



ECONOMY REGENERATION & HOUSING COMMITTEE

Wednesday, 8 March 2023

REPORT TITLE:	FREEPORTS AND MARITIME INNOVATION AND GROWTH PROJECTS
REPORT OF:	DIRECTOR OF REGENERATION AND PLACE

REPORT SUMMARY

This report provides Members with an update regarding the status of Liverpool City Region Freeport ('LCR Freeport') and seeks authorisation for the Director of Law and Governance to negotiate, finalise and sign the Memorandum of Understanding ('MoU') between Wirral Council, The Secretary of State for Levelling Up, Housing and Communities, Liverpool City Region Combined Authority (LCRCA), Liverpool City Region Freeport Governing Body, Halton Borough Council, and St Helens Borough Council. The MoU sets out the terms, principles and practices that will apply to the working relationship between the parties in respect of the delivery and administration of the Liverpool City Region Freeport.

This report also seeks approval to establish a Wirral Freeport Investment Fund. Government arrangements for Freeports allows for any growth in business rates above an agreed baseline within the designated Freeport Tax Site area to be retained by the Council as Billing Authority over a guaranteed 25-year period and re-invested to stimulate further development. The Council will be able to use this growth to fund borrowing to increase investment within the Tax Site and bring forward regeneration more quickly and promote further growth. A Business Case has been produced which sets out the strategic, economic, financial and commercial case for establishing the Fund, as well as the proposed governance and management arrangements required to enable operation and oversight of the Fund. Proposals for funding will be subject to a full and robust appraisal process and considered and decided on a case-by-case basis as they come forward.

The LCR Freeport represents a significant regeneration opportunity for Wirral and the wider city region. The Wirral Freeport Tax Site supports the economic and regeneration ambitions of the Wirral Plan 2021-26, Birkenhead 2040 Framework, and Wirral Economic Strategy 2021-26. The proposals contained in this report directly supports the following key theme within the Wirral Plan:

- A thriving and inclusive economy, creating jobs and opportunities for all.

This matter is a Key Decision and affects the wards of Seacombe and Bidston & St James.

Appendices 1 to 3 of this report are exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

RECOMMENDATIONS

The Economy, Regeneration and Housing Committee is requested to:

- 1 Delegate authority to the Director of Law and Governance (in consultation with the Director of Regeneration and Place, and the Director of Finance):
 - (a) to negotiate, finalise and sign the Memorandum of Understanding (substantially in accordance with the draft set out in the exempt Appendix 2 to this report) relating to the terms, principles and practices that will apply to the working relationship between the parties regarding the delivery and administration of the Liverpool City Region Freeport.
 - (b) To negotiate and complete any associated legal documentation which aligns with the principles set out in the proposed Memorandum of Understanding.
- 2 Endorse the Business Case for establishing the Wirral Freeport Investment Fund.
- 3 Recommend to Policy and Resources Committee:
 - (a) that the Wirral Freeport Investment Fund is established from 1 April 2023 (or as soon as regulations designate the Wirral Waters Tax Site for business rates retention purposes) and is managed and operated according to the arrangements detailed within this report and accompanying Business Case and the principles set out in the draft Retained Business Rates Strategy which forms a component of the Memorandum of Understanding.
 - (b) that growth in business rates above the baseline within the Wirral Freeport Tax Site is held to a ring-fenced reserve which would fund:
 - investment in approved projects and the future repayment of capital borrowing for investments made by the Wirral Freeport Investment Fund;
 - the annual costs required to resource the administration and management of the Wirral Freeport Investment Fund from financial year 2023/24;
 - the Council's pro-rata annual contribution to the Liverpool City Region (LCR) Freeport Management Team costs from financial year 2024/25;

