

| Isle of Anglesey County Council | |
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| Report to: | The Executive |
| Date: | 24 th October 2022 |
| Subject: | Holyhead Freeport Bid |
| Portfolio Holder(s): | Cllr. Carwyn Jones (Economic Development, Leisure and Tourism) |
| Head of Service / Director: | Christian Branch Head of Service – Regulation & Economic Development |
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| Local Members: | Relevant to all Elected Members |

A –Recommendation/s and reason/s

Recommendations –

- 1) Due to application submission deadline, the Executive delegates authority to authorise the final submission of a Freeport Bid to the Chief Executive in consultation with the Leader and Portfolio Holder for Economic Development.**
- 2) The Executive agree that call in be excluded on the basis of urgency and prejudice to the public interest.**

1.0 What is a Freeport

The UK and Welsh Governments have invited bidders to submit plans for Freeports in Wales (<https://www.gov.uk/freeport>). The bidding process opened on 1st September and will close at 6pm on 24th November 2022, with a decision due in Spring 2023. The timescale is therefore challenging.

Freeports are designated areas where a range of economic incentives are available to stimulate the local economy and encourage growth and investment. These include incentives related to tax, customs, business rates, planning, regeneration, innovation and trade and investment support.

2.0 The Application Process

The Bidding Prospectus is similar to that for England which led to the award of Freeport status to eight applicants in 2021 (including the Port of Liverpool). However, the involvement of Welsh Government in decision-making has widened the assessment criteria to include priority policies such as the Wellbeing of Future Generations Act, its Net Zero policies as well as environmental and labour standards.

Both Governments have indicated they are open to the possibility of allowing more than one Freeport in Wales, should they be presented with a sufficiently compelling business case.

A –Recommendation/s and reason/s

There is £26m of seed funding available to the successful bidder/s – £1m of revenue funding and £25m of capital once outline and full business cases have been approved.

Bids can be submitted by a coalition that must include a port operator and the 'host' local authority. Other partners will include local and international businesses; academic institutions; Regional Economic Partnerships and other local authorities.

Applicants must include at least one customs site. A Freeport customs site (also known as a 'free zone') is a secure, enclosed customs zone where some of the normal tax and customs rules don't apply. They must be operated by an organisation authorised to do so by HMRC.

Bidders should aim for a single tax site to benefit from the tax offer. When there is an economic case to do so, applicants may define up to three individual areas as the location of the tax sites. These sites must be:

- Undeveloped
- A single site or multiple sites of up to 600ha (with a 20ha minimum other than in exceptional circumstances)
- Can be in multiple ownership
- Located in areas with below average UK GDP per head and above UK average unemployment rates

There are three main objectives which must be met:

1. Promote regeneration and high-quality job creation – this is the lead criterion;
2. Establish the Freeport as a national hub for global trade and investment across the economy;
3. Foster an innovative environment.

Bids are assessed on their ability to achieve these three objectives – in addition to:

1. Deliverability of proposal effectively at pace
2. Level of private sector involvement in the proposal

Bids are scored low, medium or high against each of these criteria and will only get through to the ministerial decision-making process if they achieve:

- at least a “medium” on the lead criterion (“promote regeneration and high-quality job creation”);
- no more than one “low” across the five criteria.

Therefore, it is important to demonstrate that a Holyhead Freeport can achieve all five criteria – and in particular that it can promote regeneration and high-quality job creation.

3.0 Risks & Current Unknowns of the Freeports Prospectus

Uncertainty exists regarding the value and benefits of Freeports as some believe that they displace existing economic activity from one area to another; and that their designation could be seen as the first step in a wider process of de-regulation.

A –Recommendation/s and reason/s

However, it should be noted that there are fundamental differences between Welsh and English Freeports where the threshold for deregulation has been set and is assessed and regulated far more rigorously in Wales (see below).

It is recognised that further clarity and assurance will be required on the following issues as the bid is developed prior to its submission on the 24th November:

1. Risk management; stakeholder management and management of expectations.
2. Future/ formal relationship with Stena and the management and allocation of the £25m capital funding.
3. Resource and capacity within the Council to manage Freeport status should the bid be successful.
4. The need for robust governance, and the long term role of the Council and resources required to deliver it in a compliant and effective manner.
5. Potential risk of economic displacement as well as the proximity to the Port of Liverpool
6. Potential impacts of the Freeport on local communities, the Welsh language and culture

Taking the above into account, it should be noted that the County Council will only present a bid that ensures the above concerns are met and that it enhances jobs, opportunities and prosperity on Anglesey.

