

FREEPORT REPORT**SUMMARY**

HM Government announced on 21st November that tax incentives for Freeports have been extended for a further 5 years until September 2031.

MP Jacob Young has been appointed to replace Ms Davison as a minister in the Department for Levelling Up, Housing and Communities. Following Jacob's appointment to the ministerial role he has stepped down from his role on Teesside Freeport Board.

The independent review panel's report in to Teesworks is due in the coming weeks.

RECOMMENDATIONS

It is recommended that the Board note the content of the report.

DETAIL**Freeport Update**

1. HM Government announced on 21st November 2023 that the availability of tax incentives for Freeports has been extended for a further 5 years until September 2031. This is positive news, as it aligns all UK Freeports timescales.
2. Discussions with DLUHC have taken place to scope out the additional requirements of this extension; we await formal confirmation and further details following the Chancellors announcement in the Autumn Statement.

Independent Review

3. On 7 June 2023, it was announced that Angie Ridgwell, Chief Executive of Lancashire County Council had been appointed to lead a review into Teesworks following allegations about the organisation being made by the press and in the Commons.

4. The investigation commenced at the beginning of June, with the panel reviewing TVCA's oversight of STDC and the Teesworks Joint Venture, including consideration of specific allegations made in relation to the Joint Venture, of corruption, illegality and wrongdoing. It is also looking at governance and financial management, reflecting the Government's existing approach to external assurance reviews.
5. In total we have provided more than 700 documents to the panel and have answered more than 185 questions. We understand that the independent review panel's report has now been postponed until mid-December 2023.

Investment Zone Update

6. The government published the Investment Zones (IZ) policy prospectus on 15th March 2023. Tees Valley Combined Authority has been identified as one of eight areas (in England) to work with government to co-develop proposals for a Tees Valley Investment Zone (TVIZ).
7. The TVIZ has been proposed by the Tees Valley Mayor and is being developed by TVCA. TVCA is working closely with Teesside University (as significant research institution/co-signatory) on the Tees Valley Investment Zone.
8. IZs are aimed at catalysing a small number of high potential clusters in areas in need of levelling up to boost productivity and growth. They will support the development and growth of clusters in order to increase local innovation capacity, attract investment and strengthen the private sector.
9. The Chancellor announced an extension to Investment Zones at the Autumn Statement. The total funding available to each IZ is now £160m over 10 years (commencing April 2024), with an expectation of 60% match coming from private sector, third sector and local government. This funding can be used flexibly, including a five-year tax offer. Places can also receive 100% of the business rates growth in designated sites above an agreed baseline for 25 years.
10. TVCA and TU are currently working with the Department for Levelling Up, Homes and Communities to co-develop the Tees Valley IZ. This is structured around a series of 'gateways' broadly covering vision, sector and economic geography, interventions, governance and delivery.
11. The TVIZ is focused on digital and technology as our priority sector, with identified high growth clusters in Middlesbrough, Hartlepool and Teesside International Airport.
12. TVCA is seeking fully flexible spend of the £160m funding plus Business Rate Retention for dedicated sites. Retained Business Rates will be over and above the £160m. Interventions are being developed from the full policy menu which includes infrastructure, skills, business support, planning and R&D.

13. Co-development of the TVIZ with government continues to move at pace and we are broadly in line with other areas in terms of progress against the 'gateways'. However due to the ongoing Independent Review into Teesworks government is not in a position to make formal decisions or announcements on the TVIZ until this has concluded.

Governance & People

14. Following discussion at the last board meeting, a review of the Freeport workstreams within the Freeport Governance structure has been undertaken. The proposal is the subject of agenda item 6. The proposed changes are to ensure efficient governance of the Freeport as we move into operational activity of the Freeport.
15. Following the departure of the Freeport Director, we have recruited a Freeport Manager, Ben Murphy, who will drive forward the operational delivery of the Freeport. The TVCA Inward Investment Manager has been confirmed as Michael Kendall, recruitment is ongoing to expand the Inward Investment team.

