

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Member for Policy and Resources
<b>Date:</b>	8 July 2021
<b>Title:</b>	Solent Freeport Consortium Limited Board
<b>Report From:</b>	Director of Economy, Transport and Environment

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### Purpose of this Report

1. The purpose of this report is to: confirm the Executive Member for Policy and Resources, who is also the Leader of the Council, as the nominee for the position of Board Member of the Solent Freeport Company Ltd; and to agree the basis of financial support from Hampshire County Council for the Solent Freeport Company Ltd, to enable the Freeport proposition to progress.

### Recommendations

2. That the Executive Member for Policy and Resources is nominated as the proposed Board Member of the Solent Freeport Company Ltd.
3. That the County Council supports an 'in principle' agreement of providing a three-year revenue contribution to support the development of the Freeport, subject to the development of a robust and acceptable business plan and financial strategy for the Company and evidence of good progress in delivering a successful Freeport.
4. That the County Council agrees to make a contribution to the Solent Freeport Company Ltd of £50,000 for 2021/22 from the Investing in Hampshire Fund.

### Executive Summary

5. This paper seeks to:
  - explain Freeports and why they are important;
  - narrate the success already achieved by the County Council working in partnership with other local authorities and the wider public and private sector, that has already secured, following a national competitive process, a commitment from Government for a Solent Freeport in Hampshire;
  - explain the next steps, including the remaining process of negotiation with Government and partners to deliver it;
  - explain the role of the Solent Freeport Company in realising the vision, organisation and direction for the delivery of the Solent Freeport for Hampshire; and

- secure 'in -principle' financial support from the County Council for the Freeport Company over the next three years and to make a revenue contribution for this financial year.

### **Contextual information**

6. In February 2020, the HM Treasury and the Department for International Trade consulted on a proposal to establish Freeports across the UK, partly as a response to realising economic aspirations arising from Brexit. In November, the Government Prospectus was launched that provided details of the UK Freeports model and set out a competitive bidding process to apply for Freeport status in England. At the Spring Budget, on 3 March 2021, the Chancellor announced Eight major Freeports across the country, including the Solent Freeport, Hampshire.
7. The purpose of the Government's policy on Freeports is based on three main objectives:
  - a. Objective 1 - Trade and investment
    - i. Increase in trade throughput through designated Freeport area;
    - ii. Increase in investment within the Freeport boundary area, surrounding area, and nationally
  - b. Objective 2- Regeneration and levelling up
    - i. increased number of jobs and average wages in deprived areas in and around the Freeport
    - ii. Increased economic specialisation in activities high in GVA relative to the current makeup of the local economy
    - iii. Support for emerging industrial clusters, property, transport and skills
  - c. Objective 3 – Creating hotbeds of innovation
    - i. Increased local involvement and funding in Research and Development, and innovation
    - ii. Increased productivity in each target region, through enhanced capacity to absorb innovation
    - iii. Support for Innovation funding, collaboration hubs, regulatory innovation for novel solutions, and the net-zero agenda
8. The key benefits arising are based on the following:

### **Custom Sites**

- I. Enable the tariff-free movement of goods for both export and import through simplified customs procedures:
  - a. Duty deferral while the goods remain on site
  - b. Duty inversion if the finished goods exiting the Freeport attract a lower tariff than their component parts
  - c. 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)
  - d. Suspend import VAT on goods entering the Freeport

- e. Simplified import procedures.

## Tax Sites

- II. Offer occupiers rates relief and other incentives, supporting capital investment, skills and employment such as:
  - a. Stamp Duty Land Tax relief (2021-2026)
  - b. Enhanced structures and Building Allowance (2021 –2026) allows firm to reduce taxable profits by 10% of cost of investment every year for ten years
  - c. Enhanced capital allowances (2021 –2026) allows firms to reduce taxable profits by the full cost of qualifying investment in the same tax period the cost was incurred
  - d. Employer National Insurance Contributions (NIC) rate relief enables employers to pay 0% employer NICS on any new employees (up to three years per employee, earnings up to £25,000 per annum)
  - e. Business rate relief (2021 –2026) offers up to 100% relief from business rates on new businesses (new activities in existing businesses)
  
9. The Solent Freeport proposal is based on the following:
  - levelling-up local communities;
  - turbocharging post-Brexit trade; and
  - investing in a net zero future
    - a. tax reliefs
    - b. simplified customs procedures
    - c. streamlined planning processes
    - d. Retain business rates to reinvest locally
    - e. 52,000 + jobs
    - f. £3.6bn GVA
    - g. £2bn private sector investment
  
10. The Solent Freeport Company Ltd has now been formed to act as the main governance and delivery arrangement to take the proposal into its implementation stages.
  
