

AGENDA ITEM 4**REPORT TO THE TEESSIDE FREEPORT GOVERNANCE BOARD****17th March 2022****REPORT OF DIRECTOR OF FREEPORT****FREEPORT DIRECTOR UPDATE****SUMMARY**

The Full Business Case (FBC) was submitted on 31st January 2022 following circulation and feedback from the Board and it is anticipated that HMG will revert with actions to be reviewed and concluded.

Since the launch of Teesside Freeport, there have been several hundred articles referencing the Freeport with an advertising value equivalent (AVE) of £13.45m.

Progress is being made in the development of the Centre for Frictionless Trade and in mitigating risk.

RECOMMENDATIONS

It is recommended that the Board notes the content of this update report and encourages their respective teams to support the marketing of Teesside Freeport.

DETAIL**Business Case**

1. The Full Business Case (FBC) was submitted on 31st January following circulation and feedback from the Board. The FBC has been reviewed by multiple HMG departments and we are anticipated receiving feedback in March.
2. Feedback is expected to fall into the following categories:
 - a. Critical Feedback – Actions to be addressed prior to FBC approval
 - b. Recommended Feedback – Actions to be considered and implemented after FBC approval
 - c. MOU requirements – Actions to be addressed in the drafted of the MOU.
3. Once the feedback has been received, Teesside Freeport will have circa 4 weeks to resolve the critical actions. No further timeframe has been provided to address the remaining feedback.
4. As part of the bidding process, Teesside Freeport was required to specify the market sectors which it would target:
 - a. Offshore Energy
 - b. Chemicals & Materials Processing

c. Bio Life sciences

5. These sectors were identified through the following 10 Standard Industrial Classification (SIC) codes:

SIC Code	SIC Description
C10	Manufacture of Food Products
C20	Manufacture of Chemicals and Chemical Products
C21	Manufacture of Basic Pharmaceutical Products and Preparations
C24	Manufacture of Basic Metals
C25	Manufacture of Fabricated metal products, except machinery & equipment
C27	Manufacture of Electrical Equipment
C28	Manufacture of machinery & equipment
D35	Electricity, gas, steam and air conditioning supply
G47	Retail trade, except of motor vehicles & motorcycles
H49	Land transport and transport via pipelines

6. As part of the finalisation of the FBC, the gateway review process is being documented which reflects the Teesside Freeport as bid criteria on Tax incentivised land. The review process would be similar to the Enterprise Zone (EZ) methodology and the Freeport is working with RCBC to prepare this approach.

Marketing

7. Marketing of Teesside Freeport is focussed on driving new investment and trade enquiries into the region. We have identified a gap in the knowledge of our target markets of what a freeport is and can offer through feedback stakeholders. Consequently, our marketing focus in 2022 is to educate the market in tandem with Brand penetration.
8. Teesside Freeport is working with banks, accountancy, and law firms to enhance the market understanding of Teesside Freeport and mobilise capital. This has witnessed high profile visits to the region by Barclays, HSBC and Deloitte with further interactions planned into Q2 2022.

9. Since the launch of Teesside Freeport in October, there have been 527 articles referencing the Freeport with an advertising value equivalent (AVE) of £13.45m. An update of marketing since launch is at **Appendix 1**.
10. A joint marketing meeting with Freeport partners was held 2nd March to discuss coordination and consistency of marketing message. There was a lack of attendance at the meeting with only 5 of the Freeport partners represented.

Innovation

11. The Centre for Frictionless Trade (C4FT) has been a core theme to innovate and support the trading opportunities of Freeports. Teesside Freeport, working in parallel with Deloitte, Plexal and TVCA and have engaged with the Cabinet Office to move the project forward.
12. A number of events are planned during March to further develop C4FT and coalesce with the ICC's independently developed, Centre for Digital Trade and Innovation (CDTI) which is due to be officially launched on 8th April.

Risk

13. Whilst risk continues to be managed with several closed following the confirmation of Freeport status, the main risks outside of tolerance continue to reflect ongoing HMG policy development that will impact Freeport, such as FTAs and the delivery of operational custom zones. Facilitation support is continuing with prospective custom sites to support the implementation of AEO(S).
14. During the period, one risk emerged and was resolved relating to Liberty Steel and the HMRC winding up procedures. It is pleasing to note that an agreement has been reached and this risk has been mitigated
15. As reported in January, several local businesses have asked to be considered as additional custom zones. This would be allowed under the Freeport policy and assessed on the merit of each individual case. The prospective sites are being visited to assess the validity of their case and the timeline for completion of HMRC accreditation process.

FINANCIAL IMPLICATIONS

16. The initial requirements for resources to ensure that the full business case is produced to timetable and to the required standard for submission to Government is forecast to be £661k.
17. This is to be funded through £300k of MHCLG revenue funding with the balance provided by TVCA.
18. The costs incurred to date are in line with the forecast.

LEGAL IMPLICATIONS

19. HMG have issued the draft document “Set-up Phase and Delivery Model Guidance: English Freeports”
20. Additional on Freeport legislation was published within “UK Government policy on freeports - BRIEFING PAPER Number 8823, 20 April 2021”.
21. The Government’s freeports policy will comply with various requirements on subsidy control:
 - a. The UK’s domestic subsidy control regime.
 - b. The UK’s subsidy control obligations at the WTO.
 - c. State aid obligations in the Northern Ireland Protocol; and
 - d. Subsidy control provisions negotiated in the UK’s free trade
 - i. Agreements including the Trade and Cooperation Agreement (TCA) with the EU.
22. Government do not envisage a Freeports Bill as there are a number of areas of legislation already in place. For example, tax legislation will be passed through the Finance Bill and some of the legislation, around customs and excise, is already in place. Further guidance is expected to be released by HMRC and MHCLG this year.

RISK ASSESSMENT

23. The approach to Risk has been provided under agenda item 9.

CONSULTATION & COMMUNICATION

24. Stakeholder engagement meetings have continued during the month both on an individual and reference group basis.
25. The workstream meetings have commenced and are reported under agenda items 5, 6 and 7.
26. The MHCLG Freeport group meeting of all eight Freeports has commenced and is held every 2 weeks. A brief update on each meeting is in the process being circulated to the Board on a fortnightly basis.
27. A monthly meeting between the Freeport team and HMRC has commenced to support the development of guidance and implementation.
28. Meetings have been held with NCA, UKBF, local policing and the Regional Resilience Forum to commence security and illicit activity threat assessment in the context of Freeports.

EQUALITY & DIVERSITY

29. Our aim is to ensure that the Teesside Freeport Governing Board and its workstreams will provide equal opportunity for everyone

LOCAL ENTERPRISE PARTNERSHIP

30. The LEP have representation within the Freeport Governance Structure.

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