

Report to: **Council**
Date: **13th October 2022**
Title: **Plymouth and South Devon Freeport**
Portfolio Areas: **Cllr Hilary Bastone - Economy**
Wards Affected: **All**
Urgent Decision: **N** Approval and clearance obtained: **Y**

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RECOMMENDATION:

That the Council submit an Expression of Interest for the Plymouth and South Devon Freeport to become an Investment Zone and in doing so gain additional economic incentives for the Sherford, Langage and South Yard sites.

1. Executive summary

- 1.1 Following the Council meeting on 22nd September 2022, when the Freeport was last considered, the Secretary of State announced on the 24th September 2022 Investment Zones as part of a package of economic growth measures.
- 1.2 Subsequently, 2nd October the Secretary of State indicated that Expressions of Interest (EOI) would need to be submitted by Friday 14th October 2022.
- 1.3 At the time of publication of this report, much of the detail is yet to be confirmed formally.
- 1.4 What we do know from the announcements, is:
 - 1.4.1 Investment Zones (IZs) have a package of incentives over ten years, rather than the 5 years for Freeports and provide additional financial incentive.
 - 1.4.2 Freeports can automatically be considered for the additional benefits from IZs whilst retaining Freeport specific benefits and identity, by applying for it by the 14th of October 2022.
- 1.5 At the time of writing our Freeport public sector partners Devon County Council (DCC) and Plymouth City Council (PCC) support this approach, and it is anticipated that the Freeport Board will also recommend it.
- 1.6 A decision from this Council is required for the EOI to be submitted, for IZ status at Langage, Sherford and South Yard (the Freeport Tax Sites and red line plans shared with Council 31st March).

2. What is an Investment Zone?

- 2.1 The following extracts from the Government's guidance explain that:
 - 2.1.1 The Government envisages that Investment Zones will be one or more specific sites within a Mayoral Combined Authority or Upper Tier Local Authority where a variety of tax, regulatory innovations and flexibilities, and planning simplifications will apply within those site's boundaries.
 - 2.1.2 **Business Rates** – 100% relief from business rates on newly occupied business premises, and certain existing businesses where they expand in English Investment Zone tax sites. Councils hosting Investment Zones will receive 100% of the business rates growth in designated sites above an agreed business rates baseline for 25 years.
 - 2.1.3 **Enhanced Capital Allowance** – 100% first year allowance for companies' qualifying expenditure on plant and machinery assets for use in tax sites.
 - 2.1.4 **Enhanced Structures and Buildings Allowance** – accelerated relief to allow businesses to reduce their taxable profits by 20% of the cost of qualifying non-residential

investment per year, relieving 100% of their cost of investment over 5 years.

2.1.5 **Employer National Insurance contributions relief** – zero-rate Employer NICs on salaries of any new employee working in the tax site for at least 60% of their time, on earnings up to £50,270 per year, with Employer NICs being charged at the usual rate above this level.

2.1.6 **Stamp Duty Land Tax** – a full SDLT relief for land and buildings bought for use or development for commercial purposes, and for purchases of land or buildings for residential developers.

2.2 Guidance link:

<https://www.gov.uk/government/publications/investment-zones-in-england/investment-zones-in-england>

3. What about Freeports becoming an IZ?

3.1 The Government guidance also states that:

3.1.1 Freeports have established local partnerships, governance, robust business plans and development sites and so are ideally placed to capitalise on the new Investment Zones offer to deliver investment, jobs, and growth if they want to do so. This will not only ensure that those Freeports that want to are able to build on the successes they have had to date by accelerating investment in their areas, but that both programmes complement one another.

3.1.2 The Government will work with Freeport Boards and local partners involved in current and prospective Freeports to consider whether and how the Investment Zones offer can help to support their objectives, as part of the wider process for identifying Investment Zones. This will ensure that both programmes complement one another.

4. What about planning deregulation?

4.1 At the time of writing the detailed planning guidance has yet to be released and will be circulated as soon as it is available. The EOI application forms do give us an indication that the Government is interested in applicants' proposals for unblocking planning – rather than mandating change.

4.2 The author contacted the senior civil servant in charge of the Freeport and IZ programme to ask this question and was informed that:

The policy around planning is still to be finalised, and should be published shortly, but in general terms it's more about the pace of getting through planning than about a type of policy change per se.

4.3 It was also asked if it would be acceptable to apply for IZ status with no changes to planning (as was the case with the Freeport bid and Final Business Case (FBC)) and it was confirmed that:

The EoI looks for a commitment to make sure that planning blockages are identified and dealt with. So as long as you remain committed to the fastest possible route to planning then yes, it remains the same as set out in your FBC.

- 4.4 The proposal for consideration by members is that an EOI to switch to IZ status is submitted on the basis of IZ economic benefits without any additional planning deregulation – this appears to be an acceptable proposition.

5. How do the benefits of an IZ compare to a Freeport?

- 5.1 The main difference of an IZ is the time frame over which the benefits are active for businesses. Freeport benefits, such as business rates relief and capital allowances last for 5 years, but as an IZ they would last for 10 years.
- 5.2 The national insurance contribution relief is roughly twice as generous in an IZ than for a Freeport.
- 5.3 Switching from an Freeport to an IZ will not impact the seed funding benefits associated with the Freeports of £25m.
- 5.4 Customs benefits associated with Freeports are also not part of the IZ package, and will remain for Freeports switching to IZs.
- 5.5 In summary – Freeports switching to IZs end up with the “best of both” and the greatest number of economic stimulus levers: Seed funding & customs zones PLUS ten years of business rate relief, capital allowance benefits and STDT relief.

6. Are there any financial implications for SHDC?

- 6.1 There are no direct financial implications for SHDC, it remains as set out in Council report 31st March, Minute Ref 73/21.
- 6.2 The business rates relief offered for Freeports and IZs to businesses have the same 100% funding commitment to local authorities over an agreed business rates base line.

7. Next Steps

- 7.1 PCC, DCC have indicated that they wish to submit an EOI to obtain IZ status, through officer delegation. The Freeport Board is yet to meet, but is also likely to recommend to submit an EOI. SHDC need to advise their public & private sector partners how they wish to proceed, as the EOI can not be submitted without all three local authorities being in agreement.
- 7.2 Should an EOI be submitted, it would need to be submitted by tomorrow – 14th October.
- 7.3 The timelines and actions that follow the EOI submission are not certain at the time of writing, but the indication is that the IZ programme is being run at pace, and so an early indication of the outcome is likely.
- 7.4 Following acceptance as and IZ, the Freeport team are likely to have to update their economic and investment modelling to reflect the increased ten year stimulus package.

8. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Freeport Board will meet and make a recommendation. As this is a reserved matter for the three founding members of the Freeport Company (PCC, DCC and SHDC), the three public sector bodies will then also make a decision. If all three agree with the recommendation of the Freeport Board, a decision can be taken.
Financial implications to include reference to value for money	Y	There are no direct financial implications for SHDC, it remains as set out in Council report 31 st March, Minute Ref 73/21. Significant financial benefits for businesses operating at Sherford, Langage and South Yard.
Risk	N	No direct implications
Supporting Corporate Strategy		Economy
Equality and Diversity		No direct implications
Safeguarding		No direct implications
Community Safety, Crime and Disorder		No direct implications
Health, