



Subject:	Freeport/Innovation Zones
Date:	11 May 2022
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Restricted Reports	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Sometime in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

Call-in	
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

1.0	Purpose of Report or Summary of Main Issues
1.1	The purpose of this report is to provide an update to members on developments regarding Freeports across the UK and to advise on preliminary work undertaken to explore the potential for a Freeport as part of a Northern Ireland Innovation Zone.
2.0	Recommendations
2.1	The Committee is asked to:

	<ul style="list-style-type: none"> • Note the research undertaken to date • Agree that officers continue working with partners to explore this opportunity further as the policy context evolves.
3.0	Main Report
3.1	A designation of Freeport status creates an economic zone with exemptions from customs and excise duties and tax concessions to make the area within the port boundary attractive for new investment. From 1984 until 2012 the UK operated a number of Freeports, and one remains in the Isle of Man as a Crown dependency. The original incentives focussed exclusively on customs reliefs but these were phased out as it was considered there had been little benefit from the limited relief offered.
3.2	Based on work undertaken over that earlier period, the UK government has re-imagined the Freeport model aiming for a more ambitious range of incentives than simply customs reliefs. They are committed to establishing Freeports in each of the four nations. The number of awards will be jointly agreed with the relevant devolved region.
3.3	<p><u>English Freeport Prospectus</u></p> <p>In November 2020, the UK Government produced the English Freeport Prospectus, the first under this new policy. It defined a broader list of incentives that might be considered as part of any Freeport. These levers included tax benefits, customs provisions, planning freedoms, funding for infrastructure upgrades and innovation supports as well as local retention of business rates. This approach had a number of objectives including:</p> <ul style="list-style-type: none"> • Establishing national hubs for global trade and investment • Regeneration and levelling up • Creating hotbeds of innovation • Net Zero has more recently emerged as an objective
3.4	To date, 8 freeports have been designated, namely East Midlands Airport, Felixstowe and Harwich, Humber, Liverpool City Region, Plymouth, Solent, Thames and Teesside. Two are intended for Scotland, and Wales and Northern Ireland are still being developed.
3.5	The current Freeport model aims to support a place with a clear economic geography and outer boundary. The boundary area must contain at least one port, one customs site, and one tax site, although multiple sites can be included.

3.6	<p>Freeport Tax Sites have legislative power to set out the geographic area where Freeport tax measures can apply. In the English case that includes reliefs on Stamp Duty Land Tax, enhanced capital allowances, land transaction taxes as well as National Insurance and business rates. An individual site must be clearly marked out on a map and is subject to size restrictions. Tax sites should be “underdeveloped” so that the tax measures support areas with economic potential, rather than already successful sites. There also an amount of autonomy that Freeport proposals can apply depending on devolved tax powers and policy.</p>
3.7	<p>A Freeport Customs Site means businesses operating within the customs site receive tariff benefits and, subject to trade agreements, custom duty exemptions. Businesses will also be able to suspend import VAT on goods entering and avail of simplified import procedures. Operators of customs sites will need to obtain authorisation for their customs sites and meet requirements of HMRC and other agencies.</p>
3.8	<p>Tax sites and customs sites can be designated within the Freeport outer boundary within limitations. The port does not have to be a customs site or tax site, for example a tax site could be situated nearby, within the outer boundary. Proposals should aim for one tax site, but depending on an economic case up to 3 single areas may be included. The English prospectus indicated a maximum distance of 45km between any two sites within the boundary unless a special case can be made.</p>
3.9	<p>Freeports bids were initially expected to be led and operated by the private sector, but due to the due diligence required to draw down public funding, they have become increasingly public sector led, often with a significant private sector ‘anchor’.</p>
3.10	<p><u>Scottish Greenport Prospectus</u></p> <p>The Scottish Government renamed their proposition as ‘Greenport’ in January 2021 to distinguish the focus of the Freeports from the more trade and investment-oriented policy in England. This ‘Greenport’ proposition was aligned very closely with their pre-existing economic development strategy, centred around fair, inclusive work and Net Zero emissions.</p>
3.11	<p>In July 2021, the Scottish Government named nine areas being considered under the Greenport proposition - Shetland, Orkney, Aberdeen with Peterhead, Montrose, Dundee, Cairnryan, the Firth of Forth and Glasgow city region. In February 2022 the Scottish and UK governments agreed to establish two Freeports in Scotland, now termed ‘Green Freeports’.</p>