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATION/S

- 1.1 The LCR Freeport represents a significant regeneration opportunity for Wirral and the wider city region. The implementation of a programme of investment for the designated Wirral Freeport Tax Site through Seed Capital Funds and other policy levers available to the Council such as the proposed Wirral Freeport Investment Fund supports the economic and regeneration ambitions of the Wirral Plan 2021-26, the Birkenhead 2040 Framework and the Wirral Economic Strategy 2021-26.
- 1.2 The Memorandum of Understanding ('MoU') will formalise the key commitments made by all signatories, including Wirral Council, to agree to work together and co-operate in good faith to deliver and realise the strategic objectives of the Freeport and honour their obligations as articulated in the approved LCR Freeport Full Business Case and the MoU.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Members could decide not to agree to the MoU. This is not considered to be appropriate as it could significantly jeopardise the intended delivery of the LCR Freeport in accordance with the Full Business Case, which has recently been approved by Government. It could also put at risk the receipt of £25m Seed Capital grant allocated to the LCR Freeport by Government, of which £8m is notionally allocated to the Wirral Waters Tax Site area for potential investment.
- 2.2 Members could decide not to endorse the Business Case to establish a Wirral Freeport Investment Fund, however this would present a significant opportunity cost to the Council in not utilising the tax increment finance instrument that is available for a guaranteed 25 years to accelerate investment, growth and job creation and other benefits. This position would also be contrary to the LCR Freeport Full Business Case, as well as the ambitions of the Wirral Economic Strategy and Birkenhead 2040 Framework. The Council currently retains 100% of its business rates growth under the pilot LCR Business Rates Retention Scheme. The pilot is however a temporary arrangement renewed on an annual basis and unlike the proposed Freeport proposal provides no guarantee for future retention nor incentives for businesses.

3.0 BACKGROUND INFORMATION

Freeports

- 3.1 Freeports are specific geographic areas with streamlined planning processes, a package of tax reliefs, simplified customs procedures and duty suspensions on goods. The Government's Freeport policy has 3 core objectives to:
- Establish national hubs for global trade and investment across the UK.
 - Promote regeneration and job creation; and
 - Create a 'hotbed' of innovation.
- 3.2 In the Budget on 3rd March 2021, the Chancellor of the Exchequer announced a range of Freeport tax incentives and reliefs for eligible businesses proposed for Freeports. Freeport areas will not have uniform rules for the entire area, but will

contain tax sites, customs sites and, where applicable, joint tax and customs sites. The relevant tax and customs incentives will therefore be applicable to the relevant 'site' within a Freeport area.

Freeport Tax Site Incentives

3.3 Businesses will be able to claim reliefs from key business taxes within the bounds of a Freeport Tax Site which include:

- Stamp Duty Land Tax (SDLT) Relief applied up to March 2026 on land purchases within tax sites, subject to qualifying commercial activity;
- Enhanced Capital Allowances which are reliefs for qualifying new plant and machinery assets investments up to September 2026;
- Enhanced Structures and Buildings Allowance, which are reliefs for construction or renovation of non-residential structures at tax sites up to September 2026;
- Employment tax incentives and National Insurance Contribution rate relief with a 0% rate per employee who spends at least 60% of their time at the tax site, applied for up to 3 years on earnings up to £25,000. The relief is intended to be available for up to 9 years from April 2022. Part way through this period, the government intends to review this relief and decide whether it should be continued up to its end date in 2031. The relief will end no earlier than April 2026;
- Business Rate Relief comprising up to 100% relief for newly formed businesses and businesses relocating to a tax site available up to September 2026 and applied for 5 years. The cost of this relief will be fully reimbursed to the local authority by central government;
- Local Retention of Business Rates Uplift, enabling councils to retain business rates growth within the tax site above an agreed baseline. This will be guaranteed for 25 years, giving councils the certainty needed to borrow to invest in regeneration and infrastructure that will support further growth.

Freeport Customs Site Incentives

3.4 Businesses operating within Freeport customs sites will receive tariff benefits that can be applied for as follows:

- Duty deferral while goods remain on site;
- Duty inversion meaning that if finished goods exit the site at a lower tariff rate than their component parts duty will be paid at the lower rate;
- Simplified declaration requirements; and
- Customs duty exemption meaning that goods imported into the site, processed into finished goods then re-exported will not trigger VAT or duty.

Liverpool City Region Freeport Business Case

3.5 Following a call for Expressions of Interest, the Chancellor of The Exchequer announced in the March 2021 Budget that the Liverpool City Region had been selected to progress to the next stage of bidding along with 7 other areas in England.