11. The next steps require a number of key things to happen: the development of an outline and detailed business case that Government agrees meets the Treasury's Green Book tests; the development of a clear operating model for the Freeport that is open for business and maximises the economic opportunities at pace; a clear strategy for realising the full benefits from the custom and tax sites, including a strategic approach that targets the right investment, sectors, and markets; a clear strategy for sequencing and unlocking the sites; clear communications; and the appointment of a permanent Chair, Chief Executive, and executive structure capable of delivering the asks and offers.
  
12. The proposed Board will be central to the overall delivery of the project and will steer its course in years to come. The proposed Board is made up of:

### A Proposed Core Membership (voting)

- i. Hampshire County Council
- ii. Southampton City Council
- iii. Portsmouth City Council
- iv. Eastleigh Borough Council
- v. Havant Borough Council
- vi. New Forest District Council
- vii. ABP
- viii. Solent Gateway
- ix. DP World

### A Proposed Associate Membership (non-voting)

- i. New Forest National Park
  - ii. University of Portsmouth/Southampton
  - iii. Southampton Airport
  - iv. Exxon Mobil Fawley Refinery
  - v. Fawley Waterside Ltd
  - vi. Portico Shipping Ltd
13. To date the Application Process and now Delivery Process for securing the Freeport status in Hampshire was led by the partners identified above and coordinated by the Solent Local Enterprise Partnership. In order now to secure the transition from a reliance on the Solent Local Enterprise Partnership for support, Members have now been asked to seek financial support from their organisations to fund the future through the independent private company, Solent Freeport Company Ltd.
14. The company will now start to take on the delivery functions to negotiate a business case and secure an operational Freeport, as well as appointing a permanent Chair and Chief Executive and executive structure. In the short term the ask is for a revenue contribution of £50,000 for 2021/22. It is proposed that this is provided through the Investing in Hampshire Fund given the strong economic development benefits for the region. It is also proposed to ensure business planning and continuity that an 'in principle' commitment is given on annual basis for the following two years, to 2023/4, subject to a robust and acceptable Solent Freeport Company Ltd business plan and financial strategy and the development of a successful Freeport, some of which may negate the need.

### **Conclusion**

15. The Freeport status for Hampshire's international gateway is therefore a major opportunity and of critical importance that the County Council is engaged and represented to maximise those opportunities. It is on this basis, that officers recommend that the Executive Member for Policy and Resources, who is also the Leader of the Council, would be the most appropriate nomination for the Freeport Company Board.

## **Finance**

16. There are significant financial benefits and incentives arising from Freeport status that will strengthen the local economy, and thereby reduce demand on public services, including those services provided by the County Council. The direct financial implications entail a £50,000 contribution from the Investing in Hampshire Fund for 2021/22 and a conditional commitment for a similar annual contribution subject to conditions, as set out.

## **Consultation and Equalities**

17. Levelling Up 'left behind' communities is a central objective of the Freeport policy both nationally and at the subnational and local levels in the Solent Freeport proposal. However, the proposals of this report are procedural and will have no direct impact on groups with protected characteristics.

## **Climate Change Impact Assessments, Adaption and Mitigation**

18. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
19. As this report is procedural in nature, it is not considered necessary to complete the tools, as there will be no direct climate change impacts arising from this decision.
20. However, the Freeport policy has the net zero agenda as a central objective and the Solent Freeport Bid has positioned the climate change and the green and blue agenda at its heart, with aspirations to be the greenest Freeport in the country. It also includes the development of a Green Growth Institute, as part of a systemic approach to the application and development of green innovation. The progress monitoring and review approach will include decarbonisation as a central feature.
21. The scale of economic impact of the proposals will bring challenges that will be offset by the acceleration of both the green and digital agendas, as well as innovation, and the highest quality of environmental standards, and recognition of the importance of the geographical and environmental context of the National Parks and the wider Hampshire area.

## **Conclusions**

22. The Solent Freeport is a flagship Government Policy that acts as a major magnet for investment and opportunity to re-position and reinvent the future of Hampshire. As a result, it is of paramount importance that the County Council is front and centre of the design, development and delivery of the proposal and

therefore that Councillor Keith Mans, as the Executive Member for Policy and Resources, and the Leader of the Council, is nominated for the Freeport Company Board.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	yes
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

Document

Location

None

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

Levelling Up 'left behind' communities is a central objective of the Freeport policy both nationally and at the subnational and local levels in the Solent Freeport proposal. However, the proposals of this report are procedural and will have no direct impact on groups with protected characteristics.