	<p>The bidding period will close on 20 June 2022. The UK government has committed funding of £52m to the initiative and bidders will have to pledge to reach net zero by 2045.</p>
3.12	<p>Devolved elements of the offer were created in conjunction with the Scottish Government, with the UK Government sharing the lessons learnt and expertise gained from the English Freeport programme. Many Green Freeport features will operate in the same way as Freeports in England. The prospectus retains an emphasis on supporting the green transition and decarbonisation.</p>
3.13	<p>The customs and tax models are designed to incentivise businesses to invest in Green Freeports. This is supplemented with seed funding to develop key infrastructure to help level up communities. The sites will benefit from accelerated planning processes. Potential Green Freeports will have to outline a decarbonisation plan. The largest area a Green Freeport Outer Boundary can cover is a circle of diameter 45km. Consideration will be given to applications for exceptional additional customs and tax sites outside the Outer Boundary where there is a clear economic rationale and there is a relationship to the area within the Boundary.</p>
3.14	<p>The UK Government has indicated that they will continue to work with the other devolved administrations to extend the Freeport programme across the rest of the UK.</p>
3.15	<p><u>Emerging Northern Ireland Proposition</u></p> <p>In 2021, a group of partners including Belfast City Council, Belfast Harbour, Derry City and Strabane District Council and Foyle Port commissioned a strategic appraisal of a Freeport proposition in the Northern Ireland context, taking account of alignment with key regional and national goals and strategies, including City and Growth Deals. The emerging findings identified the potential for a 'Northern Ireland Innovation Zone' to use the levers of the UK Freeport policy to deliver innovative and sustainable economic growth for the region.</p>
3.16	<p>The emerging model takes account of specific circumstances in Northern Ireland that require enhanced investment. For example, this could include areas such as innovation, skills, and sustainable business models ready for future growth.</p>
3.17	<p>The appraisal highlighted that any NI bid will have to be constructed in a unique way and that applying for several Innovation Zones may create competing bids. Two Public Trust Ports of Foyle and Belfast serve hinterlands with a natural location spread that includes deprived</p>

neighbourhoods in and around Belfast and Derry/Londonderry according to Northern Ireland Multiple Deprivation Measures.

3.18 The strategic appraisal identified a range of initial objectives for any Northern Ireland Innovation Zone, namely:

- Innovation: Fostering scalable companies, supporting City Deal innovation funds, supporting Innovation District initiatives, make use of regulatory sandboxes to build on strength in RegTech
- Competitiveness and productivity: Improving skills of the working population, driving NI's relative competitive advantage in key sectors, driving up entrepreneurship,
- Trade and investment: Stimulating new high value sectors by providing wrap-around provisions for new SMEs and FDI private investment in R&D to diversify the innovation base and grow exports.
- Regeneration: Developing underused sites, supporting City Deals' drive for regeneration
- Net zero: Supporting critical sectors to address global challenges such as net zero carbon adoption, repurposing coal and oil sites to protect for future use, cleantech investments (such as offshore wind), pilot hydrogen fuel generation from wind power.

3.19 The research undertaken has identified two potential sites that could form part of the NI Economic Zone – namely Belfast Harbour and Foyle Port. It does recognise the need for a final proposition to consider further input from other locations such as Larne and Warrenpoint Ports and the International Airport.

3.20 Alignment with NI Executive and UK strategies and policies

The City Deals will play an integral role in supporting some of the NI Innovation Zone (NIIZ) components. Tax incentives under Freeports will increase the attractiveness of the area for the private sector. Drawing in such investment has the potential to encourage new collaborations that benefit centres created through City Deal Investments. The Innovation District intends to build up on the investments granted by the City Deals and create a coherent district with appropriate facilities. The Freeport incentives would be one other lever contributing to making the zone even more attractive.

3.21 The emerging NIIZ model could support delivery of the priorities in various regional and sectoral economic strategies through its specific tax incentives including, for example, innovation and green transition. There is also the potential to explore how local business

	<p>rates could be retained and invested in skills, recognising that the rates system in Northern Ireland operates differently to other parts of the UK. An Innovation Zone of this nature could also provide a compelling proposition for Invest NI when promoting Northern Ireland as an FDI location.</p>
3.22	<p><u>Financial & Resource Implications</u></p> <p>There are currently no financial or resource implications associated with this report.</p>
3.23	<p><u>Equality or Good Relations Implications/Rural Needs Assessment</u></p> <p>There are currently no equality, good relations or rural needs implications associated with this report.</p>
4.0	Appendices - Documents attached
	None