- 3.6 The awarding of Freeport status by Government has been subject to the submission and approval of a robust business case, which started with the Outline Business Case which was submitted to the Department for Levelling Up, Housing and Communities ('DLUHC') by the LCRCA on 10th September 2021. Following appraisal, designation of LCR Freeport status took effect from 22nd March 2022, with a final Full Business Case then submitted to DLUHC on 14th April 2022 which was endorsed by the LCRCA.
- 3.7 On 23rd December 2022, Government gave final approval to the Full Business Case, as announced on 10th January 2023. The LCR Freeport is now operational as the three components of an operational Freeport are now met, these are:
- an approved full business case;
 - published tax site maps; and
 - a published designation order for a Primary Customs Site.
- 3.8 The LCR Freeport business case is underpinned by a common set of values with the aim of making a key contribution to the LCR's inclusive economy ambitions by virtue of:
- Collaboration on efforts to drive social mobility, equality, and inclusion;
 - Continuous assessment of core skills requirements and a proactive collaborative approach with key skills providers;
 - Consideration of activities in line with Fair Employment Charter / Real Living Wage;
 - Effective promotion of job opportunities to all communities via local recruitment channels; and
 - Promotion of low carbon initiatives and helping deliver the Net Zero ambitions of the LCR.
- 3.9 The purpose behind the LCR Freeport is to support the future success of key sectors and prime businesses including:
- Logistics, including smart or advanced logistics;
 - Manufacturing, including suppliers to Civil Nuclear;
 - Automotive;
 - Health & Life Sciences, including manufacturing, Research and Development ;
 - Maritime;
 - Low carbon transport;
 - Food and Fast-Moving Consumer Goods;
 - Low carbon energy, including hydrogen, tidal and offshore;
 - Research and innovation;
 - Skills and further education providers; and
 - Business involved in freeport related global trade.
- 3.10 The Freeport offers significant inward investment and regeneration opportunities for the LCR. Government has provided an indicative Seed Capital Funding investment award of £25m to the LCR Freeport to support major projects, with an additional £300k of revenue per annum for operational management capacity for up to four years. £8m of the Seed Capital Funding will be allocated to projects in the Wirral Waters Tax Site area with the intention that this is focused on supporting regeneration of the area and in particular infrastructure works focused on projects to

address significant constraints to development, the allocation of which is subject to full appraisal and approval of project business cases via an assurance process to be overseen by the LCRCA as Accountable Body and must be invested in a suitable project by March 2025. Other benefits will include a Skills and Innovation Package to enable local people to better access employment opportunities and support the development of local SME businesses to innovate and address the LCR Freeport Innovation Grand Challenges.

3.11 The three LCR Freeport tax sites are:

- Parkside which is a strategic employment site in St Helens;
- 3MG Widnes which is a Mersey Multimodal Gateway in Halton; and
- Wirral Waters which comprises a significant dockside area in Wirral.

The LCR Freeport Tax Site boundaries can be viewed here:

<https://www.gov.uk/government/publications/maps-of-liverpool-city-region-freeport-tax-sites>

3.12 Several customs sites across advanced and bio-manufacturing, and logistics locations are undergoing an approval process with Government/HMRC. The first Customs Site Operator to have gained authorisation via this process is located in St Helens and became operational on 7th December 2022. Prospective Customs Site Operators can access specialist support via the LCR Freeport Team.

LCR Freeport Governance

3.13 Liverpool City Region Combined Authority is the Accountable Body for Liverpool City Region Freeport and is accountable to DLUHC for the use of public money including the Seed Capital and Capacity Funding grants, and for ensuring the good functioning of the Freeport through a governing body which is the newly established LCR Freeport Management Board. The role of the LCR Freeport Management Board is to be accountable for ensuring the achievement of the Freeport's strategic objectives and effective delivery in line with the expectations of the Full Business Case agreed by government. Through its Chair, the Board will be responsible to the Combined Authority. Operational matters will be overseen by a newly established LCR Freeport Management Team. This team will be funded directly by Government for the first 3 to 4 years with a revenue grant of £300K per annum. Beyond this funding it is proposed that a proportion of business rate uplift achieved by the Tax Site Authorities related to Freeport development is collected with a view to funding the Freeport Management Team.

3.14 All businesses within the Freeport boundary will be entitled to the HMRC Benefits as they apply. An LCR Freeport Gateway Policy has been developed to mitigate displacement issues and ensure the flexible elements of HM Treasury benefits effectively target Freeport policy ambitions. This policy relates to the application of business rates relief and tax increment finance awards. The Gateway Policy sets out the LCR Freeport Objectives as:

- To establish a hub for global trade and investment in Liverpool City Region;
- To deliver local regeneration, levelling up and inclusive quality jobs to communities of need;

- To create a hotbed of innovation; and
- Deliver the LCR Freeport Net Zero Ambition.

