

13 January 2021		ITEM: 16
Cabinet		
Thames Freeport Bid to Government		
Wards and communities affected: All	Key Decision: Non-Key	
Report of: Councillor Mark Coxshall, Cabinet Member for Regeneration and Strategic Planning		
Accountable Assistant Director: N/A		
Accountable Director: Andy Millard, Director of Place		
This report is Public		

Executive Summary

Freeports are a flagship government initiative to support local communities through post-COVID economic recovery. They offer a wide range of incentives for businesses to invest in areas, creating new jobs and prosperity for communities as part of government's levelling up agenda.

Thurrock, at the heart of the UK ports industry, is uniquely suited to deliver the benefits Freeport status would bring to local communities, as well as regional and national economies. Taken together with other regeneration initiatives, including Towns Funds and the adoption of a new Economic Development Strategy, this offers significant and additional benefit to Thurrock and the wider region.

As members of the governance body for the proposed Freeport, Thurrock Council would play a key role in its delivery and governance, particularly how public sector investment is directed and managed. The Council is working to help produce a compelling bid to government as well as understanding what investment this could bring for additional projects and initiatives.

The bid for a Thames Freeport is led by the operators of Thurrock's most significant ports: Forth Ports' Port of Tilbury and DP World's London Gateway. The bidders are requesting the Council's support in their application to UK Government to approval of a Freeport in Thurrock. Supporting the Thames Freeport bid would be an exceptional opportunity for Thurrock businesses and residents to benefit from additional employment, investment, economic activity, trade, innovation and productivity.

1. Recommendation(s)

That Cabinet:

- 1.1 Support in principle the submission of the Thames Freeport bid to government.**
- 1.2 Endorse the continued engagement of officers with partners to bring forward a compelling bid to government which supports the policy objectives and benefits the borough and delegate authority to the Director of Place, in consultation with the Director of Finance, Governance and Property, Monitoring Officer, Leader, Cabinet Member for Regeneration and Strategic Planning and Cabinet Member for Finance and Transformation, to support the final bid prior to submission.**
- 1.3 Subject to the approval in 1.2, delegate authority to the Leader to sign a letter of commitment of the Council's support and agreement to the proposed Freeport for those areas for which Thurrock Borough Council has statutory responsibility. Not all of the proposed tax sites are currently supported for development within the Local Plan including sections of Green Belt, the letter will give the Council's support for the Freeport bid in this context, whilst not fettering its discretion and statutory duties as the local planning authority.**

2. Introduction and Background

- 2.1 In February 2020, the government announced a consultation into a new Freeports policy for the United Kingdom. It focussed on a number of policy areas linked to Freeports including customs freedoms, tax reliefs, additional regeneration investment, innovation, skills and productivity a Freeport could bring to an area. Up to 10 Freeports would be identified following a competitive bidding process, including 1 in each of the devolved administrations of Scotland, Wales and Northern Ireland. Current expectations are that there is unlikely to be more than 1 or 2 successful Freeports bids in the South of England and we understand that there are 4 or 5 credible bidders from other major maritime and air freight locations.
- 2.2 This was followed by the government's Response to the Consultation published in October 2020, and gave further information on the government's thinking for the emerging Freeports policy, but with more detailed information reserved for a future document (a Bidding Prospectus).
- 2.3 The Bidding Prospectus was published by government on 16 November, where further details of the policy was set out, along with the role of the Local Authorities in the bidding process and the operation of successful Freeports. It also started a 12-week period for bids to be developed and submitted by the deadline of 5 February 2021.
- 2.4 Forth Ports and DP World are bringing forward a bid (the Thames Freeport) to government for Freeport status at their Port of Tilbury and London Gateway sites, and have engaged Vivid Economics as consultants to develop the

economic case. Forth Ports and DP World are working in partnership with Ford and therefore the proposed Freeport also includes a site at the Ford plant in Dagenham. Many key aspects of the bid such as innovation, skills and the decarbonisation agenda are significantly strengthened through the addition of Ford as a bid partner.

- 2.5 The Council continues to engage as a key member of the bid coalition and future governance body to develop the bid for Freeport status in order to secure the benefits it would bring to businesses and residents in the borough.

3. Issues, Options and Analysis of Options

The case for Thames Freeport

- 3.1 There is huge potential in Thurrock and throughout the Thames Estuary to address pockets of deprivation as part of the levelling-up agenda.
- 3.2 DP World and Forth Ports have already invested more than GBP 2.5 billion into infrastructure along the Thames Corridor, creating independently nationally significant operations moving over 30 million tonnes through Thurrock ports and together supporting the provision of over 20,000 jobs.
- 3.3 There is opportunity for further growth, with additional private and public investment in infrastructure, land ready for investors, and regional clusters in advanced manufacturing, transport and logistics and clean energy and circular economy.
- 3.4 A Thames Freeport has the scale, connectivity and potential to compete on a global scale for international investment.
- 3.5 The Thames Freeport also promotes investment in modern, productive, clean technologies to support local regeneration, skills development, workforce attraction and retention, employment opportunities and a net zero transition.

