



POLICY AND RESOURCES COMMITTEE

Wednesday 22nd March 2023

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| REPORT TITLE: | FREEPORTS AND MARITIME INNOVATION AND GROWTH PROJECTS |
| REPORT OF: | DIRECTOR OF LAW AND GOVERNANCE |

REPORT SUMMARY

This report 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 endorsed by Economy Regeneration and Housing Committee 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.

Appendix 2 to this report contains a report to Economy Regeneration and Housing Committee of 8 March 2023, appendices 1 to 3 of which are exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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

RECOMMENDATIONS

Policy and Resources Committee is recommended to agree that:

1. 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.
2. 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; and
 - Wirral Council's pro-rata annual contribution to the Liverpool City Region 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.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Other options have been considered and are included within the minutes of the Economy, Regeneration and Housing Committee and the appended report.

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 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; and
- 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.

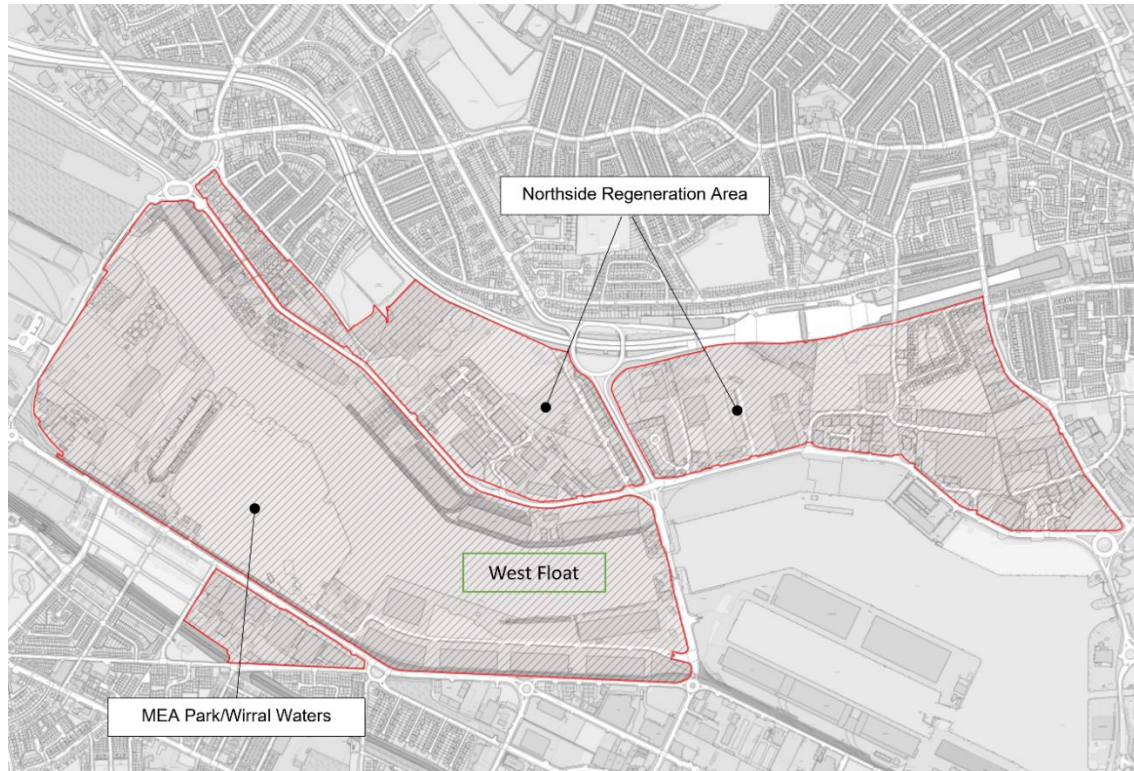
LCR Freeport Governance

- 3.13 Full details of the governance arrangements of the Liverpool City Region Freeport are set out in paragraphs 3.13 to 3.17 of the appended report to Economy, Regeneration and Housing Committee.

Opportunities for Investment: Wirral Freeport Investment Fund

- 3.14 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.
- 3.15 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 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.
- 3.16 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 the appended report to Economy Regeneration and Housing Committee as Appendix 1. Appendix 1 of the referred 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.
- 3.17 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:



3.18 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 tax instrument financing 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.

