

ISLE OF ANGLESEY COUNTY COUNCIL

Scrutiny Report Template

Committee:	Partnership & Regeneration Scrutiny Committee
Date:	19 April, 2023
Subject:	Anglesey Freeport
Purpose of Report:	To report on the successful Freeport bid submitted by the County Council's and Stena Line
Scrutiny Chair:	Cllr. Dylan Rees
Portfolio Holder(s):	Cllr. Llinos Medi – Leader and Portfolio Holder for Economic Development
Head of Service:	Christian Branch – Regulation and Economic Development
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Local Members:	Relevant to all Elected Members

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1 - Recommendation/s

That the Scrutiny Committee...

1. Recognise the role of Council to develop and submit the successful bid
2. Note the next steps in the development of a Freeport business case (prior to submission to UK and Welsh Governments)

2 – Link to Council Plan / Other Corporate Priorities

The Anglesey Freeport bid has been developed against the context of our corporate priorities with other key local, regional and national policies and strategies informing the bid (i.e. Welsh Future Generation Act, Regional Economic Framework for North Wales, the Welsh Government Programme for Government and the Levelling Up White Paper).

The aim of the Anglesey Freeport bid is to bring prosperity to Anglesey and North Wales. It will build on the Energy Island Programme (EIP) an existing cooperation between public, private and third-sector stakeholders. EIP's vision is to 'create a once-in-a-lifetime opportunity for jobs, economic growth and prosperity through capitalising on a number of transformational projects in Anglesey'. It also fully aligns to the goals of the North Wales Economic Ambition Board's Growth Strategy.

Holyhead Port is the international gateway into Wales – and is a historic link between the UK and Ireland. The socio-economic value and importance of the Port to Anglesey and North Wales cannot be underestimated. It is the second largest Ro-Ro (roll on roll off) port in the UK serving approximately 1,500,000 passengers a year and approximately 4,000,000 tonnes of freight, 370,000 freight movements. In 2021, freight through Holyhead port declined by 2.1 million tonnes (35.9%). The Port therefore supports – directly and indirectly – hundreds of jobs in Holyhead and in the wider Anglesey area.

Local strategies:

- Isle of Anglesey & Gwynedd Well-being Plan(Gwynedd & Anglesey Public Service Board, 2018)
- Council Plan 2023 -2028 (Isle of Anglesey County Council, 2023)
- Isle of Anglesey County Council Strategic Equality Plan 2020 –2024 (Isle of Anglesey County Council, 2020)
- North Anglesey Economic Regeneration Plan (Isle of Anglesey County Council, 2019)
- Anglesey and Gwynedd Joint Local Development Plan 2011 –2026 (Isle of Anglesey County Council, 2017)
- Isle of Anglesey County Council toward Net Zero Plan 2022-2025 (Isle of Anglesey County Council, 2022)

3 – Guiding Principles for Scrutiny Members

1. Impact the matter has on individuals and communities [focus on customer/citizen]
2. A look at any risks [focus on risk]
3. Scrutiny taking a performance monitoring or quality assurance role [focus on performance & quality]
4. Looking at plans and proposals from a perspective of:
 - Long term
 - Prevention
 - Integration
 - Collaboration
 - Involvement
 [focus on wellbeing]

4 - Key Scrutiny Questions

1. The project plan estimates up to 13,000 new jobs created over a period of 15 years. What arrangements will be in place to ensure that they are high quality jobs and that Anglesey residents have the skills to take advantage of the opportunities?
2. How will you ensure that the project aligns with, and contributes to the Energy Island programme and the Council Plan 2023-28?
3. Some of the main strategic risks of the bid have been identified in the report. How will the Authority manage and mitigate these risks?

5 – Background / Context

a. Introduction to Freeports

The UK and Welsh Governments invited bidders to submit plans for Freeports in Wales in late 2022 (<https://www.gov.uk/freeport>).

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 and relaxations related to tax, customs, business rates, planning, regeneration, innovation and trade and investment support. Goods entering the Freeport will not be subject to the UK's usual tax and customs regime.

As Ynys Môn is an Island, there is a clear, natural economic and geographic rationale that provides a unique foundation for the Freeport bid. Holyhead has been a recognised Port town since the 19th Century and its importance cannot be underestimated.

