

Report subject	<b>Freeport Bid</b>
Meeting date	13 January 2021
Status	Public Report
Executive summary	<p>In November Government released the 'Freeports Bidding Prospectus' and formally opened the Freeports bidding process. CMB met on 1st December and agreed that BCP Council will co-ordinate, with Rigby Group and Poole Harbour Commissioners, Dorset Local Enterprise Partnership (DLEP) and others, a bid to Government for Freeport status.</p> <p>This report provides a background to Freeports; a summary of the Bidding Prospectus and the potential requirements of the Council if successful; and some themes that could be included in the bid.</p> <p>This report also requests approval of £50K investment by the Council, as identified in the December Cabinet Quarter 2 Budget Monitoring 2020-21 and Medium-Term Financial Plan (MTFP) Update Report. This funding will be used to commission specialist resources through the DLEP to develop the bid.</p> <p>Given the timescales involved, it isn't possible to fully detail the contents of the bid at the time of writing this report. However, this report aims to provide sufficient content for Cabinet to approve the recommendations outlined below.</p>
Recommendations	<p><b>It is RECOMMENDED that Cabinet:</b></p> <ul style="list-style-type: none"> <li>(a) <b>approves the Council's inclusion in the submission of a bid to Government for part of the BCP area to be given Freeport status;</b></li> <li>(b) <b>approves the allocation of £50K to support the development of a bid for Freeport status;</b></li> <li>(c) <b>delegates authority to the Portfolio Holder for Regeneration, Economy and Strategic Planning and the Director of Development, in partnership with other relevant organisations, to complete and submit a bid by or on the due date of 5th February 2021; and</b></li> <li>(d) <b>authorises officers to further develop the full business case for Freeport status, subject to receiving notification of a successful application</b></li> </ul>

Reason for recommendations	Freeports boost the local economy and create new jobs. By approving the Council's inclusion in a bid to Government for Freeport status, it creates an opportunity to bring investment and jobs to the area. This will help to deliver the Council's vision, specifically in relation to its objectives around creating Dynamic Places. If successful it will also help to boost the private sector after BREXIT and as the economy rebounds after COVID 19.
Portfolio Holder(s):	Councillor Philip Broadhead – Portfolio Holder for Regeneration, Economy and Strategic Planning and Deputy Leader of the Council
Corporate Director	Bill Cotton – Corporate Director Regeneration & Economy
Report Authors	Chris Shephard – Director of Development
Wards	Commons; Hamworthy; Poole Town;
Classification	For Decision

## Background

### Freeports Summary

1. Freeports are designated areas where goods can be imported from outside the UK without paying customs duties. Customs duty becomes payable only when the goods, possibly after processing, enter the domestic market. Other incentives on tax, planning and reduced red tape can also be available in Freeports. Freeports can be air, sea and rail ports.
2. Working with the devolved administrations, the UK government wants to establish at least one Freeport in each of Northern Ireland, Scotland and Wales and at least 10 in total. There are over 70 Freeports in the EU and Freeports existed in the UK before 2012.
3. On 16 November 2020 the government released the 'Freeports Bidding Prospectus' and formally opened the Freeports bidding process. The deadline for applications is 5 February 2021.

### Freeports Bidding Prospectus summary

4. Freeports have 3 objectives:

Objective 1: Establish national hubs for global trade and investment across the UK

Freeports should bring new investment into the surrounding region and increase trade through the designated Freeport. Freeports will require joint working with local and international businesses to enhance the impact of increased investment in the wider region, and UK, to level up the economy. They will generate trade growth and enable trade processes to become easier and more efficient.

Objective 2 - Regeneration and levelling up

Freeports should harness ideas and investment from the private sector to deliver jobs, sustainable economic growth and regeneration in the areas which need it most.

Freeports should support emerging industrial clusters, property development (attracting anchor tenants to cluster around), transport (aligning with transport policy), and key regeneration outcomes (jobs and economic growth).

#### Objective 3 - Creating hotbeds of innovation

Freeports should create 3 types of innovation: Port specific innovation - directly benefits air, rail or maritime ports; Port-related innovation – innovation that indirectly benefits ports; and, Non-port-related innovation – innovation unrelated to the port that can take advantage of port-proximate locations or the Freeport wider offer, e.g. advanced materials, pharmaceuticals, robotics, AI etc

#### Design of Freeports

5. The proposed Freeport model allows for multiple sites to be designated within the overall Freeport to best reflect existing economic geographies and to maximise collaboration between ports, businesses, wider stakeholders and relevant economic assets. The 'Outer Boundary' of the Freeport must be declared and shown on a map – the limit of this boundary is 45km (unless exceptional circumstances are demonstrated). Bidders must demonstrate the economic rationale for their chosen boundary.
6. Within the boundary Freeports must have at least one port; at least one customs site (can apply for additional subzones); and, ideally a single tax site (if there's an economic case up to 3 tax sites can be proposed). Tax sites need to be shown on the map and cannot exceed 600ha (can be 3 sites up to 200ha each). Bidders need to justify these sites and explain how these sites are 'underdeveloped' – so that existing successful sites are not supported.