- 3.15 The Freeport Board will manage the operation of the Gateway Policy and award qualifying status recommendations for business applications to Tax Site Authorities. In summary the Gateway Policy will require a business to fulfil the sectoral and core values of the LCR Freeport as laid out in Section 3.8 and 3.9 of this report. In addition, to mitigate displacement effects, if the proposal represents a relocation, the prospective developer/occupier will need to clearly demonstrate how the new operation represents incremental investment and employment with proof that no appropriate expansion space is available at the previous site.
- 3.16 The relevant local council and landowner/developers will be notified by the Freeport Management Board of the decision relating to the occupier proposed for the Tax Site. If approved as a qualifying business by the Freeport Management Board, the relevant local council then has the authority to determine if the occupier should receive 100% Business Rates Relief for 5 years in addition to the other tax and national insurance reliefs and capital allowances that can be applied for direct from HMRC.
- 3.17 In the event the occupier is not approved as a qualifying business, the landowner developer or occupier will have the right to appeal to the Freeport Appeals Panel administered by the LCR Combined Authority.

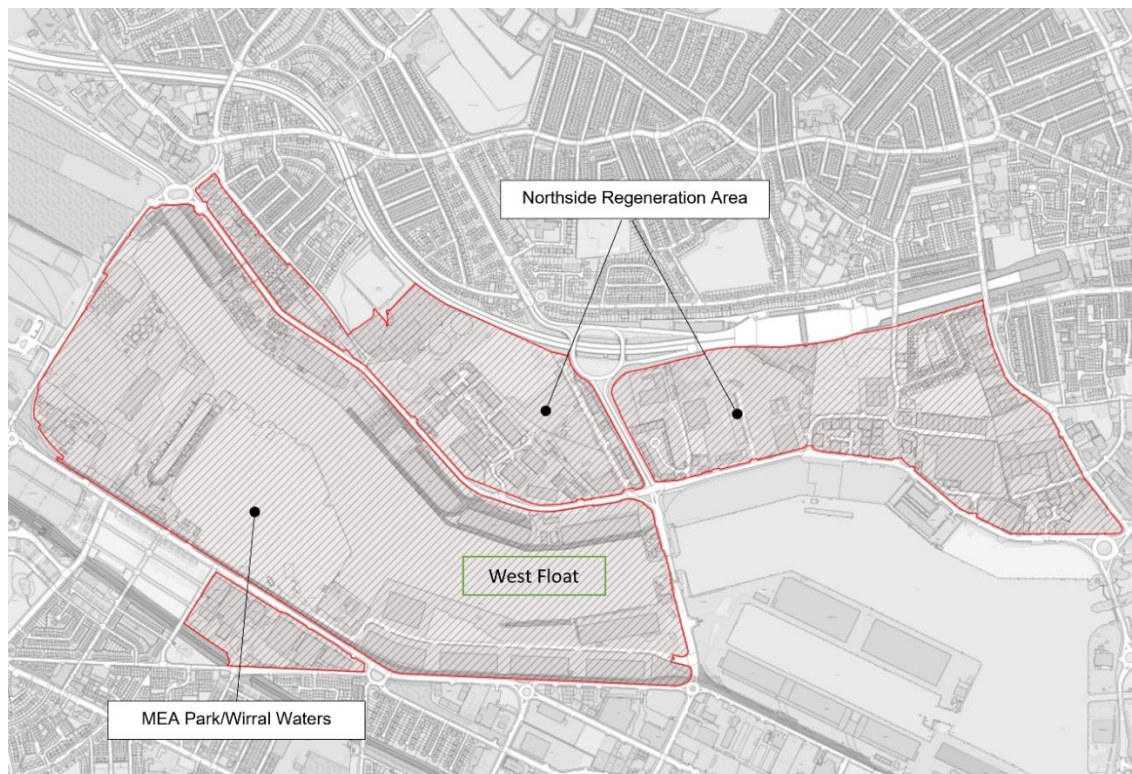
Opportunities for Investment: Wirral Freeport Investment Fund

- 3.18 The designation of a Freeport Tax Site in Wirral presents an opportunity to support inward investment in Wirral in line with the key sectoral and spatial priorities of the Birkenhead 2040 Framework. In addition, Government policy and legislation for Freeport Zones in England provides for any uplift in business rates within the Tax Site area to be invested through borrowings based on expected growth in business rates in the Site, which the Council will fully retain over a guaranteed 25-year life of the Freeport with the aim of stimulating further development and growth. This uplift is calculated against a government approved baseline position set as at March 2022.
- 3.19 An Investment Fund is one way of funding new growth in the Freeport, alongside other Government backed incentives to developers and investors. The Government introduced tax increment financing (TIF) schemes, founded on the Business Rates Retention Scheme introduced in 2013-14. Under these schemes, local authorities may borrow for infrastructure projects, against the future growth in business rate receipts which will result from the projects. This provides the Council with the ability to invest to support the development of commercial premises and infrastructure within the Freeport Tax Site to both grow the scale of the investment fund (more business rates equals more funds to invest) and deliver investment in support of regeneration, innovation, jobs and opportunities for local people.
- 3.20 In summer 2022, Wirral Council commissioned Amion Consulting to support officers in the preparation of a detailed business case for establishing a Wirral Freeport Investment Fund which is attached to this report as Appendix 1. Appendix 1 of this report is exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. A working group of officers from Economic

