

<b>Key Decision Required:</b>	<b>No</b>	<b>In the Forward Plan:</b>	<b>No</b>
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## CABINET

**23 APRIL 2020**

### REPORT OF THE LEADER OF THE COUNCIL

#### **A.6 FREEPORT EAST**

(Report prepared by Mike Carran and Lisa Hastings)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

To provide a high level update to Cabinet and to seek support for Tendring District Council to form part of the Freeport East Board and develop governance arrangements for future partnership working in order to meet the timescales set by Government for the formal designation of Freeport East.

##### **EXECUTIVE SUMMARY**

- Throughout 2020, the Council worked with public and private sector partners on a bid to present a compelling case for developing Freeport East (which includes Harwich International and Felixstowe Ports), as one of the Government's nominated Freeports, following EU Exit.
- Following an announcement by the Chancellor of the Exchequer at his budget speech on 3 March 2021, written confirmation was received by Government that '*Freeport East bid has been selected to progress to the next stage of Freeport designation.*'
- Essentially, Freeports are innovative hubs, which boost global trade, attract inward investment and increase prosperity in the surrounding area. The formation of Freeport East, which is a combined bid covering the ports of Harwich and Felixstowe, is expected to create over 13,500 jobs. Many of these will be highly skilled.
- Typically, goods brought into a Freeport do not attract a requirement to pay duties until they leave the Freeport and enter the domestic market – and no duty at all is payable if they are re-exported.
- There are now several steps required before confirmation of Freeport status and Civil Servants will be working with partners towards formal confirmation. The key elements of this will be:
  - *Completion of Governance Arrangements for the Freeport East Board*
  - *Completion of a Business Case for Freeport East (two phase process submission of an Outline Business Case (OBC) and Full Business Case (FBC), setting out how seed capital funding will be spent and connecting this investment to the wider Freeport proposal and the delivery of the policy objectives).*
  - *Designation of the Tax Sites and Customs sites authorisation*
- A Freeport is cross-sector and cross-industry development. Freeport East is based upon a partnership between both private and public sectors. Appropriate governance arrangements will be required and developed on the basis of partnership working and joint approaches, in which the District Council will play a part.
- Determining the governance arrangements is an early part of the process and

Government have confirmed they are looking for Freeports to be designated by the end of 2021, so any delay in local decision making may impact on timescales and the ability to receive Government's approval.

- Throughout the formation of the Freeport work programme, Cabinet may be required to make further decisions, where possible these will be taken through the normal Cabinet cycle. If the Leader is required to exercise his urgency powers and take a single Portfolio Holder decision, he will do so following consultation with the Portfolio Holder's working group and reporting back to Cabinet at the next meeting.

## **RECOMMENDATION(S)**

**That Cabinet -**

- a) supports Tendring District Council forming part of a Freeport East Board and developing governance arrangements for future partnership working within the context of this report;**
- b) notes the Leader will allocate Freeport East to his Portfolio and be the lead Member Representative on the Freeport East Board, or similar, if required;**
- c) welcomes the Leader's intention to form a cross-party Portfolio Holder Working Group to ensure consultation and engagement across the Council;**
- d) notes and endorses that the Leader of the Council may be called upon to exercise his delegated powers under the Council's Constitution, to make urgent single Portfolio Holder decisions in relation to Freeport East, subject to undertaking consultation with the Working Group and reporting back to Cabinet thereafter;**
- e) delegates authority to the Chief Executive to nominate such officers he determines to be appointed as officer representatives to any Freeport Board, shadow or otherwise, steering group, or similar; and**
- f) approves the inclusion of the Freeport East project within the Corporate Key Priority Actions for 2021/22, to ensure progress is monitored, acknowledging milestones will need to be formulated as the project progresses.**

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

The delivery of Freeport East will contribute to the Council's priority to 'A Growing and Inclusive Economy' including:

- Developing and attracting new businesses
- Supporting existing businesses
- More and better jobs

The Council's contribution to the Freeport bid was a key action point of the Back to Business agenda, to support the District's recovery from the Covid-19 pandemic.

### **FINANCE, OTHER RESOURCES AND RISK**

## Financial

Currently there is no budget allocated to the Freeports project and if any financial decisions are required they will be undertaken strictly in accordance with the Council Budget and Policy Framework and Financial Procedure Rules. The impact of this report is not to commit the Council financially and if resources are required, financial or otherwise, further decisions will be required, with reports setting out the implications.

