

AGENDA ITEM 4**REPORT TO THE TEESSIDE FREEPORT GOVERNANCE BOARD****20th JANUARY 2022****REPORT OF DIRECTOR OF FREEPORT****FREEPORT DIRECTOR UPDATE****SUMMARY**

On the 19th November 2021, Teesside Freeport was confirmed as the first operational Freeport in the UK with both the tax zones and primary custom zone confirmed in law.

During the period, emphasis has been on:

- Marketing Teesside Freeport in sector specific conferences and events
- Reviewing FBC guidance and preparing the revised FBC
- Negotiating the customs zone obligations
- Managing external stakeholder relations with Police and Resilience
- Preparing 2022/23 Budget.

RECOMMENDATIONS

It is recommended that the Board notes the content of this update report.

DETAIL

1. Teesside Freeport was confirmed as the first operational Freeport on 19th November 2021 with all 3 of the tax land locations and the primary custom zone being passed into law. Confirmation of Teesside Freeport locations can be found on the HM Government website at [Maps of Freeports, Freeport customs sites and Freeport tax sites - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/maps/freeports)
2. Subsequent to this Thames Freeport became fully operational later in December and the Freeports at Humber and East (Felixstowe) have had their respective tax zones confirmed in law subject to the delivery of primary custom zones.
3. Following the legal confirmation and prior to additional COVID restrictions, Teesside Freeport was presented at:
 - a. IBMATA – International Borders Conference
 - b. NOF – Energy Transition Event
 - c. Offshore Wind North East
 - d. NEPIC – Inward Investment Event
 - e. North East & Cleveland Resilience Forums

4. As a consequence of the promotion of Teesside Freeport, 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 following submission of the FBC in February and March to assess the validity of their case and the timeline for completion of HMRC accreditation process.
5. DLUHC issued FBC guidance in several tranches during the period and a number of discussions have been held with the department and advisors to negotiate the requirements for customs zones commitment and delivery plans. This has resulted in an agreement to delay submitting detailed plans for secondary custom zones until both the commercial imperative and/or access issues have been resolved at each site. The proposed wording is detailed in **Appendix 1**
6. The FBC will not differ significantly from the OBC in substance as this was used as the basis to approve Teesside Freeport however the format of the document has been changed in accordance with the guidance and a number of additional annexes have been requested in relation to:
 - a. Forecast of financial impact of Freeport Levers
 - b. Net Zero Strategy
 - c. Skills Agenda
 - d. Trade and Investment
 - e. Revised letters of support
 - f. Security & Illicit Risk Assessment
7. A copy of the FBC will be provided under separate cover to the Board with a schedule of changes from the OBC prior to submission on 31st January.
8. Whilst risk continues to be managed with several closed following the confirmation of Freeport status, the main risks outside of tolerance continue to reflect a lack of policy guidance and the delivery of custom zones. Facilitation support is continuing with prospective custom sites to support the implementation of AEO(S).
9. The lack of clarity regarding guidance extends to differing expectations from HMG departments. This has led to Teesside Freeport taking the lead in managing local policing demands and informing the national debate and supporting several other Freeports in their discussions.
10. Preparation of 2022/23 business plan has commenced with an expectation to maintain a similar total budget (c£600k) but with greater emphasis on supporting business development, marketing and operational support.

FINANCIAL IMPLICATIONS

11. 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.

12. This is to be funded through £300k of MHCLG revenue funding with the balance provided by TVCA.

13. The costs incurred to date are in line with the forecast.

LEGAL IMPLICATIONS

14. HMG have issued the draft document "Setup Phase and Delivery Model Guidance: English Freeports"

15. Additional on Freeport legislation was published within "UK Government policy on freeports - BRIEFING PAPER Number 8823, 20 April 2021".

16. 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

17. 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

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

CONSULTATION & COMMUNICATION

19. Stakeholder engagement meetings have continued during the month both on an individual and reference group basis.

20. The workstream meetings have commenced and are reported under agenda items 5, 6 and 7.

21. 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.

22. A monthly meeting between the Freeport team and HMRC has commenced to support the development of guidance and implementation.

23. 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

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

LOCAL ENTERPRISE PARTNERSHIP

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

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Appendix 1 – Proposed Custom Zone Wording

The Proposed Customs Zones, remain the same as those set out in the bid and OBC, and are:

Primary Customs Zone	<i>Teesworks</i>
Secondary Customs Zones	
<i>2M Group</i>	<i>Able Seaton Port</i>
<i>Haverton Hill Shipyard</i>	<i>Liberty Steel Hartlepool</i>
<i>LV Shipping</i>	<i>Port of Hartlepool</i>
<i>Port of Middlesbrough</i>	<i>Tees Dock</i>
<i>Teesside Int Airport Northside 1</i>	<i>Teesside Int Airport Northside 2</i>
<i>Teesside Int Airport Southside</i>	<i>Teesworks East Sub Zone</i>
<i>Wilton Universal</i>	

There are two conditions to satisfy to successfully roll out the secondary customs zones. The first is marketing to identify the commercial imperative for delivery, which will justify the investment in the customs capability and accreditation. To satisfy the second, we need to work with HMRC and Border Force to identify a realistic proposal for access and egress to customs sites for the thousands of employees taking up the jobs created.

As the Freeport, including the Teesworks Primary Customs Zone, has now achieved operational status, and the brand launched, we are able to aggressively market Teesside

Freeport and identify the relevant opportunities made available at the Customs Zones. This should result in meeting commercial imperative efficiently.

Engagement through the FREN with HMRC and Border Force should lead to positive outcomes addressing potential access and egress issues.

Once the two conditions are satisfied, it is our intention that each site will apply through the Freeport mechanism published by HMRC. This will follow the accreditation process for AEO(S) which will deliver on each Customs Zone Operator's responsibilities as referenced in the Management Case of this FBC, section 5a, Governance.

As these conditions are not yet satisfied, the timelines have not been developed and site maps have not been confirmed. Reviews to date with each customs zone operator has identified individual site complexities to work through. For example, at one Custom zone they may require 28 individual land parcels to operate an effective customs zone.

All sites are operational. They have existing users and their own target markets. The expected kinds of end user and customs offer relevant to each customs zone and its customer base is set out at Annex S. This Annex also includes the proposals for development of the customs zone at Teesside International Airport to illustrate the planning and activities taking place towards achieving customs zone designation.