Growth, Regeneration Delivery, Finance and Treasury Management has inputted into its development which sets out the strategic, economic, financial and commercial case for establishing the Fund, as well as the proposed governance and management arrangements required to enable effective operation and oversight of the Fund.

- 3.21 The Wirral Freeport Tax Site covers approximately 170 hectares encompassing the Northside Regeneration Area (area north of Dock Road) and the western areas of the Birkenhead Dock Estate centred around West Float, including Peel Land and Property's proposed Maritime, Energy and Automotive Park (MEA Park) as shown in by the hatched areas in Figure 1. (The illustration below shows a red line plan of the Northside Regeneration Area and West Float at Wirral Waters. It may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact Stephen Chapman – stephenchapman@wirral.gov.uk if you would like this document in an accessible format)

Figure 1:



- 3.22 The Freeport Tax Site in Wirral includes undeveloped land which overlaps with, and already forms part of, the existing Wirral Waters Enterprise Zone area, which has been supported by an established Council-led TIF instrument named the Wirral Waters Investment Fund (WWIF), which is operable up to 1st April 2037. The design of the proposed new fund draws on the Council's 10-year experience of managing the WWIF and could support a range of activities including:

- Upgrading infrastructure within the Freeport Tax Site;
- Addressing poor site conditions arising from former dock and industrial uses;

- Viability gap support for new commercial premises that attracts inward investment; and
- Measures that promote sustainability and enhanced community wealth.

- 3.23 It is intended that the WWIF will be superseded by the Freeport Investment Fund which once established will provide a single financial instrument for new investments. Residual funding commitments made through WWIF to date will be incorporated into the financial model for the new Freeport Investment Fund. In practice, this means new investment in projects through WWIF will be discontinued, whilst repayment of borrowing commitments made through WWIF will continue as profiled over the remaining life of the Enterprise Zone to 2037. This approach will enable effective financial management of the respective retained rates accounts through a single framework which can inform future investment decisions based on business rates monitoring data and regularly updated development pipeline forecasts.
- 3.24 The value of the investment fund available depends on the scale of new development occurring on the Wirral Tax Site. Through detailed modelling undertaken, it is estimated in a central case scenario that development could support a Wirral Freeport Investment Fund of an indicative £15m to invest over the next 5 years, supported by predicted future business rate growth. This could lead to the creation of nearly 800 new jobs and once developed, this level of activity would contribute nearly £50m of economic value to Wirral annually. It would also grow the business rates income to Wirral Council by about £1.2m per annum.
- 3.25 It is important to note that proposals to the Freeport Investment Fund will be considered for funding on a case-by-case basis as they come forward and will be subject to a full and robust appraisal process. Projects satisfying the appraisal process will, dependent on their value, be recommended to this Committee for approval of funding or otherwise approved in accordance with the existing scheme of delegation.
- 3.26 The Fund will operate on an Expression of Interest, Business Case and Funding Agreement basis. This will enable the Council to determine the broad alignment of proposals with Freeport and wider policy objectives, confirm the scale of the allocation and potential funding strategy and establish parameters for any detailed application. At Business Case Stage the proposer will be required to demonstrate compliance with HM Treasury Green Book principles, including the proportionality principle - that larger projects are required to provide a greater level of detail and evidence to support their project proposal.
- 3.27 Applications/business cases received to the Freeport Investment Fund will be subject to a proportionate application fee payable to the Council. This will contribute to the costs of securing independent expertise in relation to technical elements of the bid appraisal process. This will relate to areas that may lie outside of the specialism of Council officers or where further due diligence needs to be performed to manage the Council's risk exposure.
- 3.28 Exempt Appendix 1 of this report sets out the detailed business case for establishing the Wirral Freeport Investment Fund. In summary, there is a clear rationale for the

Council to create a fund to promote investment and economic growth within the Freeport to:

- Support the strategic objectives of Wirral Council, with Wirral Waters and Northside representing key economic areas and catalysts for the wider regeneration of Birkenhead and the Leftbank;
- Ensure that opportunities to embed the key principles of sustainability and community wealth building within new development are maximised in the delivery of new commercial activity;
- Address specific barriers acting as a constraint to the development of sites at Wirral Waters and Northside, associated with the dockside location and legacy of former industrial uses, ensuring that this zone is able to fulfil economic requirements in accordance with emerging Local Plan policies;
- Complement financial levers established through the Freeport designation to secure inward investment and growth opportunities, particularly within target sectors linked to maritime, energy, advanced manufacturing and logistics; and
- Promote investment in support of wider regeneration, creating opportunities for employment and training adjacent to some of the most deprived communities within England.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Up to 100% Business Rate Relief may be applied by Tax Site Authorities for newly formed businesses and businesses relocating to a tax site, available up to September 2026 and applied for 5 years. The cost of applying this relief will be fully reimbursed by central government. Relief will be determined in each case having reference to the LCR Freeport governance arrangements and government guidance provided to local authorities covering Freeports Business Rate Relief.
- 4.2 The Freeport tax sites are to be classed by government as a designated area for the purpose of the local retention of non-domestic rates with effect from 1 April 2023 for a fixed term of 25 years from the date the tax site was designated for the purposes of tax relief. Wirral Council is one of the three Billing Authorities in the LCR Freeport with a designated Tax Site. As such, Wirral Council will retain 100% of the collectible business rates above the March 2022 baseline agreed with DLUHC and be accountable to DLUHC for the management of the retention of business rates in line with the Local Government Accountability System. The Council currently retains 100% of its business rates growth under the pilot LCR Business Rates Retention Scheme. The pilot is however a temporary arrangement renewed on an annual basis and unlike the proposed Freeport proposal provides no guarantee for future retention.
- 4.3 The Billing Authorities and the Freeport Management Board will ensure that decisions relating to the use of collected business rates will be made in accordance with the forthcoming Liverpool City Region Freeport Retained Rates Framework (or equivalent), including the Liverpool City Region Freeport Eligibility Framework. A draft Summary Retained Business Rates Strategy, attached as Appendix 3, will be provided to DLUHC as part of next step actions within the MoU and this will outline the intended approach. Appendix 3 of this report is exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. A more

detailed Retained Rates Investment Strategy Framework is to be prepared in the summer of 2023 to provide DLUHC with an updated retained rates model based on the approved position of the LCR Freeport and the expected development programme across the three tax sites.

- 4.4 The costs of resourcing the LCR Freeport Management Team (£300,000p.a. in 2022/23 prices) is being met by government capacity grant funding until end of financial year 2023/24. The LCR Freeport Full Business Case and LCR Freeport Retained Rates Strategy set out how the LCR Freeport Management Team costs are to be funded by retained rates uplift generated by the three billing authorities from financial year 2024/25 and is calculated on a pro-rata contribution basis which will depend on the scale of retained rates collected across the three LCR Freeport Tax Sites. The LCR Freeport is seeking further revenue support of £500,000 from DLUHC to meet LCR Freeport Management Team revenue costs for financial year 2024/25 given that not all three billing authorities are expected to be generating an uplift by this point. If this additional revenue funding is secured, then billing authorities will start their pro-rata contribution towards LCR Freeport Management Team costs from 2025/26. If funding from DLUHC is not secured to cover 2024/25 then each Freeport billing authority will be asked to make a contribution that year based on the level of retained rates collected in 2023/24 with the LCR CA meeting any unfunded elements. Based on development and growth projections across all three tax sites, a prudent assumption of Wirral Council's contribution is currently estimated to be in the region of up to £150,000 in 2024/25 (prior to significant development completing at other Tax Sites), and thereafter for the remainder of the designated term contributions of between £30,000 - £50,000p.a. These are best current estimates and exact contribution amounts will be determined by relative business rates growth across the designated LCR Tax Sites.
- 4.5 The retained rates can also support Wirral Council's internal management and administration costs, noted in 6.1 of this report, in relation to delivering the proposed Wirral Freeport Investment Fund and from financial year 2023/24 and are estimated to be c£82,000p.a. subject to annual uprating which includes £20,000 contingency for additional pre-development, professional or specialist appraisal costs not covered by externally levied application fees.
- 4.6 It is proposed that a reserve account is established to ringfence the annual growth in retained business rates income generated within the designated Wirral Freeport Tax Site. This reserve would fund investments and service the future repayment of capital borrowing (and borrowing costs) drawn down for investments made through the Wirral Freeport Investment Fund. Such repayments will be profiled in accordance with the financial model for the Fund and overseen by the Treasury Management and Capital team and monitored and reported as part of the Capital Programme and Treasury Management monitoring arrangements. The reserve account will also fund the annual resource costs referred to in 4.4 and 4.5 of this report.