Freeport Policy Objectives and Outcomes

- 3.6 In the bidding prospectus, government has set out the objectives and outcomes a successful Freeport should deliver:
- Objective 1 - establish Freeports as national hubs for global trade and investment across the UK
 - Trade: increase in trade throughput through the designated Freeport area
 - Investment: increase in investment within Freeport boundary area, surrounding area and nationally
 - Objective 2 – promote regeneration and job creation
 - 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 relative to the current makeup of the local economy
- Objective 3 – create a hotbed of innovation
 - Innovation: Increased local involvement and funding in R&D and innovation
 - Productivity: Increased productivity in each target region, through increased capacity to absorb innovation

Freeport Geography and Economic Incentives

- 3.7 A key pillar of Freeports is providing businesses with incentives to create additional economic activity in areas, encouraging them to invest, innovate and create good and high-paying jobs in the communities.
- 3.8 As part of that system, a number of tax reliefs have been designed to support businesses operating within the Tax Sites of a Freeport to achieve those goals:
- Business Rates relief
 - Stamp Duty Land Tax
 - Enhance Structures and Buildings Allowance
 - Enhance Capital Allowances
 - Employer National Insurance Contributions
- 3.9 The local retention of business rates growth in a Freeport Tax Site provides a potential source of income to fund additional projects and initiatives to support the Freeport and therefore Thurrock's communities as a whole. The Freeport policy suggests that local authorities could borrow against these retained business rates to bring forward supporting projects. Decisions on support for specific projects and initiatives would be subject to the business case process and considered in future reports to Cabinet.
- 3.10 The Prospectus states that Tax Sites are limited to a total area of 600 hectares (which can be a single site of up to that size, or up to 3 between 20-200 hectares) and should be located in under-developed areas in order to attract additional economic activity.
- 3.11 There must be at least one Customs Site within a Freeport, which requires authorisation from bodies such as HMRC and Border Force. Businesses permitted to operate in those area would benefit from tariff and other benefits including:
- Duty deferral while the goods remain on site
 - Duty inversion if the finished goods exiting the Freeport attract a lower tariff than their component parts
 - Customs duty exemption on goods that are imported into a Freeport, processed into finished goods and subsequently re-exported (subject to the UK's trade agreements)
 - Suspension import VAT on goods entering the Freeport.

- Simplified import procedures.
- 3.12 Both Tax Sites and Customs Sites operate within a Freeport Outer Boundary, where planning, regeneration and innovation measures (detailed below) will also be applied. This outer boundary can be up to 45km between the furthest two points of the proposed Freeport.
- 3.13 The locations of the Tax and Customs sites are currently under consideration, but are expected to include land around the Port of Tilbury, areas of DP World London Gateway and a section of the Ford site in Dagenham. We understand that over 75% of the land designated to be a tax site will be in Thurrock. Relevant parties are engaging to ensure that the sites which are eventually included in the bid meet the characteristics set out in the policy, including the economic case for their inclusion in the bid, and that they are deliverable. The Freeport Outer Boundary includes the whole borough of Thurrock, allowing for sites and investment to come forward as well as future growth potential. The Outer Boundary is also includes the London Borough of Barking and Dagenham (due to the location of the proposed tax site at the Ford plant) and the London Borough of Havering (by virtue of it being situated between Thurrock and LBBB).

Planning

- 3.14 Freeports will be able to benefit from a simpler planning process through expected reforms to permitted development rights and area-based planning mechanisms such as Local Development Orders (LDOs). An LDO is already in place at London Gateway and has led to delivery of planning permission for investment in a much quicker timeframe than would otherwise be possible.
- 3.15 This approach to planning is aligned to the government's consultation of the future of the planning system, which the Council is actively engaging on in order to shape the outcome.
- 3.16 Government has required bids to include statements of support for LDOs or similar mechanisms from local authorities. This will be done so as not to predetermine the statutory planning process, or pre-judge the outcome of the development of the Local Plan.
- 3.17 The process of identifying the Tax and Customs sites is ongoing. Should sites be identified which are not currently allocated for economic use or be impacted by other planning policy constraints such as Green Belt, the letter accompanying the bid will give the Council's support for the Freeport in that context where appropriate, while not undermining the Council's obligations as the Local Planning Authority.

