

**COMMUNITY LEADERSHIP
OVERVIEW AND SCRUTINY COMMITTEE**

7:30 pm 9 May 2022

REPORT OF CLLR NEIL STOCK OBE, LEADER OF THE COUNCIL

A.1 FREEPORT EAST

(Report prepared by Lee Heley, Corporate Director Projects Delivery)

PURPOSE OF THE REPORT

The report responds to the request of the Community Leadership Overview and Scrutiny Committee Work Programme, which requested an update on:

- the progress of the proposals for Freeport East;
- specific measures on sites, and particularly on the Harwich site;
- impact of previous planning permissions being implemented;
- measures outside of the Freeport to harness the most from them into the local community; and
- the relationship with Thames Freeport.

BACKGROUND

Purpose of Freeports. The Government announced the formation of eight new Freeports with the aim that they become innovative hubs, boost global trade, attract inward investment and increase prosperity in the surrounding area by generating employment opportunities. Freeports offer tax and customs benefits to boost economic growth.

What Freeports offer. 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.

Customs: 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.

Tax benefits. Companies inside the sites pay lower property taxes on new buildings they buy (stamp duty land tax) and lower rates of national insurance for new staff they employ. In addition there is five years of Government funded rate relief to businesses that enter the tax site before 30 Sept 2026

Supply chain. Freeports also offer significant supply chain opportunities for businesses located in the wider geography outside the Freeport redline boundary.

Retained rates The council area in which the Freeport tax sites are located will retain 100 percent of the business rates growth above an agreed baseline within those sites. This income will be guaranteed for 25 years, giving a long term stream of local finance.

Retained business rate monies will be divided into three pots. The proposed pots are all funded from Retained Business Rates:

- Pot A is the existing rates funding calculated on the same basis as would currently apply to the distribution of rates. Pot A is distributed to local authorities to ensure they do not lose out from Freeport. Councils allocate this funding to their general fund and can spend it as they see fit.
- Pot B provides funding from retained business rates to support or accelerate development of a Tax Site if it is required. An application for funding from Pot B by Hutchinson Group Ltd could assist with the development of Bathside Bay. At present the detailed approach to distributing Pot B is yet to be determined.
- Pot C provides a fund for economic development within the sub-region, aligned to achieving the wider Freeport Policy objectives including investment in skills, innovation, levelling up, trade, investment, infrastructure, security and net zero carbon. This fund is administered by the lead authority, East Suffolk Council, and decisions on its use would be determined by the Freeport East Supervisory Board, of which Tendring District Council is a member. Projects would need to impact on the area within the Freeport boundary [map](#). The size of pot C will depend on the requirements of Pot B (development of Freeport sites) and the time taken for the Tax Sites to be delivered and occupied.

The more development that takes within the Freeport sites, the more local rates are retained, the more local funding will become available.

DETAILED INFORMATION

Progress with the proposals for Freeport East.

- Throughout 2020, the Council worked with public and private sector partners on a bid to present the case for developing Freeport East as one of the Government's nominated Freeports.
- In the March 2021 Budget, Government announced the intention to designate sites in Essex and Suffolk as 'Freeport East'.
- At their meeting on 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 would follow to receive formal designation by Government.
- The Council's Freeport East Portfolio Holder Working Party took place on the 2 September 2021 and agreed to support the Leader of the Council in providing a letter of support in respect of the Freeport East Outline Business Case.
- That Working Party also recommended that the Council pursue steps that Hutchinson Ports Ltd could undertake as part of its commitment to Harwich International Port, the skills agenda so the local population could take on careers that would become available as a consequence of Freeport East, and the need to actively pursue the improvements to the A120 from the A12 through to Harwich.

- In September 2021 Cabinet endorsed 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 Freeport East Outline Business Case, which was submitted to Government on 10 September 2021.
- On the 13 December 2021 the outline business case was formally approved by Government, the three tax sites in Felixstowe, Harwich and at Gateway 14 near Stowmarket were agreed, published on GOV.UK and Statutory Instruments laid to enshrine them in legislation.
- Tendring District Council supported the Freeport East Full Business Case at Cabinet in March 2022 and included Freeport East in its policy and budget framework at Full Council that month.
- East Suffolk Council as the Lead Authority, alongside Freeport East, submitted the Full Business Case (FBC) to Government for Freeport East on behalf of partners on 14 April 2022.
- Government will now respond to Freeport East's FBC, with the final Full Business Case to be agreed between Government and Freeport East by August 2022.

Government expects that Freeport Full Business Cases are 'official sensitive' as they contain commercial information, and so they have not been published.

Progress on specific issues:

Finance: The Full Business Case makes it clear that Tendring District Council will not be asked to provide direct funding or take on any financial or borrowing risk for the development of the Bathside Bay tax site.

The Council will develop a retained rates policy during 2022 to support the approach of Freeport to retaining rates locally and spending funding through Pots A, B and C.

Freeports are seeking more guidance from government on subsidy control, given the policy is designed to provide tax reliefs to private companies. Currently it is for the local billing authority to decide whether business rate reliefs should apply to new firms entering the Freeport tax sites.

Company: The Full Business Case proposes a Company Limited by Guarantee as the vehicle for decision making for Freeport East. Lawyers have a draft set of articles of association under discussion. The Company is expected to include current shadow board member organisations:

- Tendring District Council
- Essex County Council,
- Suffolk County Council,
- East Suffolk District Council,
- Mid Suffolk District Council,
- Essex University,
- Hutchison representative
- New Anglia LEP and South East LEPs

Recruitment: Recruitment to the position of Freeport East Chair and Chief Executive is currently underway. These roles will be paid for by the initial government funding to set up Freeport East, and in the longer term by retained rates flowing from the Freeport sites.