5.0 LEGAL IMPLICATIONS

- 5.1 The Designation of Freeport Tax Sites (Liverpool City Region Freeport) Regulations 2022 came into force on 22 March 2022. These Regulations designate the Liverpool City Region Freeport Tax Sites as locations within which certain tax reliefs are

available. A Freeport for these purposes is an area where special tax and customs rules will apply, as described in section 3 of this report.

- 5.2 Under paragraph 39(1) (designation of areas) of schedule 7B to the Local Government Finance Act 1988 – local retention of non-domestic rates, the Freeport tax sites are to be classed as a designated area with effect from 1 April 2023 for a fixed term of 25 years from the date the tax site was designated for the purposes of tax relief.
- 5.3 Following announcement by government on 10th January 2023 of its approval of the LCR Freeport Full Business Case, a Memorandum of Understanding (MoU) has been prepared by the Department for Levelling Up, Housing and Communities (DLUHC). The MoU (exempt Appendix 2 of this report) sets out the terms, principles and practices that will apply to the working relationship between DLUHC, LCRCA (as Accountable Body) the LCR Freeport Board (Governing Body), St. Helens Borough Council, Halton Borough Council and Wirral Council.
- 5.4 In respect of the proposed Wirral Freeport Investment Fund, each application/business case that is considered for funding will be subject to a comprehensive appraisal process during which appropriate legal advice will be sought to ensure the Council is compliant with the Subsidy Control Act 2022 and satisfies any other legal requirements regarding its considerations and decision-making in respect of the Fund.
- 5.5 Freeport business rates relief is subject to the UK's subsidy control legislation. Legal advice will be sought as appropriate to ensure the Council is compliant with subsidy control obligations in considering applications for relief which will be administered under the Council's Discretionary Rate Relief Policy arrangements.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 To provide effective management and administration of the Wirral Freeport Investment Fund, internal officer resource cost of c£62,000p.a. subject to annual uprating will be required from 2023/24. If the Fund is approved, apportioned staff costs as set out in exempt Appendix 1, will be reimbursed from the ring-fenced retained rates account to the appropriate service area's staffing budgets annually.

7.0 RELEVANT RISKS

- 7.1 The creation of Freeport Tax sites gives rise to the potential for displacement impacts on other local, sub-regional or UK wide economic activity, due to the presence of tax sites and the benefits to businesses they provide. The LCR Freeport has been designed to ensure benefits flow across the region and will not negatively impact existing opportunities. It will target activities that are complementary to, rather than duplicating what already exists. Strong Freeport governance and management arrangements ensure control and discretion when it comes to associated funds underpinned by the Freeport Gateway Policy managed by the LCR Freeport Board.
- 7.2 Risk implications arising from establishing the Wirral Freeport Investment Fund are set out in more detail in exempt Appendix 1 of this report. In summary, the key risks to the Council relate to financial, economic, commercial and project level risks. A risk

management strategy will be employed to evaluate, monitor and mitigate identified risks, overseen by the proposed internal governance and management arrangements.

8.0 ENGAGEMENT/CONSULTATION

8.1 The regenerative impact of the operation of a Freeport Zone within the Wirral Waters neighbourhood is consistent with the principles of the Council's strategies for economic growth and place-based regeneration. These strategies have been subject to extensive consultation process.

8.2 As the Accountable Body, the LCR Combined Authority has led the engagement in the development of the LCR Freeport Business Case. This has included:

- Stakeholder engagement with private, public and academic sectors through working groups;
- Local Authority engagement at officer level through LCR Growth Directors, Finance Directors, LCR Chief Executives; and
- at Member level through LCR Cabinet and Leaders & Mayors.

8.3 Discussions are ongoing with landowners to establish the investment pipeline potential and the LCR Freeport Team will issue an advisory notice to existing businesses occupying the area once formal Government designations are approved. An engagement strategy with landowners, developers as key stakeholders, particularly in the Northside area will be developed by the Council this year in line with the MoU actions.