Regeneration and Infrastructure

- 3.18 In order to help support the creation of Freeports, successful bid will have the opportunity to access a share of £175m of seed capital funding which will be made available by the government, for use in such areas as:
- Land assembly
 - Site remediation
 - Small-scale transport infrastructure to connect sites within Freeport
- 3.19 While the bid requires outline proposals for how this seed funding will be spent within the Outer Boundary, these proposals are currently being developed and will be subject to an outline and full business case process, as well as future reports to Cabinet where appropriate. The Local Authority will also be accountable to MHCLG for how the public funding is managed.
- 3.20 It is likely that private sector funding from successful bidders will supplement this seed capital for relevant infrastructure projects in the vicinity of the ports.

Transport, Skills and Innovation

- 3.21 In addition to those elements of the policy which will directly benefit the Freeport areas and the businesses which operate in them, bids are also expected to identify a number of broader benefits to local communities, including:
- Wider community and societal benefits derived from increasing the number of jobs and average wages in areas in need of levelling-up
 - Alignment of bids to local transport plans and existing/planned infrastructure improvements to tackle adverse effects on local transport networks
 - Alignment of skills available in the local labour market to the needs of the firms and sectors being targeted by the Freeport, including support for upskilling in line with local skills strategies
 - Innovation ambitions focussed around the policy objectives and outcomes
 - Private sector-led innovation within Freeports, and innovation ambitions that contribute to the decarbonisation agenda or Net Zero.
 - Plans to establish new facilities, or link with existing facilities that apply new technologies and research
 - Plans to work with local academic institutions to facilitate skills development by providing qualification services, training workers and facilitating apprenticeships
 - Plans to promote Freeport-specific research programmes
 - Plans to generate secure and standardised data for monitoring and evaluation, promote data-sharing among businesses and with researchers, and enhance digital connectivity
- 3.22 The Council and other local and regional stakeholders are actively engaging with the bid team to develop these areas to the benefit of Thurrock, its businesses and residents.

- 3.23 We understand that the bid will contain a mechanism to raise additional private sector funding for training and skills that can be re-invested in relevant manufacturing, maritime and logistics skills in the local area.

Governance

- 3.24 The bid prospectus sets out the expectations for Freeport governance should a bid be successful. There is no requirement to use a specific mechanism, nor to have it in place prior to bid submission or award.
- 3.25 The expectation from government is that a Freeport Governance Body is established to govern and oversee the operations of the Freeport in line with the following core standards as set out in the prospectus:
- Effective Structure
 - Effective Personnel
 - Effective Functions
- 3.26 As stated above, the Local Authority would be responsible to MHCLG on the management of public money, including the seed capital funding, and therefore is included in the list of essential organisations which would make up the Freeport Governance Body. The structures and functions will also be designed as such to allow the Council to be meaningfully accountable for that spending and to appropriately manage and mitigate the associated risks.

Next Steps

- 3.27 Officers will continue to work with all partners to help develop a compelling case to government for Thames Freeport to be one of the successful bids for Freeport status. This will include working through a number of areas identified above including the proposed location of Tax and Customs sites, investment of retained business rates, projects to be funded through seed capital and governance arrangements.
- 3.28 Should Thames Freeport be successful in its bid, there may be the necessity to bring further reports through Cabinet for decision as and when required, including the formal governance arrangements which will oversee the Freeport. The Council will have the ability to either accept or reject these detailed reports, however it should be recognised that if they are not approved this will have significant consequences for the bid.
- 3.29 In relation to delivery risks and opportunities, these have and will continue to be incorporated into discussions in the following ways:
- 1) the bid to government includes a minimum viable and preferred option to demonstrate the impact of delayed development or less than expected investor interest in the Freeport, and the robustness of proposed development

2) the environmental and social risks from e.g. increased transport of goods or travel related to commuting from outside the borough have been directly addressed through the proposed Freeport offer, which includes specific measures to develop local workforce skills for employment onsite and promote investments aligned with the net zero agenda and expanding the capacity and sustainability of the regional transport system

3) additional due diligence will be conducted with support from central government for the development of outline and full business cases following announcement of the successful Freeport bids

4) the Bidding Prospectus requires a monitoring and evaluation plan, along with a commitment to annually review and submit to government the pace of development within the Freeport and associated impacts on the surrounding community, which DP World and Forth Ports are developing for submission in the bid

5) extensive engagement with other relevant local partners in the region, including ASELA, OSE, SELEP, the Port of London Authority and the Thames Estuary Growth Board has led to a broad level of support for the Freeport in the region and helped to ensure that the bid reflects the key elements of local strategies and plans that the council has contributed to and helped to align with development priorities within the borough