4.0 Differences Between Welsh & English Freeports

There is clear water between the expectations on Freeports in Wales and Freeports in England.

The level of deregulation in the Freeports proposals is relatively limited (and in Wales even more so). Although the UK now has more freedom to de-regulate having left the EU, it still has to comply with World Trade Organisation rules and the UK-EU trade agreement (for example on subsidy control).

In Wales there will be checks and balances in place for example on areas such as:

1. Planning – it is for the Councils to “consider” allowing LDO’s to be introduced, the provides the Council with the flexibility in how far it wishes to allow;
2. Environmental Standards – Welsh Government has explicitly ruled out lowering environmental (and labour) standards;
3. Labour Standards –The Welsh Minister says he is looking for bids which exemplify the high labour standards in the Economic Contract and the Welsh Prospectus
4. Net Zero and Future Generations Act – Any Welsh Freeport will need to operate within the Welsh legislative framework on sustainability and well-being – The Well-being of Future Generations (Wales) Act 2015 – and the Welsh Government’s net zero commitments.

Given the Welsh Government’s desire to maintain high standards, those which are a devolved responsibility are less likely to see future flexibility than those that are a UK Government responsibility and this should provide the necessary comfort.

A –Recommendation/s and reason/s

5.0 Current Position

The Chief Executive has been leading on discussions with Stena (and their advisors) on the work to progress and develop a bid centred on the Port of Holyhead.

There will need to be a substantial amount of technical analysis and refinement work to be in a position to submit a formal bid to UK and Welsh Government.

Whilst there remain a number of unknowns into the practicalities of establishing a Freeport for Holyhead (these will become clearer throughout the process), it has been made clear that the Council has a central critical role to play and will be accountable to Welsh Government for the £26m of funding.

6.0 Next Steps

Should the recommendation be endorsed, the next step is to submit the application to UK Government by **no later than 6pm 24th November 2022**.

Due to the exacting timescale, it won't be possible to submit the final bid proposal to the Executive for final approval due to the preparatory work required ahead of the deadline and that the Executive's next meeting is 29th November 2022.

It is expected that the successful site will be announced this winter and become operational in 2023.

Should the Island's bid be successful, further work will be undertaken to develop a comprehensive delivery programme and risk register, as well as outline robust governance arrangements between the Council, Stena and wider partners/stakeholders.

If successful and once both Governments have shared the funding agreement with the County Council, Officers will update the Executive with further detailed information in relation to:

- a) The role of the Council in delivering the Bid
- b) Risks identification and mitigation
- c) Governance structures
- d) Monitoring and reporting

B – What other options did you consider and why did you reject them and/or opt for this option?

That the County Council does not submit a Freeport bid. This is not considered to be a realistic option as it could generate negative publicity and adversely affect the Councils ambition to create jobs and opportunities.

C – Why is this a decision for the Executive?

Securing the necessary endorsement and support of the Executive is important given the value of the potential application, and the high degree of local stakeholder interest.

Ch – Is this decision consistent with policy approved by the full Council?

Yes. This aligns to the Corporate Plan in that:

We will promote Anglesey to encourage major developers to invest in the Island and use this as a catalyst for business development and jobs on the Island.

...and...

Do our very best to create the conditions for local businesses to develop and create good quality jobs in Anglesey. This will include ensuring that Council spending supports local businesses.

D – Is this decision within the budget approved by the Council?

No – this activity was unforeseen and additional costs may be borne by the Council in developing the bid.