3.19 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.

- 3.20 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.
- 3.21 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.
- 3.22 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.
- 3.23 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.
- 3.24 Exempt Appendix 1 of the appended report to Economy, Regeneration and Housing Committee 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 In accordance with the Council's Constitution the Policy and Resources Committee is charged by full Council to provide a co-ordinating role across all other service committees and retain a "whole-council' view of performance, budget monitoring and risk management and retain a performance, budget monitoring and risk management, which includes responsibility for a decision.... that has a major impact on ... the Council as a whole."
- 4.2 Other financial considerations are as set out in the appended report.

5.0 LEGAL IMPLICATIONS

- 5.1 In accordance with Part 3B of Constitution (Committee Terms of Reference), the Policy and Resources Committee has two main areas of responsibility, which is to provide strategic direction to the operation of the Council, including making decisions on policies and co-ordinating spend not reserved to full Council, and to maintain a strategic overview of outcomes, performance, risk management and budgets.
- 5.2 The Policy and Resources Committee is charged by full Council to provide a co-ordinating role across all other service committees and retain a 'whole-council' view of performance, budget monitoring and risk management and retain a performance, budget monitoring and risk management, which includes responsibility for a decision.... that has a major impact on ... the Council as a whole. The Freeport Investment Fund will be managed by Wirral Council in partnership with the LCR Freeport as described in the Wirral Freeport Investment Fund Business Case attached as Appendix 1 to the referred report.
- 5.3 As part of the matter of business that was the subject of the report to Economy, Regeneration and Housing Committee falls under that responsibility reserved to the Policy and Resources Committee, the relevant part of the Economy, Regeneration and Housing Committee's resolution is presented as a recommendation.
- 5.4 As the decision in this matter is the subject of a recommendation from another Committee, the Policy and Resources Committee must take into account the resolution of that Committee and give due regard to the guidance and comments made by its members. The Policy and Resources Committee must not, however, consider itself bound by that Committee's recommendations or otherwise fetter its discretion. Its Members must come to their own decision. In doing so, the Committee must satisfy itself that it has been provided with all relevant information or a suitable précis to enable it to comply with its duties and make a lawful decision.

5.5 Other legal considerations are as set out in the appended report to Economy, Regeneration and Housing Committee.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The relevant resource implications are covered in the appended report to Economy, Regeneration and Housing Committee.

7.0 RELEVANT RISKS

7.1 The relevant risks are covered in the appended report to Economy, Regeneration and Housing Committee.

8.0 ENGAGEMENT/CONSULTATION

8.1 Engagement and Consultation were covered in the appended report to Economy, Regeneration and Housing Committee.

9.0 EQUALITY IMPLICATIONS

9.1 The 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 (EIA) is a tool to help Council Services identify steps that they can take to ensure equality for everyone who might be affected by a particular policy, decision or activity.

9.2 A copy of the EIA for Wirral's Economic Strategy were provided in the appended report to Economy, Regeneration and Housing Committee.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Environment and climate implications were covered in the appended report to Economy, Regeneration and Housing Committee.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 Community Wealth implications are covered in the appended report to Economy, Regeneration and Housing Committee.

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APPENDICES

Appendix 1 Minute Extract

Appendix 2 Full Report to Economy Regeneration and Housing Committee of 8 March 2023 (appendices 1 to 3 of that report are exempt from publication on the grounds that they

involve the likely disclosure of exempt information as defined by paragraph 3 of Part I of Schedule 12A (as amended) to that Act.).

BACKGROUND PAPERS

LCR Freeport Full Business Case

[LCR Combined Authority, 29th April 2022](#), Agenda Item 12, Page 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 is a referral report to be considered by the Policy and Resources Committee in accordance with Section 1(2)(b)(i) of its Terms of Reference.

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|---|------------------|
| Economy Regeneration and Housing Committee – Freeports and Maritime Innovation and Growth Projects | 08 March 2023 |
| 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 |
| Officer Decision Notice - Freeports & Maritime Innovation and Growth Projects | 13 April 2022 |
| Policy and Resources Committee – Budget and Medium Term Financial Strategy 2022/23 Appendix 10 Discretionary Rate Relief Policy, item 129 | 15 February 2022 |