4. Reasons for Recommendation

- 4.1 As the awarding of Freeport status is a decision for central government and not for the Council, this report enables the support of the bid and endorses the continued efforts and engagement of officers to align the bid to local priorities, as expected by government.
- 4.2 Government requires the written confirmation of support from the host Local Authority. Specifically:
- The letter must be signed by the Leader of each local authority that is responsible for planning, transport and business rates collection in whose area any of the proposed Freeport sites will sit. The letter should commit their full support and agreement to the proposed bid specifically those areas for which they have statutory responsibility including planning and business rates to ensure the delivery of the proposal.
- 4.3 This is an emerging policy area offering the potential for significant opportunities where details are in development. However, there are a number of currently unquantifiable opportunities and risks which the Council could potentially face, as referred to in the implications below, details of which will be identified and mitigated where possible through the development of the policy.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 On behalf of the bid, partners (Forth Ports, DP World, Ford, LB Barking and Dagenham) have engaged with a wide range of stakeholder groups including businesses and regional bodies such as SELEP, OSE, ASELA and the Thames Estuary Growth Board.
- 5.2 There have also been engagement sessions with Councillors and local MPs to discuss the plans as they are evolving.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The delivery of the Freeports policy has the ability to support a number of the Council's prosperity priorities:
- Attractive opportunities for businesses and investors to enhance the local economy
 - Vocational and academic education, skills and job opportunities for all
 - Commercial, entrepreneurial and connected public services
- 6.2 It also relates to the development of the Local Plan and the revised Economic Development Strategy, Backing Thurrock. Freeports include a wide range of policy levers which, if Thames Freeport is successful, will be factored into the development on those policies and priorities.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Assistant Director, Finance

The development of a Freeport in the borough enables access to additional funding sources including grants and the retention of business rates relating to new business that locate within the Freeport Tax Sites. This funding can then be utilised to support the wider development of the Freeport.

The Council continues to consider the potential funding streams to therefore understand the level of investment available to support the process. Subsequent investment decisions for which the Council will be responsible will be subject to a business case process and will follow the Council reporting and decision making processes.

7.2 Legal

Implications verified by: **Ian Hunt**

Assistant Director Law and Governance, and Monitoring Officer

Freeport status, if successfully granted to Thames Freeport, will require the Council to enter into a formal governance structure with partners to oversee and manage the operations of the Freeport. As part of this structure and subject to a business case provide, the Council will also be accountable to government on the management of public funds.

The legal structures under consideration are not required to be in place ahead of bid submission or award and have yet to be agreed between the partners, the prospectus from government highlights that initial proposals may be subject to change to ensure all Freeports around the country are governed by the same (or broadly similar) arrangements. In the event of a successful bid, further reports will consider the legal and governance framework for the Freeport Governance Body.

Whilst formally supporting the bid does not create a legal obligation it does commit the Council to working in good faith to develop and implement the proposals. The Freeport concept whilst bringing forward the potential for significant benefits does carry risk for the Borough, and the Council. In considering this report Members must be mindful that there are significant areas of developing policy and detail within the proposals. Whilst there are areas where this is clear there are some significant areas of uncertainty as to how the Freeports arrangements will operate and the impact that this may have on the Borough and the Council itself in both economic and place terms.

The Council is being asked to be the accountable body for significant public funds from government, the use of which will be managed by partner organisations, the majority of which are private sector. Whilst risk can be mitigated through the use of appropriate contracts the ultimate risk will remain with the Council if deliverables are not met. There is scope for the Council to have to repay funds or ensure delivery of projects with the resultant implications. This type of arrangement exists in a number of settings, and can be managed effectively.

The Council has the necessary general statutory powers to engage in these arrangements at this point. However it must be recognised that in doing so it is not making determinations under specific statutory frameworks particularly around matters such as planning policy where future decision making will be necessary. It is clear that to deliver some of the prospectuses elements there will need to be regulatory change and we will need to monitor the ongoing process to ensure that the Council remains within its powers.

7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**
Team Manager - Community Development and Equalities

Bid submissions are required to outline the expected impact of the proposal on people with protected characteristics, using statistics where possible.

The bid prospectus states: “When formulating a policy proposal, the government is required to have due regard to the Public Sector Equality Duty (PSED) as laid out in the Equality Act 2010. The duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people with different protected characteristics when carrying out their activities. The government has considered equalities impacts in line with its responsibilities. However, the decision about where Freeports are allocated could have equalities implications. The government is committed to the location of Freeports advancing the equality of opportunity and fostering of good relations for people of protected characteristics (age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation). Bidders should make any relevant representations on impacts on people with different protected characteristics to assist the government’s ongoing assessment.”

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder, and Impact on Looked After Children)

Freeports policy is also a significant part of the government’s goal of net-zero carbon emissions, and could be used to develop new technologies and advanced manufacturing to bring forward decarbonisation.

8. Background papers used in preparing the report (including their location on the Council’s website or identification whether any are exempt or protected by copyright):

None.

9. Appendices to the report

None.

Report Author:

Luke Tyson
Delivery and Strategy Manager
Place