Marketing

16. Marketing statistics are provided on a quarterly basis and provided as **Appendix 4a and 4b** to this report. Appendix 4b is an infographic summarising the data, and includes a glossary of marketing terminology used. The statistics reflect the period July – September 2023.
17. From the report, there is a decrease in website traffic for the Freeport which is likely to be as a result of less marketing activity due to the ongoing review as well as the transition period between the previous Freeport Director leaving and the new Freeport Manager being in post.
18. As per the previous quarter, as a result of the review, marketing activity has been kept to a minimum due to some negative press and subsequent public comments on social media and sponsored ad campaigns.
19. During the quarter there had been 5 press releases, which is down from the previous quarter but is as a result of the ongoing inquiry..
20. Other marketing activity during the first Q2 has included; participation in DLUHC Freeport workshops to develop new HMG-led umbrella Freeport branding, profile-raising visits, including Chinese Climate Change Committee, Australian MP Alison Byrnes, and the University of Illinois.
21. The key activities of focus during Q2 2024 (July – September 2023):
 - a. Manage, support and facilitate Inward Investment visits including Kitakyusu Visit and Chinese Climate Change Committee, CECA, CNOOC, and Ministerial visits

- b. Energy Transition Projects event
 - c. Manage ongoing media enquiries including from the result of the independent review
22. With the appointment of a new Freeport Manager, and the result of the independent review due before the end of 2023, we look ahead to 2024 with increased activity through the Northern Echo's Levelling up sponsorship, key events, such as Innovation Zero and UKREiiF and greater presence at networking events both in region and nationally.

Innovation

23. The business case for the Freeport Seed Funded Digital Test Bed has been developed according to HM Treasury Green Book Standards and appraised according to the TVCA Assurance Framework. The business case is the subject of a separate agenda item, and is provided as an appendix to Item 8.
24. Innovative solutions to access and egress issues which are limiting port operator investment to create further Freeport Customs sites, are in development. Tests of digital alternatives are in development with the support of Freeport Seed Funding, in conjunction with Teesside University, and HMRC, supported by the Freeport Hub; these tests will be the first uses of the Digital Test Bed facility.

Investment

25. Inward investment interest in the tax sites remains strong, with a pipeline of investors at various legal stages, on a range of plots. More details are provided in the Delivery Report, Agenda item 5.
26. **Teesworks West:** comprises South Bank, Dorman Point, and Lackenby. 225 acres of South Bank are under contract, optioned, or in construction. 45 acres of Dorman Point are progressing through Heads of Terms or contract. 33 acres of Lackenby are progressing through legal process, the remainder has multiple parties interested. The area known as SLEMS will be vacant although included in the Tax Site boundary.
27. **Teesworks East:** Comprises Steel House, Long Acres, Foundry. Steel House site is adjacent to the Park & Ride facility, Long Acres has multiple parties interested, c110 acres of the Foundry site is progressing through the legal process, 50 acres are available; 30 acres is expected to remain vacant.
28. **Wilton International:** Comprises land available owned by Sembcorp, marketed on behalf of other owners via Sembcorp. All sites available have serious interest from investors, including Renew ELP, Sembcorp Battery, Nova Pangaea (2 sites).

Risk

29. Teesside Freeport currently has a medium risk profile which is considered tolerable. The details are provided in the Confidential Risk Paper, which is agenda item 9.

FINANCIAL IMPLICATIONS

30. The revenue budget for 22/23 is funded by HMG and matched by TVCA and is reported to Strategy & Accountability workstream.

LEGAL IMPLICATIONS

31. HMG have issued the draft document “Set-up Phase and Delivery Model Guidance: English Freeports”
32. Additional on Freeport legislation was published within “UK Government policy on freeports - BRIEFING PAPER Number 8823, 20 April 2021”.
33. 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
 - e. Agreements including the Trade and Cooperation Agreement (TCA) with EU.
34. 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.

RISK ASSESSMENT

35. The approach to Risk has been provided separately on the agenda.

CONSULTATION & COMMUNICATION

36. Stakeholder engagement meetings have continued during the period between meetings both on an individual and reference group basis.
37. The quarterly workstream meetings will re-commence in a revised structure following this board meeting, the refreshed structure is the subject of Agenda Item 6

38. The Business Solutions Director attends the DHLUC Freeport SRO Group meeting of all Freeports on behalf of TVCA.
39. A monthly meeting between the Freeport Manager and HMRC will recommence support the development of guidance and implementation. The Freeport Manager will also hold meetings 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

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

TEES VALLEY BUSINESS BOARD

41. The Business Board has representation within the Freeport Governance Structure.

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