Dd – Assessing the potential impact (if relevant):

| | | |
|---|---|--|
| 1 | How does this decision impact on our long term needs as an Island? | Areas of Holyhead suffer from deprivation and is amongst the highest in Wales. Securing Freeport status could deliver tangible improvements and benefit to the Town creating jobs and opportunities. |
| 2 | Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how? | It has the potential to prevent future costs/ dependencies on the Authority by stimulating economic growth and prosperity in Holyhead and Anglesey. |
| 3 | Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom. | Yes – working with colleagues from UK Government and external organisations to the County Council such as Stena. |
| 4 | Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how. | No – not yet. |
| 5 | Note any potential impact that this decision would have on the groups protected under the Equality Act 2010. | We envisage that this has the potential to have potential positive impacts for all citizens through creating jobs and opportunities. |

| Dd – Assessing the potential impact (if relevant): | | |
|--|--|---|
| 6 | If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage. | We envisage that this has the potential to have potential positive impacts for all citizens especially considering that Holyhead suffers from deprivation and a number of its residents are at a socio-economic disadvantage. |
| 7 | Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. | Any potential successful bid will be delivered in both Welsh and English and we will ensure that the Welsh language is treated in exactly the same manner as English. |

| E – Who did you consult? | | What did they say? |
|--------------------------|---|--------------------|
| 1 | Chief Executive / Senior Leadership Team (SLT) (mandatory) | |
| 2 | Finance / Section 151 (mandatory) | |
| 3 | Legal / Monitoring Officer (mandatory) | |
| 4 | Human Resources (HR) | n/a |
| 5 | Property | n/a |
| 6 | Information Communication Technology (ICT) | n/a |
| 7 | Procurement | n/a |
| 8 | Scrutiny | n/a |
| 9 | Local Members | n/a |

| F - Appendices: |
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| Welsh Government Presentation Slides on Freeport |

| Ff - Background papers (please contact the author of the Report for any further information): |
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Llywodraeth Cymru
Welsh Government

Rhaglen Porthladd Rhydd yng Nghymru

Sesiwn Ymgysylltu gyda
Rhanddeiliaid
5ed o Hydref 2022



UK Government
Llywodraeth y DU

Freeport Programme in Wales

Stakeholder Engagement
Session
5 October 2022

Launch

- The Minister for Economy in Welsh Government and the Secretary of State for Levelling Up, Housing and Communities launched the Freeport Programme in Wales prospectus on 1st September which invited applications
- *“A new Freeport will provide a huge boost to people in Wales, and I am delighted to open bidding as we continue our work with the Welsh Government to bring jobs and prosperity to the country”* – Greg Clarke
- *“I look forward to considering innovative bids which deliver meaningful economic and social benefits for Wales. ”* – Vaughan Gething