8.4 Members of the Economy Regeneration and Housing Committee have been consulted on this proposal during a workshop session on 17th February 2023 and the views expressed arising from that process have been considered in drafting this report.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 The LCR Freeport and Wirral Freeport Zone is identified as a key opportunity as part of the Council Economic Strategy and development will be delivered and monitored with regard to the associated Equality Impact Assessment: - [The Wirral Economic Strategy 2021-2026 Equality Impact Assessment](#)

9.3 A draft LCR Freeport Equality and Diversity Statement is being prepared and will be refined and agreed by the Freeport Management Board. This is an important consideration in ensuring that representation across the governance structure reflects the diverse communities, groups, and needs of residents. Furthermore, it is envisaged that there will be an Equality and Diversity sub-group as part of the formal governance structure.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The LCRCA has considered seriously its role in ensuring the mitigation of any environmental impacts in the development of the LCR Freeport proposals, and opportunity to use the Freeport concept design to support the emerging LCR Net Zero Strategy.
- 10.2 The stated intention for the LCR Freeport is to ensure that:
- new assets within the Freeport are designed to be zero carbon where possible, with a minimal/zero-fossil approach as standard.
 - all investments are appraised against a value framework that includes environmental, social and economic values.
 - there is a commitment to monitoring progress and annual reporting on carbon, greenhouse gas emissions and corporate social responsibility (CSR).
- 10.3 The Freeport will allow LCR to reshape disused industrial sites to create exemplar new developments constructed using the latest sustainable technologies. Key to the innovation ambitions of LCR Freeport will be a focus on the key challenges for the Maritime Sector, not least Net Zero Maritime ambitions. In Wirral, investment to this effect is already underway through the Port City Innovation project in partnership with University of Liverpool and the Low Carbon Eco Innovatory.
- 10.4 The Cool 2 Strategy outlines the Council's approach to accelerating the investment required to meet key commitments – reaching 'net zero' performance standards and promoting a climate resilient economy. The creation of The Wirral Freeport Investment Fund has the potential to support both objectives. Development of new premises will increasingly need to incorporate measures to mitigate the impact of climate change. It can also contribute to raising the expected design quality and performance of new commercial premises, ensuring that development meets the highest possible standards while continuing to meet the needs of a growing economy.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 The growth of a truly inclusive economy is central to LCR's long-term economic ambitions. The LCR Freeport is committed to safeguarding rights for workers, real living wages and equality, diversity and inclusion.
- 11.2 Equally, community wealth is a cornerstone of the Wirral Economic Strategy 2021-26, identified as one of 3 Working Principles, with associated actions and performance outputs. As a key programme to be developed as part of the Economic Strategy, investment in projects at the Wirral Freeport Zone will be in line with the strategy ambitions and appropriate systems will be employed to ensure performance monitoring and evaluation.
- 11.3 The Wirral Freeport Investment Fund will support Wirral Council's Community Wealth Building Strategy outcome ambitions to deliver a more inclusive economy in the borough to address inequality and ensure that all residents in the borough feel the benefits of economic growth through for example agreement with projects which receive funding to ensure good and fair quality employment, training and

apprenticeships, and by aiming to maximise social value opportunities in relation to progressive procurement of goods and services and use of local supply chains.

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APPENDICES

Appendix 1 Wirral Freeport Investment Fund Business Case
Appendix 2 Memorandum of Understanding
Appendix 3 Draft LCR Freeport Retained Business Rates Strategy

Appendices 1 to 3 of this report are exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

BACKGROUND PAPERS

LCR Freeport Full Business Case
[LCR Combined Authority, 29th April 2022](#), Agenda Item 12, p.277 of reports pack.

LCR Freeport Outline Business Case
[LCR Combined Authority, 24th September 2021](#) Agenda Item 9, p.235 of reports pack.

[Birkenhead 2040 Framework](#)

[Wirral Economic Strategy 2021- 2026](#)

TERMS OF REFERENCE

This report is being considered by the Economy, Regeneration and Housing Committee in accordance with Section 4.2 (e) and 4.2 (f) of its Terms of Reference.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
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Officer Decision Notice - Freeports & Maritime Innovation and Growth Projects	13 April 2022
Policy and Resources Committee - Capital Programme 2023-28	15 February 2023
Policy and Resources Committee - Budget and Medium Term Financial Strategy 2023/24 Appendix 6 Discretionary Rates Policy 2023-2024, item 6c	15 February 2023
Policy and Resources Committee – Budget and Medium Term Financial Strategy 2022/23 Appendix 10 Discretionary Rate Relief Policy, item 129	15 February 2022