Ynys Môn is well integrated into the North Wales economy but due to its Island context, it is economically and socially distinct. Census data shows that (in 2011), 92% of Ynys Môn jobs were filled by Ynys Môn residents, with less than 2,000 jobs (8%) being filled by people commuting onto the Island. Meanwhile, 8,000 residents (27% of those in work) commute off the island. It has a high proportion of Welsh speakers (62% vs 30% in Wales) although a lack of high paid and quality jobs mean young Welsh speakers increasingly move away for work (40% of 16–24-year-olds speak Welsh vs 22% of those aged 55-64).

The vision of the Freeport builds on its unique Island geography; it will support growth of trade through Holyhead Port, restore the land-bridge and ‘turbo-charge’ the island’s Energy Island Programme (EIP) and ensure that the benefits are felt across Holyhead, Anglesey and wider north Wales.

The bidding process opened on 1st September and closed on 24th November 2022.

There will be £1m of revenue and £25m of capital made available by Government to enable the implementation and delivery of the Freeport.

b. Developing the Bid & Partnership Working

In a similar vein to the Levelling Up Fund submission, it cannot be underestimated the volume and complexity of work that went into developing the bid in an incredibly challenging timeframe. This resulted in significant, intensive collaborative working with Stena Line, building on the previous existing relationship with them.

The Bidding Prospectus was similar to that for England which led to the award of Freeport status to eight applicants in 2021 (including the Port of Liverpool, therefore a direct competitor to Holyhead). 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 indicated at the outset that they were open to the possibility of allowing more than one Freeport in Wales, should they be presented with a sufficiently compelling business case.

Bids could only be submitted by a coalition that must include the port operator (Stena Line) and the 'host' local authority (the County Council). Other partners within the Anglesey Freeport submission include local and international businesses such as Rolls Royce, BP, Morlais etc.; academic institutions, MSParc, Bangor University, Grwp Llandrillo Menai; the North Wales Economic Ambition Board amongst a host of other stakeholders and partners.

Applicants had to include at least one customs site. This (also known as a 'free zone') is a secure, enclosed customs zone where some of the normal tax and customs rules don't apply.

Bidders also had to designate tax sites 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 were three main objectives which any submission must be able to demonstrate:

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

c. The Anglesey Bid

It is important to note that the Anglesey Freeports submission had a particular focus on:

- Contributing towards net zero and decarbonisation
- Provide fair working conditions and protect quality of the environment
- Address local challenges

Therefore, it was important to demonstrate that a Holyhead Freeport could achieve both Government's expectations –in particular regeneration and high-quality job creation and initial estimates are that between 3,500 – 13,000 new employment opportunities will be created.

Within the bid the following sites were identified as the customs and tax sites:

1. Holyhead Port – owned by Stena Line, 125ha+
2. Former Anglesey Aluminium site – owned by Stena Line; customs site, 95ha
3. Parc Cybi – owned by Welsh Government and Conygar; customs site, 32ha
4. MSParc – owned by Bangor University and the Council; tax site, 21ha
5. Rhosgoch – owned by Conygar; tax site, 82ha

The key customs site in the Ynys Môn Freeport proposal is the combined Anglesey Aluminium and Parc Cybi sites, making up Anglesey Prosperity Zone. It is within this zone that the bulk of the jobs created on Anglesey will be accommodated.

The expectation is that the core industries to locate here will be in the manufacturing sector or the transport and storage sectors. Within these, there is scope for a wide range of businesses, particularly those with supply chains related to the wider Energy Island Programme Vision; requiring higher than average international inputs; significant export

platforms and trade links with the EU; large distribution requirements. These have been identified as firms to logically benefit from locating in Anglesey Prosperity Zone.

The anticipated benefits will be:

- Access to cheaper imports.
- Shorter supply chains.
- More efficient overall production processes (from time, cost, and environmental perspectives).
- Third-party spill over benefits through reduced prices and reduced negative externalities.

It is also anticipated that digital trade and restoring the land bridge corridors will contribute to increase trade between GB and Ireland and facilitate trade between the UK and EU thereby bringing about a correction in the 20% reduction in trade going through Holyhead Port.

