

Key Decision Required:	No	In the Forward Plan:	No
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17 SEPTEMBER 2021

CABINET

REPORT OF THE LEADER OF THE COUNCIL

A.4 FREEPORT EAST UPDATE & BUSINESS RATES RETENTION

(Report prepared by Mike Carran and Lisa Hastings)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide an update to Cabinet on progress with Freeport East, including the Council's support to the principals of Business Rates Retention within the Freeport East Tax Site, and the next steps required prior to formal Freeport designation.

EXECUTIVE SUMMARY

- Following an announcement by the Chancellor of the Exchequer at his budget speech on 3 March 2021, written confirmation was received by Government that the *'Freeport East bid has been selected to progress to the next stage of Freeport designation.'*
- At their meeting on 23 April 2021, Cabinet received the initial Freeport East report, which set out the purpose of Freeports and the process and roadmap the public / private sector partnership will follow to receive formal designation by Government.
- The report listed the following steps which will be followed to comply with the process set out by Government:
 - *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.*
- The process is currently at the OBC stage, which responds to a format prescribed by Government based on HM Treasury's five case model and 'the Green Book' and additional Setup Phase and Delivery Model Guidance for English Freeports issued by MHCLG. The OBC builds on the commercial and operational proposals outlined in the partners' bid of February 2021 and has been prepared by East Suffolk Council and Hutchison Ports together with partners. The document also examines in more detail the impact Freeport East will have on the areas most challenged communities, and proposes transformational interventions that will assist in the economic growth and regeneration of the area. Due to the

OBC being a commercially sensitive and confidential document, the details of this are set out in an accompanying confidential Part B report.

- Although a formal decision is not required by Tendring District Council in relation to the OBC, Government do require a letter of support from each Local Authority for a Business Rates Retention Policy which is required as part of the process.
- Following consideration of the previous Freeport East report, Cabinet determined to:

'note and endorse 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'

As such, a meeting of the Leader's Freeport East Working Party took place on 2 September 2021 to consult with members on the OBC and the principals of the Business Rates Retention Policy. The approach received unanimous support to the Leader of the Council in providing a letter of support in respect of the principles of the Business Rates Retention, which must accompany the OBC when submitted to Government.

- The OBC was required to be submitted to Government by 10th September and is being undertaken by East Suffolk Council as lead authority for Freeport East. Due to the Government's deadline it was necessary for the Leader of Tendring District Council to make an urgent decision to provide the letter of support, on behalf of the Business Rates Authority for the area. The letter is attached to the Report as Appendix A.
- Due to the wide ranging implications of the Full Business Case (FBC) which will be the next stage of the process if Government approve the OBC, it is likely this Council will be required to make formal decisions , once the document is complete.

RECOMMENDATION(S)

That Cabinet

- (a) notes the contents of the report; and**
- (b) endorses the urgent decision taken by the Leader of the Council, on behalf of the Cabinet, to provide a letter of support for the principles in regard to Retained Business Rates generated within the Freeport East Tax Site, to accompany the Outline Business Case, as set out in Appendix A.**

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.

At its meeting in April, Cabinet approved the inclusion of the Freeport East project within the Corporate Key Priority Actions for 2021/22.

FINANCE, OTHER RESOURCES AND RISK

Financial

Business Rate Retention Scheme

Government intends to offer up to 100 percent relief from business rates on certain business premises within Freeport tax sites. This relief is intended to be available to new and certain existing businesses in Freeport tax sites and would apply for five years from the point at which the beneficiary first receives relief.

Government has allocated capacity funding to support the development of the Outline Business Case to East Suffolk Council as the lead authority. There is no Tendring District Council budget allocated to the Freeport 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. Future decisions will be required by Cabinet and Council prior to submission of the FBC to ensure alignment with these legal requirements.

Risk

There will be a risk of key milestones not being met for Freeport East, if decisions are taken solely around the Cabinet cycle, although the starting position will be to take reports to Cabinet where possible. If the timescales do not allow full Cabinet approval, the Leader will circulate proposals for consultation with his Portfolio Holder Working Party prior to making his decision. Those urgent decisions are published and formally reported to the Cabinet.

LEGAL

If due to time constraints decisions on Freeport East cannot be taken within the confines of the Cabinet cycle, Part 3 of the Council's Constitution allows the Leader to make urgent decisions:

- 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.*

Further to this, it should be noted that the following paragraph applies to urgent decisions:

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. Due to the urgency requirements of the Government's deadline, the Chairman of the Resources and Services Overview and Scrutiny Committee agreed the decision was reasonable in all the circumstances and that it should be treated as a matter of urgency and therefore granted the exemption to call-in.

MHCLG issued Freeports Business Rates Relief Guidance to Local Authorities in July 2021 which states that the government is not changing legislation relating to reliefs available to properties, instead the government will, in line with the eligibility criteria set out in their guidance, reimburse local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988, to grant relief. The letter of support demonstrates that the Council will be prepared to consider the principles set out and should the OBC receive government's approval, formal decisions will be required regarding the relief schemes.

Submission of the OBC and the letter of support is not legally binding on the District Council but gives the Government an indication of the principles being explored for business retention schemes.

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.

As part of the alignment with the Corporate Plan the future development of Freeport East 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.

The Government's Setup Phase and Delivery Model Guidance for English Freeports expects as part of the Strategic Case (one of the five cases to be covered in the OBC) an Equalities Strategy to set out, with evidence, how the Freeport proposal will impact each protected group and how the proposal has been designed and developed in light of this impact, including any mitigating actions that will be taken.

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 announced the formation of eight new Freeports.

Freeports are innovative hubs, which boost global trade, attract inward investment and increase prosperity in the surrounding area. They 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. 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 also offer significant supply chain opportunities for businesses located in the wider geography out-with the Freeport redline boundary.

Freeport East

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.

The Freeport East Bid set out the proposal and its benefits. 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 specific tax and/or customs sites earmarked for development inland as part of the Freeport. 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.

The Leader formed the Freeport East Portfolio Holder Working Party in accordance with the provisions of the Constitution and the membership consists of the following:

- Councillor Stock OBE
- Councillor Allen
- Councillor Bush
- Councillor G Guglielmi

- Councillor I Henderson
- Councillor P Honeywood
- Councillor Newton
- Councillor Scott
- Councillor Steady
- Councillor Winfield.

BACKGROUND PAPERS FOR THE DECISION

Freeport East Cabinet Report, 23 April 2021

APPENDICES

Appendix A – Letter of Support for Business Rates Retention to accompany the Freeport East Outline Business Case.