Prospectus

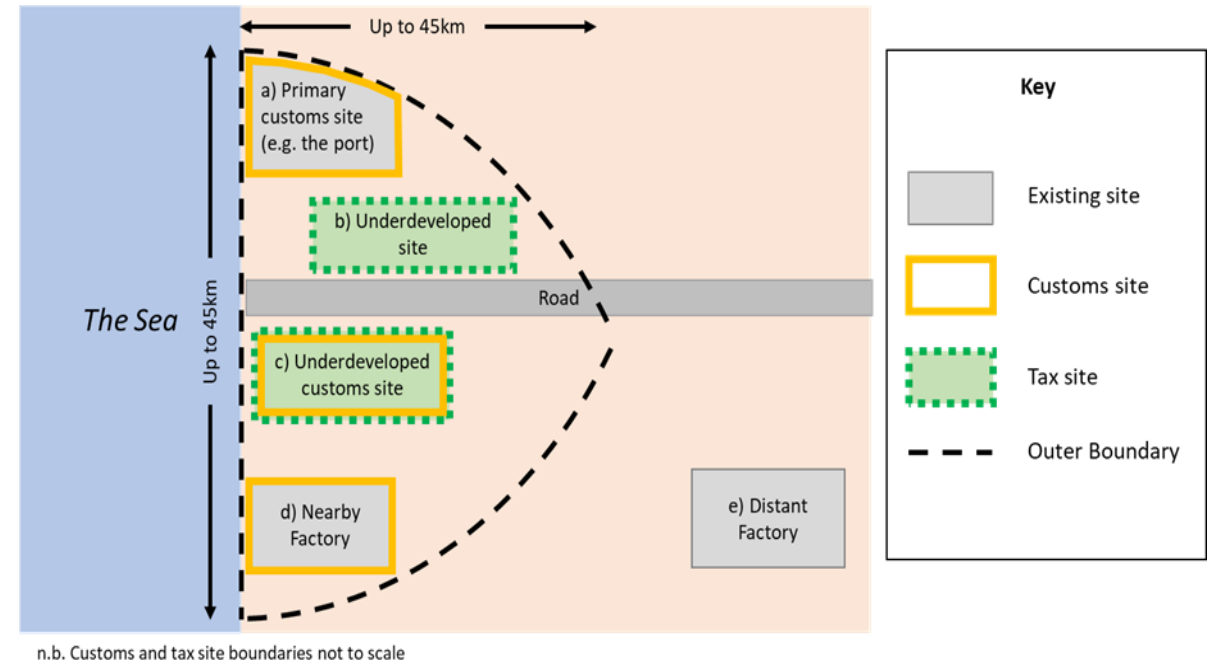
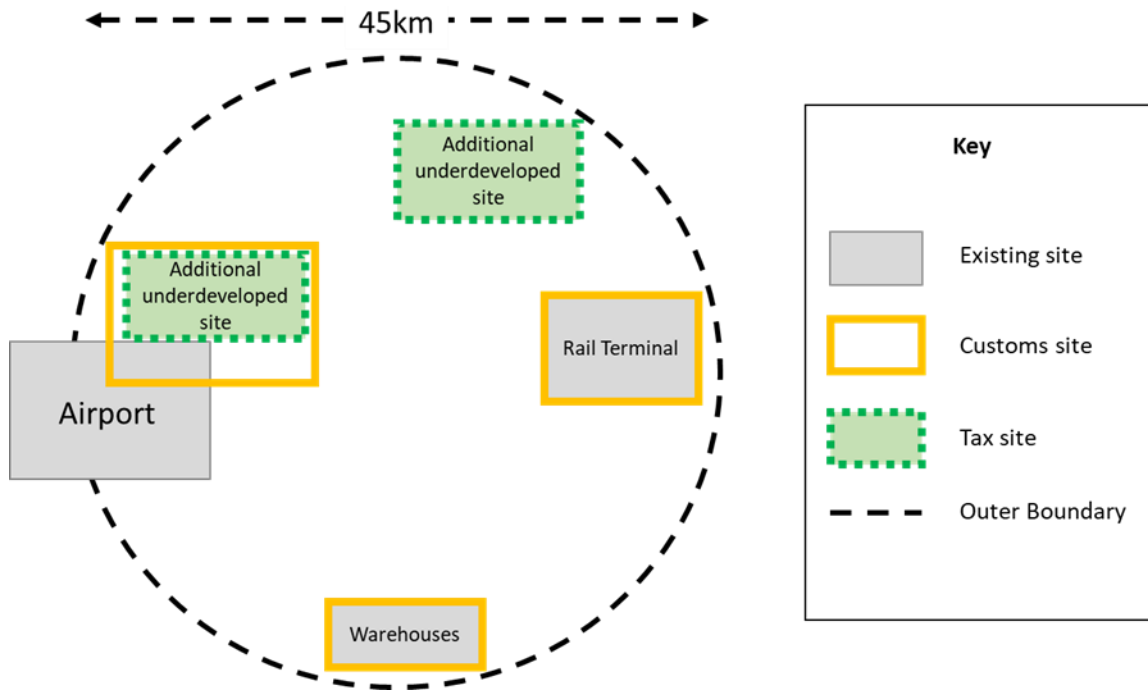
- Policy Context:
 - 8 operational Freeports in England
 - UK Government (UKG) intention to have Freeports throughout UK
 - Commitment to work in partnership with Welsh Government (WG) and other devolved governments to deliver
- The Freeport Programme will contribute to realising outcomes: [Wellbeing of Future Generations \(Wales\) Act 2015](#)
- Key documents:
 - [Levelling Up White Paper](#)
 - [Programme for Government](#)
 - [Plan for Wales](#)
 - [Economic Resilience and Reconstruction Mission](#)

Objectives

The Welsh and UK Governments have worked together to design a Freeport model which will deliver on three main objectives which must be met by applicants

- **Establish a national hub for global trade and investment across the economy;**
generate increased economic activity across Wales, and the wider UK and benefit from good inward investment.
- **Promote regeneration and high-quality job creation;**
stimulate a net growth in jobs across innovative industries and sectors of the economy, creating high quality job opportunities, ensuring fair work and sustainable inclusive economic growth.
- **Foster an innovative environment;**
create dynamic environments that bring together innovators to collaborate in new ways, supporting the industries and services of the future, supporting decarbonisation, climate adaptation and maintaining a flourishing natural environment.