Along with the Anglesey Freeport submission, bids were submitted by the Celtic Freeport, based around Port Talbot and Milford Haven ports, in the counties of Neath Port Talbot and Pembrokeshire respectively and a third bid, based around Newport and Cardiff Airport.

d. Freeports Decision

On the 23rd March 2023, the County Council was made aware it had been successful in its Freeport application, subject to the completion of the detailed business case. The announcement was made by Rishi Sunak the Prime Minister and Mark Drakeford the First Minister during a visit to the Port of Holyhead. This has resulted in significant interest – on an international scale – for Holyhead and Anglesey increasing the profile and visibility of the successful Freeport bid but also the area in general. This has been a huge boost in terms of the credibility of the bid with national and international companies who have an interest to establish operations here. The importance of the announcement being made jointly by the Prime Minister and First Minister cannot be underestimated.

e. Role of the County Council in the next stage in the delivery of Freeports

The next step of the process is the completion of the detailed business case, This has three elements, with Government approval required for each:

1. Outline and Full Business Cases (OBC and FBC) – ‘the Business Case process’
2. Proposed tax sites – ‘the Tax Site process’
3. Proposed customs sites – ‘the Customs Site process’

The Council will also work on establishing core principles for the close collaboration with Stena Line. This will be a new way of working for both organisations and will be a long term relationship building on the existing relationship. The importance of formalising appropriate governance structures will also be critical especially in ensuring and protecting the statutory obligations and responsibility the Council has.

This will be a substantial amount of work to be delivered in a challenging timescale and Government will provide the necessary revenue funding to complete this work.

As the funding will be administered to the County Council, we will have – as the Accountable Body – full responsibility in ensuring the funds are spent in a way that conforms fully to public sector purchasing and also the monitoring and reporting of all associated spend. Responsibilities will also include complying with the Welsh and UK Governments requirements on monitoring and evaluation (such as data collection and provision regarding new jobs, businesses created, and private investment attracted) etc. The Council will need to designate a Senior Responsible Officer and have the business cases and all spending approved within by our Section 151 Officer.

The County Council and Stena Line will have equal responsibility for the OBC and the accompanying submission, but it will need significant input from Stena and their advisers in specific areas, with them taking the lead on developing some interventions and producing relevant information for the OBC.

Detailed proposals on the following will be required:

1. Tax and customs sites (Council and Stena)
2. Use of the seed funding - £1m revenue and £25m capital (Council and Stena)
3. Identifying complimentary initiatives (Council and Stena)
4. Agreeing detailed governance frameworks (Council and Stena)
5. Planning and business rates retention (Council)
6. Innovation (Council, Stena and Partners)
7. Regulation (Council)
8. Net Zero initiatives (Council, Stena and Partners)

The County Council is considering its options to enter into a bespoke legal agreement between the Council and Stena Line to manage the development and delivery for the Freeport.

f. Risks associated with Anglesey Freeports

It is recognised that further clarity and assurance will be required by Governments as we progress through the business case phase. Some risks are as follows:

1. Risk management; stakeholder management and management of expectations.
2. The management, allocation and adherence to subsidy control of the £26m seed funding.
3. Resource and capacity within the Council to lead, manage and deliver the business case development within the timescale.
4. Protecting the Council's statutory obligations.
5. 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.
6. Potential impacts of the Freeport on local communities, the Welsh language and culture
7. The Council – and partners – not taking full advantage of the opportunity presented by securing Anglesey Freeports status.

The importance of being in partnership with Stena Line in the developing and ultimate delivery of the Freeport status cannot be underestimated. Their expertise, knowledge and commitment thus far will be crucial in the mitigation in some of the risks identified above.

6 – Equality Impact Assessment [including impacts on the Welsh Language]

6.1 Potential impacts on protected groups under the Equality Act 2010

None – applications by and for protected groups under the Equality Act 2010 will be dealt with exactly the same and funding could be targeted towards those groups

6.2 Potential impacts on those experiencing socio-economic disadvantage in their lives (strategic decisions)

Positive – this funding has the potential to be targeted towards those at a socio-economic disadvantage

6.3 Potential impacts on opportunities for people to use the Welsh language and treating the Welsh language no less favourably than the English language

Positive – by creating employment opportunities in the area it is hoped that more Welsh speakers will be able to benefit and stay in the locality.

7 – Financial Implications

Neutral – there are no financial implications on the County Council as the cost of the bid development and staffing implications have been paid for and will be met through external sources.