#### Customs

7. The operator of a Freeport customs site is responsible for the control of movement of goods and the access of people in and out of the customs site.

#### Tax

8. Possible tax benefits comprise:
  - Stamp Duty Land Tax (SDLT) - SDLT relief on land purchases within Freeport tax sites
  - Enhanced Structures and Buildings Allowance (SBA) – tax relief for constructing or renovating structures and buildings
  - Enhanced Capital Allowances (ECA) – tax relief for new plant and machinery assets
  - Employer National Insurance Contributions (NICs) Rate Relief – 0% for new employees for up to 3 years on <£25k earnings
  - Business Rates Relief - 100% relief on certain sites for 5 years. The cost of the relief will be provided by government
  - Local Retention of Business Rates – retention of business rates growth

Local Authorities are required to set out decision making process for how retained rates should be reinvested.

#### Planning

9. The Government are changing to Permitted Development rights (Part 8 Class B) in ports, which are similar to those in airports. Local Authorities are encouraged to use Local Development Orders (LDOs) in Freeports. Bidders need to demonstrate relevant stakeholder support for their proposals to ensure successful delivery. At a minimum, the government would expect the relevant Local Authority to a. Be part of the bidding coalition b. Have discussed development plans as part of compiling the bid c. Offer statements of support for implementing a Local Development Order (LDO) or similar mechanism.

#### Regeneration & infrastructure

10. Successful bidders will have opportunity to access a share of £175m seed capital funding. Bidders need to outline proposals for how to spend this seed funding within their Outer Boundary.

#### Local Authority Borrowing

11. Local Authorities may consider tax increment financing (TIF) and may also consider a Special Purpose Vehicle.

#### Innovation

12. The government is particularly interested in private sector-led innovation within Freeports, and innovation ambitions that contribute to the decarbonisation agenda or Net Zero. Bidders should set out their proposals to establish Freeports as collaboration hubs (including accelerating growth through R&D) and working with academic institutions.

#### Wider government funding

13. Bidders need to outline how their proposal could be complemented by successful funding from existing or additional upcoming funding rounds from across government.

#### **Delivery requirements**

14. Bidders must consider their contribution to decarbonisation and environmental impact including driving the decarbonisation agenda and minimising environmental impact.

#### Governance

15. Formal governance is not needed at application stage but informal steering groups/coalitions are expected. Government is open to any degree of formality and legal structure so long as the proposal has clear justification, contains decision making structure which preserves the Local Authority's ability to be meaningfully accountable and meets core standards on effective structure, effective personnel, effective functions.
16. A small amount of short-term revenue funding will be made available to each Freeport, once locations are initially selected, to help with any local governance set-

up costs or coordination in their first year. For example, this could include the forward funding of a Freeport secretariat and coordinator.

### Key Dates

- **5 Feb 2021 (noon) – deadline to upload submission**
- March – pass/fail. Those that pass have entire submission marked and official present appointable candidates to ministers
- Spring 2021 – Ministers make decision
- Summer 2021 – Start work on outline business case

### **A Freeport in the BCP area**

#### Background

17. Initial discussions were held in November with Poole Harbour Commissioners (Port of Poole) and Rigby Group (Bournemouth Airport) regarding a Freeport covering both the port and airport – both declared an appetite for this joint approach. At the time of writing, there is also interest from several major private sector firms based locally to be part of the bid.
18. On 1st December, as part of the approved process for submitting a bid, a report was considered by Corporate Management Board on this item. It was agreed that BCP Council will co-ordinate, with Rigby Group and Poole Harbour Commissioners, Dorset Local Enterprise Partnership (DLEP) and others, a bid to Government for Freeport status.
19. Cabinet is asked to approve an investment of £50K, as identified in the December Cabinet report “Quarter 2 Budget Monitoring 2020-21 and Medium-Term Financial Plan (MTFP) Update Report”, which is to be put towards the development of the bid. This will enable the commissioning of technical knowledge and capacity through Cushman and Wakefield, and their partners BDO. This has been enabled through the existing relationship between these companies and DLEP and will bring much needed expertise to achieve a high-quality bid in the time frame. Further seed funding and/or resources will be sought from the partners involved in submitting the bid.
20. Representatives such as: local MPs; Dorset LEP; local Department for International Trade (DiT) team; universities and colleges; local networks and Clusters; port and airport businesses; will also be required to be a part of the bid development and associated governance if successful.
21. It is envisaged by Government that a bidding partnership of private sector and public sector would be ideal. Therefore, a consortium that includes Rigby Group, Poole Harbour Commissioners, the Council and the DLEP has been created to drive the process, develop and submit a bid.
22. At this stage, bids can be in the form of an extended Expression of Interest. As shown in 16, if and when a bid is accepted, only then is an outline business case required. This will be submitted for further assessment by Government before a full business case is submitted. Guidance from Government shows that there is recognition that some bids may be more developed than others. Many of the points brought out in this report cannot and do not require answering as part of this bid, but will be addressed in an Outline Business Case if our bid is successful.