Recruitment to the Freeport East staff team will follow the appointment of the Chief Executive.

Specific measures on the sites, particularly on the Harwich site

Freeport East is based around the Port of Felixstowe and Harwich International Port, and includes the Gateway 14 Site in Stowmarket, Suffolk. It comprises 275 hectares of space and facilities across three sites eligible for tax relief ("Tax Sites") at Felixstowe dock, Bathside Bay in Harwich, and Gateway 14. The Harwich Tax Site is intended to be developed as a Clean Energy Hub and create 1,900 jobs.

Freeport East has three main sites where tax benefits will accrue to companies expanding or moving in: Harwich, Felixstowe and Gateway 14.

Harwich Tax Site Green Energy Hub

This site will develop a cluster of organisations that are driving forward the future of clean energy generation, focusing on hydrogen and offshore wind.

The UK is the world's largest market for wind. Before 2030, £16bn of capital expenditure is anticipated in East Anglia ONE North, TWO and THREE, Norfolk Vanguard and Norfolk Boreas: 35 percent of total investment in offshore wind in the UK. Freeport East intends to develop a renewable energy supply chain that exploits Freeport East's unique position at the centre of this industry and helps to deliver 60 percent UK content for offshore wind.

This programme will be enhanced with innovation and skills initiatives that will support the local workforce to access these new roles and opportunities. The increase in employment land and high value jobs will aid justification for increased transport and housing developments and lead to a supporting service industry that will aid the wider regeneration of the local area.

Retained rates modelling was revised for the Full Business Case, based on live enquiries and industry demand. This modelling indicates there will be sufficient funding from retained rates to make development of the full Harwich tax site at Bathside Bay viable with income in the region of £125m over 25 years.

Felixstowe Tax Site

High value manufacturing, processing, and engineering hub to maximise the benefits being immediately adjacent to Felixstowe Port, the UK's gateway to Europe, Asia and the rest of the world. The investment into Felixstowe and its drive towards trialling innovative usages of hydrogen and new 'Internet of Things' technology will drive investment into Felixstowe and the wider area to support investment into housing, transport and skills facilities.

Gateway 14 Tax Site

The focus will be on innovative clients that align to the Net Zero vision for the site. High value logistics, manufacturing, research and development and professional services are the primary sectoral focus for the site. This will be enhanced with innovation and skills initiatives that will support the local workforce to access these new roles and opportunities. The increase in employment land and high value jobs will aid justification for increased transport and housing developments and lead to a supporting service industry that will aid the wider regeneration of the local area.

Combined tax and customs sites

- Felixstowe (**primary customs site** and also a tax site);
- Harwich (also a tax site)
- Gateway 14 (also a tax site), Stowmarket

Customs sites

- Parker Avenue, in close proximity to the Port of Felixstowe
- Clickett Hill Road, in close proximity to the Port of Felixstowe
- Port One, Great Blakenham
- Horsley Cross, Tendring.

Impact on previous planning permissions being implemented

The Council worked hard to take the Port's proposals to change pre-commencement conditions through the planning process, and to sensitively answer the comments of statutory consultees, to ensure their questions and concerns were responded to appropriately. As a result, the Port was able to start on site at Bathside Bay under the existing container port planning permission, locking in the original planning permission.

The impact of this start on site is to give planning certainty to Bathside Bay. It is from this position that a temporary change of use application can be submitted to the Council for a Clean Energy hub, which could last 25 years.

Measures outside of the Freeport to harness the most from them into the local community.

Skills The Council welcomes the skills development and employment opportunities that Freeport East will bring. The Council will work with partners to maximise skills opportunities leading to employment for our residents. The Council is working with Essex and Suffolk County Councils on a skills and employment plan within the Full Business Case that sets out how our interventions will maximise new labour market opportunities for residents.

Schools. Working with the Tendring Education Strategic Board and Essex County Council, Freeport East will establish what resources schools and other providers need to support the preparation of students for future jobs in Tendring and surrounding areas, review existing delivery models, and agree expected outcomes, next steps, budget and resource needs.

Skills proposal in the Full Business Case include:

Energy Skills Centre at Harwich - Phase 2: Improved facilities to support low carbon hydrogen technologies, fuel cells, carbon capture, and distribution. It will also include training for nuclear developments at Bradwell and Sizewell, based on project progression, and Harwich International Port.

Green Energy Skills Centre - Colchester Campus

This development is for Further Education and Technical courses supporting training needs for zero emission vehicles, battery storage, low and zero carbon technologies and green rapid mass transport systems, as cited by the Tendring Colchester Borders Garden Community Development Plan.

Sustainable Construction Training Centre - Colchester Campus

Scope to develop Further Education and Technical courses responding to high demand in skills shortage areas in modern methods of construction, retrofit, embodied carbon, renewable energies including solar panels and heat pumps and also the skills needed to support the large regional infrastructure and transport projects including two potential nuclear developments.

Transport: the development of Freeport East provides a strong justification when making arguments to Transport East and National Highways to promote the improvements to transport corridors on route to the Port. In addition, the temporary change of use to the planning permission from a container port to a Clean Energy Hub will include a transport component.

Links to the Thames Freeport. While Thames Freeport declined the opportunity for joint working on skills noting the competition between commercial Ports, Freeport East and Thames Freeport are part of the national network of Freeports. As such they receive regular advice and guidance from the Department of Levelling Up, Housing and Communities. The Ports engage collectively with Government, for example to request more information on the national approach to subsidy control.

RECOMMENDATION

That the Committee determines whether it has any comments or recommendations it wishes to put forward the Leader or Cabinet.