Geography



Governance

Applicants can set out their preferred governance structure but the proposal should:

- A) provide a clear justification for the level of governance structure required to deliver the Freeport application
- B) evidence clear and proportionate commitments from both private and public sectors to meeting the Freeport operating costs
- C) contain a decision-making structure which preserves the local authority ability to be meaningfully accountable for the spending of public money
- D) meet our three core standards on:
 - i. effective structure
 - ii. effective personnel
 - iii. effective functions

Application

- Key items we expect to be included:
 - Maps and economic rationale for outer boundary, tax sites, and customs sites
 - 5000 word submission detailing how the 5 Freeport objectives will be met
 - A contextualised implementation plan
 - A Risk Management Framework
 - An investment proposal
 - Outline of the sectoral focus of the Freeport
 - Evidence of commercial demand
 - Approaches to mitigating negative externalities and meeting environmental standards
 - Endorsements of local partners

Mark Scheme (Annex A)

Gateway Assessment

| Mark | Text |
|------|---|
| Pass | The applicant has submitted all of the information requested and the response clearly meets the specifications set out in the prospectus, including providing evidence of a strong rationale where the proposal exceeds the default limits (e.g. for any customs sites outside of the Outer Boundary) |
| Fail | The applicant has either not submitted all of the information requested, the response does not meet the specifications set out in the prospectus, or there is not sufficient evidence of a strong rationale where the proposal exceeds the default limits (e.g. for any customs sites outside of the Outer Boundary). |

The detailed application information requested from applicants will be marked according to the following schema

| Mark | Text |
|--------|--|
| Low | A poor response with material concerns that the proposal will not achieve a standard required to meet the criterion. |
| Medium | A good response that meets the requirements with robust supporting evidence. Demonstrates good understanding of the levers, outputs and objectives. |
| High | An outstanding response that meets the requirements. Indicates an excellent understanding of the levers, outputs and objectives with detailed supporting evidence and no weaknesses, resulting in a high level of confidence that the proposal will achieve a standard required to meet the criterion. |

Assessment

| Applicants will be assessed against each of the five criteria | Applications will only be presented to ministers as being appointable if they achieve, at a minimum, both of the below: |
|---|--|
| <p>A) ability to deliver the objective “promote regeneration and high-quality job creation”.</p> <p>B) ability to deliver the objective “establishing hubs for global trade and investment”.</p> <p>C) ability to deliver the objective “fostering an innovative environment”.</p> <p>D) deliverability of proposal effectively at pace.</p> <p>E) level of private sector involvement in the proposal.</p> | <p>A) at least a “medium” on government’s lead criterion, “promote regeneration and high-quality job creation” criteria;</p> <p>B) no more than one “low” across the five criteria</p> |

Assessment & Decision Making

| Action | Lead |
|-----------------|---|
| Assessment | Joint WG & UKG assessment Reserved policy areas (i.e. customs) UKG lead Devolved policy areas (i.e. planning) WG lead |
| Review | Joint WG & UKG Senior Civil Service Board to finalise appointable list |
| Decision making | Joint WG & UKG ministerial decision making Joint WG & UKG ministerial announcement of winners |

Next Steps

| Date | Action |
|-------------------|---|
| 13 October 2022 | Deadline for all prospectus clarification questions to be submitted to Freeports@gov.wales |
| 27 October 2022 | Deadline for publication of summary of prospectus clarification question responses - see the Scottish example: Green Freeport clarification Q&A |
| 24 November 2022 | 6pm – closing date for applications |
| Winter 2022 | Assessment of proposals and joint-government decision-making on the outcome |
| Early Spring 2023 | Announcement of successful bid |
| Summer 2023 | Freeport becomes operational |

Stakeholder Q&A

- Continue to email questions to Freeports@gov.wales

Please note all questions and answers will be published as part of the process

- Key document -
 - [Green Freeport clarification Q&A](#)
 - [Wales Freeport clarification Q&A](#)
- Diolch / Thank you