administration. Successful bidders will be asked to set out a full business case to be submitted in late Summer 2021.

2. WHAT WOULD MAKE UP A FREEPORT?

- 2.1 The Freeport would be limited to a geographical area covering up to 45km. There must be a clear economic rationale for the boundary size.
- 2.2 Within a Freeport boundary there would be;
- Customs sites which are a primary customs site and multiple additional customs subzones –
 - Tax Sites
 - i. which can be up to 3 single, individual areas
 - ii. total area not exceeding 600 ha (the guidelines are that each site should be between 20-200 ha)

- iii. located in areas with i) below national GDP ii) above average national unemployment
- iv. should be underdeveloped defined by i) underutilised land ii) potential investment growth and iii) job creation

3. **WHAT DOES A BID NEED TO DEMONSTRATE?**

- 3.1 To be successful the bid will need to demonstrate it meets the policy objectives through six key outcomes:

Objective 1 - Trade and investment Outcomes:

Trade: increase in trade throughput through designated Freeport area

Investment: increase in investment within the Freeport boundary area, surrounding area, and nationally

Objective 2- Regeneration and levelling up Outcomes:

Employment: increased number of jobs and average wages in deprived areas in and around the Freeport

Economic activity: increase in economic specialisation in activities high in GVA (Gross Value Added) relative to the current makeup of the local economy. Key themes to consider: i) support for emerging industrial clusters ii) property iii) transport and iv) skills

Objective 3 – Creating hotbeds of innovation Outcomes:

Innovation: increased local involvement and funding in Research & Development and innovation

Productivity: increased productivity in each target region, through increased capacity to absorb innovation

- 3.2 The type of incentives businesses in a Freeport can access to achieve these outcomes are:

- within Customs areas incentives could include
 - i. Duty Deferral
 - ii. Duty Inversion
 - iii. Customs duty exemptions
 - iv. Suspend import VAT
 - v. Simplified import procedures
- Within tax areas incentives could include
 - i. Stamp Duty land tax relief
 - ii. Enhanced structures and building allowances
 - iii. Enhanced capital allowances
 - iv. Employer National Insurance contributions rate relief
 - v. Business Rate Relief
- Local retention of business rates – it is intended that the Council or Councils in which the Freeport tax sites are located will retain business rates growth

for that area, above an agreed baseline (following example of Enterprise Zones). This will be guaranteed for 25 years. Bidders will need to set out a process for agreeing how retained rates are reinvested in providing infrastructure. Retained receipts should cover borrowing costs; reinvest in the tax sites to generate growth; or offset effects of displacement from deprived areas.

4. PLANNING

- 4.1 The government has confirmed that it will encourage local authorities and prospective bidders to consider how certain planning freedoms, in particular, Local Development Orders could be used to support appropriate development in Freeport areas. The government commits to providing support for local authorities to help implement Local Development Orders.
- 4.2 The government recognises the advantages that wider planning reforms can bring Freeports development. In addition, the government is actively exploring a new, simpler framework for environmental assessment, as well as intending to review the National Policy Statement for Ports in 2021.

5. THE FREEPORT BID

- 5.1 The Solent LEP has helpfully convened a task and finish group made up of both private and public sector stakeholders. The Task and Finish Group was formed to co-ordinate dialogue around this opportunity and is supported by consultants Vivid Economics.
- 5.2 Since the bid was launched Vivid have been co-ordinating discussions. In order to identify the 'offer' landowners were asked to identify possible sites for the customs site and the tax sites. Out of this work preferred sites have now been identified.
- 5.3 The preferred tax sites currently are:
- ABP/Marchwood Port/Marchwood Industrial Estate with Exxon and Fawley
 - Southampton Airport (Eastleigh)
 - Dunsbury Industrial Estate (PCC own but in Havant Borough)

The preferred Custom site is Southampton.

- 5.4 As part of the assessment process bidders will need to outline how their Freeport ambitions support decarbonisation and how they aim to reach Net Zero carbon emissions by 2050 or earlier. Freeport bids must also outline how their proposals will ensure compliance with all applicable environmental regulations and standards. The government will welcome bids which voluntarily demonstrate environmental benefits beyond regulatory baselines.
- 5.5 Bids are also required to set out what steps will be taken to ensure that customs and tax sites in their proposed Freeport will be secure against illicit activity.

6. FREEPORT GOVERNANCE

- 6.1 To deliver the Freeport, involvement of local authorities is key to the Freeports bidding process. At a minimum, bids should include firm written commitment from the port and the associated local authority and local political leaders. While no formal governance structure needs to be in place at bid stage bidders are requested to set out their proposals for a future Freeport Governance Body to oversee the Freeport.
- 6.2 Bids will need to meet government's three core standards on governance: effective structure, effective personnel and effective functions. At a minimum the Freeport Governance Body must include the port(s) involved and the Council where the Freeport is located.

7. CONCLUSION

- 7.1 There are significant economic and financial benefits to the immediate and wider economy of an area resulting from Freeport status. The bid would be in line with the current Local Plan, the likely impact of any future development on the district and its communities and how any negative impacts can be resolved, mitigated or compensated would need to be considered regardless of Freeport status. What Freeport status may change is the process for considering future development and the way this work is funded.

8. FINANCIAL IMPLICATIONS

- 8.1 There are no immediate financial implications. If the initial bid is successful there will be £2m seed funding to support preparing a Full Business Case.

9. CRIME & DISORDER, ENVIRONMENTAL, DATA PROTECTION IMPLICATIONS

- 9.1 There are no crime and disorder, environmental or data protection issues arising directly from this report.

10. EQUALITY & DIVERSITY IMPLICATIONS

- 10.1 There are no equality or diversity implications arising directly from this report.

11. DATA PROTECTION IMPLICATIONS

- 11.1 None

12. RECOMMENDATION

That the Overview and Scrutiny Panel advise Cabinet of its views on a Freeport bid that includes a tax site including land at Marchwood Industrial Estate/Marchwood Port/ABP land/Exxon and Fawley.

Further Information

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