23. It must also be recognised that this will be very competitive process. With Government clearly stating that there will be a Freeport in each of the Devolved Administration areas (3), and on the assumption that England's biggest ports will be in line too (possibly 4), this could leave only a handful up for grabs. It will be important therefore to focus our bid not on scale, but on return on investment or "bang for buck"; on demonstrating what really makes our bid stand out from others; and on providing evidence that Freeport status will help to create jobs and stimulate regeneration.

### **The BCP Bid**

24. At the time of writing, the bid is in its early stages of development. Therefore, many of the elements for consideration still need to be worked through. Many items will not need to be addressed fully at this stage and will be developed further on notification of a successful application.
25. In terms of the area in question, it is envisaged that the Outer Boundary would include the Port of Poole and Bournemouth Airport, in a contiguous zone. Sites within the boundary still need to be specified. Both Rigby Group and Poole Harbour Commissioners are in agreement with this.
26. The key themes that have emerged so far for a local bid include:
- building on the international recognition and technology that is being developed through the Council's Smart Place programme. This will enable the Smart tracking of goods and freight/trucks around and through the zone, helping to improve efficiency, reduce cost and boost business productivity.
  - The purchasing of spectrum for the Freeport area to provide 5G ready waveband, enabling gigabit speed connectivity for businesses, enabling the development of new apps and services.
  - Building on the current successful proposition for Bournemouth Airport as a logistics hub pre-and post EU Transition, due to its capacity and runway length;
  - Responding to Government's recent 10 point plan for a Green Industrial Revolution, specifically in relation to the JetZero and greener maritime aim to "supporting difficult-to-decarbonise industries to become greener through research projects for zero-emission planes and ships".
27. Broadly speaking, a Freeport would support locally strong key sectors of advanced manufacturing and engineering – specifically in relation to aerospace and marine/maritime businesses; associated professional, financial and technical services such as those in export services and logistics planning; technology companies supporting the Smart Place agenda; green technology companies that support the Government's JetZero and Greener Maritime aim.
28. The bid can also build on the work already underway between businesses and education, facilitated by the Council's Economic Development team, to ensure a home-grown talent supply in the industry sectors outlined above. Demonstration of a strong current and future supply of skilled talent, supported by industry will be a critical element of encouraging inward investment and growth.
29. In terms of development and regeneration within the outer boundary, most of the land available for business growth and expansion is on the airport business park, as

unused land is in short supply at the port. However, the port plays a major role in its freight and leisure offering, as well as supporting the wider maritime industry around it. It will be important to determine in the bid to show this strong relationship between the Port, Airport and the Airport Business Park to show how they will work together as a Freeport. It will also be important for these operators to determine what they want from Freeport status and what benefits it will bring. Whilst this report discusses the items for consideration for the Council, the Government guidance makes clear that the private sector must play a leading role in shaping the bid.

30. Consideration also needs to be given to whether improvements in infrastructure are part of the bid such as an improved rail link to the port for example, and needs to be considered in the context of current and future transport projects such as Transforming Cities Fund and DLEP funded infrastructure improvements.
31. There are a number of items to consider from the Council's perspective, as part of the development of the bid.
32. The first of these is Governance. As stated previously in this report, whilst Government does not expect or need to see detailed governance at this stage, it would be helpful to show the simplicity of the local arrangements in our bid, with only three main partners involved including the Council and support from DLEP, MPs and others.
33. The second is around planning. As the bid develops the Council will need to consider its role in supporting the bid through planning, for example, considering whether a Local Development Order is the right approach.
34. The third is around finance. These points are highlighted in the Financial Implications section of this report and will again be considered with colleagues as the bid develops.