## Risk

There will be a risk of key milestones not being met for Freeport East, if decisions are taken solely around the Cabinet Cycle, however the stating position will be to take reports to Cabinet where possible. If the timescales, do not allow full Cabinet approval, the Leader will circulate proposals within his Portfolio Holder Working Group prior to making his decision. Reports will still accompany the single Portfolio Holder decision.

## **LEGAL**

In accordance with Part 3 of the Council's Constitution, Responsibility for Executive Functions is set out in Schedule 3, which states at Part 3.28:

*The Leader of the Council may exercise any of the powers delegated to the Cabinet:*

- a. Following a resolution of the Cabinet (subject to the Constitution), or*
- b. In cases of urgency, in consultation with the Monitoring Officer and/or Section 151 Officer.*

*In cases of urgency the decision of the Leader of the Council will be recorded and published in accordance with the Constitution. The Leader of the Council will also be required to make a public statement at the next formal meeting of the Cabinet which will explain why they had taken the decision as a matter of urgency.*

All Executive Decisions, whether made by Cabinet or by a single Portfolio Holder are subject to Call-In, unless exemptions are applied for and approved by the Chairman of the relevant Overview and Scrutiny Committee.

## **OTHER IMPLICATIONS**

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

There are no direct environmental implications of this report and subsequent decision, however, as part of the alignment with the Corporate Plan the future development of the Freeport East business case will give consideration to the clean energy sector and agendas, in particular the climate emergencies declared by Tendring, East Suffolk, Colchester, Babergh and Mid-Suffolk.

An Equality Impact Assessment will be required as part of any Outline Business Case submitted by Freeport East.

## **PART 3 – SUPPORTING INFORMATION**

### **BACKGROUND**

The Government wants to level up the UK by ensuring that towns, cities and regions across the country can benefit from the opportunities that leaving the EU brings. Now we

have left, the Government has announced the formation of 8 new Freeports. These will be innovative hubs, which boost global trade, attract inward investment and increase prosperity in the surrounding area by generating employment opportunities in some of the most deprived communities around the UK.

Tariff flexibility within Freeports will encourage high-tech manufacturing and simpler customs processes facilitated by cutting-edge technology and will support smoother international trading activity.

Freeports are secure customs zones located at ports where business can be carried out inside a country's land border, but where different customs rules apply. They can reduce administrative burdens and tariff controls, provide relief from duties and import taxes, and ease tax and planning regulations.

Typically, goods brought into a Freeport do not attract a requirement to pay duties until they leave the Freeport and enter the domestic market – and no duty at all is payable if they are re-exported. If raw materials are brought into a Freeport from overseas and processed into a final good before entering the domestic market, then duties will be paid on the final good. Freeports may also offer simplifications to the normal customs administrative processes on imported goods.

Freeports also offer **significant supply chain opportunities** for businesses located in the wider geography out-with the Freeport redline boundary.

The Freeport East Bid was based on the following:

*“Economic analysis conducted by Freeport East as part of its bid submission shows that it can create 13,500 jobs in the region, along with 150 apprenticeships.*

*Over the next five years the Freeport would attract more than £500 million of investment, while the total gross value added to the UK economy is £650 million.*

*Freeport East will ensure the UK has a global port area and boost the trading capacity at Felixstowe by an additional 1.3 million tonnes – the equivalent of over four million containers.*

*The total Freeport area extends out from the twin ports, with a total diameter of 45km, with tax and/or customs sites earmarked for development inland. These are at Horsley Cross, Bathside Bay, Great Blakenham, Gateway 14, the Parker and Anzani Avenue areas of Felixstowe and the Port of Felixstowe Logistics Park.*

*We will use our tax and customs sites to spread and catalyse innovation to create a corridor of prosperity from the Midlands Engine to the East Coast, connecting them to global markets and global markets beyond.*

*Innovation will look at supporting green energy, such as the expansion of offshore wind in the region and new nuclear projects at Sizewell and Bradwell, as well as wider research and development linked in with university partners across the region and beyond around hydrogen technology.*

*Harwich is already home to the operations and maintenance Facility of Galloper Offshore 353MW Wind Farm, so Freeport East can be confident we have the local skills to drive a wave of innovation in green energy.”*

It is proposed that Freeport East adopt a formal corporate structure as a company limited by guarantee with a membership of businesses, institutions and organisations with a demonstrable and evidenced interest in the activities of Freeport East. Membership will extend to local authorities which may have an interest in the success of Freeport East on

behalf of their working residents or local businesses. At the time of writing this report, it is unclear the involvement expected of the District Council in any corporate structure and as part of the Outline Business Case this will be developed further.

**BACKGROUND PAPERS FOR THE DECISION**

None