8 – Appendices:

Annex A – Daily Post Question and Answer extract

9 - Background papers (please contact the author of the Report for any further information):

Report to Executive, 24th October 2022, Holyhead Freeport Bid

Stena Line answers seven key questions about Anglesey Freeport:

Information taken from the Daily Post 24/3/23: <https://www.dailypost.co.uk/news/north-wales-news/stena-line-answers-seven-key-26549992>

The Holyhead port authority and key backer of the bid alongside Anglesey council explain more about the freeport.

Anglesey this week secured freeport status in a move backers say will create thousands of jobs. The island was selected alongside the Celtic Freeport in Milford Haven and Port Talbot for freeport status in a joint decision by UK and Welsh governments. UK Government will provide up to £26m of non-repayable starter funding for each of the freeports - parity with the deals offered to each of the English and Scottish freeports. The deal was led by Stena Line and Anglesey County Council. Here Stena Line answer some key questions about the freeport and concerns over job displacement and protections.

How will Holyhead freeport work?

The Anglesey Freeport would extend 45km from Holyhead port, covering the whole Isle of Anglesey. There would be four zones designated as tax or customs sites. The Council and Stena Line are currently discussing the potential sites.

These sites within the freeport benefit from trade and customs simplifications, providing greater incentives for investment and trade. This means that goods entering the Anglesey Freeport will not be subject to the UK's usual tax and customs regime, supporting long-term business investment, boosting the prosperity of Anglesey as well as North Wales. Other tax sites will have tax incentives and regulatory easements for investors. These easements will not diminish the UK's high levels of protection of labour and environmental matters.

What benefits would it bring the area and local workers?

Analysis conducted by the Centre for Economics and Business Research indicates that the Anglesey Freeport could bring up to 13,000 jobs to North Wales over a 15-year period. Freeports around the world have a history of providing local workers with exceptionally well paid, high skilled jobs.

Stena Line and Isle of Anglesey County Council are actively engaging with Bangor University, M-Sparc, the Institute of Export and International Trade, and Grŵp Llandrillo Menai on plans to upskill workers from across North Wales over the coming years.

How would the freeport support net zero?

The freeport will accelerate the take up of sustainable energy production on Anglesey, adding much needed energy for the UK while at the same time achieving net zero goals. Organisations including GE-Hitachi, Rolls Royce SMR, Bechtel, BP Lightsource and Menter Môn Morlais stand ready to invest in clean energy on the island. The projects include the largest consented tidal energy project in the world, offshore wind, nuclear and solar energy.

Will it mitigate some of the damage done to the port's freight trade following Brexit?

Since Brexit, the Central Corridor from Dublin to Holyhead has suffered from a 19% downturn in trade, and the establishment of the Anglesey Freeport is the most effective way to revitalise this important international trading route.

The freeport on Anglesey will help to boost Holyhead trade by empowering European traders to use the fastest route between the Republic of Ireland and the European continent – the GB “land-bridge” – rather than longer, more inefficient and costly shipping routes.

A fully revitalised GB-landbridge could deliver £6bn to the UK economy by 2040.

Would a freeport simply displace jobs and businesses from other parts of Wales, could nearby counties like Gwynedd and Conwy be negatively affected?

An Anglesey Freeport will create new jobs, rather than displacing others. Throughout the bid writing process, we spoke with 38 businesses interested in the opportunity presented by a freeport on the Isle of Anglesey. Many of these businesses noted in their support for the bid that they would not otherwise be seeking to invest in Anglesey or North Wales.

What protections would be in place for workers, and will looser rules on things like planning potentially offer less protection to the environment and important natural sites like Penrhos country park?

The Anglesey freeport will be governed by best-in-class World Free Zone Organisation/OECD rules on SafeZones and Clean Zones.

In addition, the Welsh government has set specific rules for all bids, highlighting that they must protect environmental and workers' rights. And the IACC has statutory duties to ensure all workers' rights are upheld to the highest standard. Far from lowering standards, the freeport will improve them.

How will it help with bringing economic development and jobs back to the former Anglesey Aluminium site?

The Anglesey Aluminium site is a key part of the freeport bid. The site is owned by Stena Line and there has been significant interest from a number of parties about the potential for the site if freeport status is granted. Setting out the official designation for the site will be part of the initial work of the bid team if we are successful in the bid.