#### **Plan of activity**

35. Cushman and Wakefield have proposed that they will
  - Meet with the three main stakeholders to gather content on vision, strategy and areas of focus
  - Will create a draft bid before the end of January
  - Finalise and submit the bid for the deadline on 5<sup>th</sup> February.

These next steps are being actioned.

#### **Options Appraisal**

36. To accept the recommendations and invest resources and time into submitting a bid
37. To not accept the recommendations and do not submit a bid.

#### **Summary of financial implications**

38. This paper asks Cabinet to approve the allocation of £50K towards the development of the bid, which was identified in the December Cabinet report Quarter 2 Budget Monitoring 2020-21 and Medium-Term Financial Plan (MTFP) Update.
39. Work needs to be done to consider the financial implications to the Council of the immediate bid and over the longer term if the bid is successful.

40. The Council will need to understand the scale of investment and what vehicles it would use to invest should this be something it would like to do. For example, Tax Increment Financing is proposed by Government. BCP Council normally assumes the benefit of future tax revenue from new developments as part of its annual budget setting process – i.e. this income is not ringfenced specifically to repay borrowing on developments. This will need to be considered as part of outline business case, i.e. the next stage if the bid is successful.
41. Other items for consideration in the Outline Business Case, if this bid is successful include:
- Potential increased costs of controlling movement of goods in and out of the port and tracking them as they move through the free port area;
  - Potential impact on local road network of increased HGV traffic – maintenance, safety, congestion, emergency planning
  - Potential impact on increased resource needed for public health checks on goods entering the port
  - Potential for reduced business rates collectable for BCP Council as businesses get 100% relief for 5 years. The guidance says local authorities will be compensated by Government, but further scrutiny of this statement will be required.
  - The Council would need to devote resources to develop a process to invest locally retained rates. This may also reduce the take BCP Council keeps from locally collected business rates.
  - Planning resources will be required to develop a local development order should that be the requirement, and to ensure the governance structure for the Freeport operates effectively.
  - The funding available may be for capital spend only. Consideration will need to be given to whether there will be any revenue grant available to help meet additional Council maintenance / monitoring / inspection costs that may arise
  - The bid should show how it complements other government grant funding (already received and on the horizon). Transforming Cities Fund and DLEP funded highways improvements (including Townside Access and A338 (to airport) and Holes Bay development as well as Heart of Poole, should be highlighted emphasising the strategic fit with existing Council strategies and policies on transport, housing development and regeneration.

### **Summary of legal implications**

42. At this stage, there are no legal implications to submitting a bid. However, if the bid is successful there will be items to consider such as clarity over the Council's role in administering / running the Freeport. All legal implications will be worked through with Legal Services colleagues subject to the bid being successful in reaching the next stage.

### **Summary of human resources implications**

43. Subject to Cabinet approval, the allocation of £50k funding for consultancy support is a helpful contribution, enabling technical expertise and capacity to be brought in to develop the bid. The Senior Economic Development Officer is co-ordinating the



development of the bid and ensuring other Council colleagues are brought in where required and is attending Government run workshops for bidders.

44. As outlined in the financial section above, if the bid is successful, further resources will need to be identified to assist with the development of the Outline Business Case.

### **Summary of sustainability impact**

45. BCP Council's aim of gaining Freeport status would strengthen links between the local authority and port and airport from a sustainability perspective. This would facilitate opportunities to 'explore options to reduce emissions from shipping at the Port of Poole' and 'reduce pollution from aeroplanes and passengers driving cars to and from Bournemouth Airport' which were actions proposed in the draft 2050 Climate Action Plan which will be out for consultation in the near future.
46. According to the Freeports consultation which was undertaken earlier this year, "Investment should consider the sustainability of infrastructure and its contribution to meeting the net-zero target."  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/924644/FINAL - 200923 - OFF SEN - Freeports Con Res - FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924644/FINAL_-_200923_-_OFF_SEN_-_Freeports_Con_Res_-_FINAL.pdf)
47. One of the emerging themes for the bid is to respond to Government's recent 10-point plan for a Green Industrial Revolution, specifically in relation to the JetZero and greener maritime aim to  
"supporting difficult-to-decarbonise industries to become greener through research projects for zero-emission planes and ships".

### **Summary of public health implications**

48. There are no public health implications at this stage. This will need to be addressed as part of an Outline Business Case if the bid is successful.

### **Summary of equality implications**

49. At this stage there are no equality implications as it is a bid to progress to the next stage. This will be considered as part of the Outline Business Case if the bid is successful.

### **Summary of risk assessment**

50. At this stage, the main risk is whether a credible bid can be developed and submitted in the short timeframe.

### **Background papers**

None

### **Appendices**

None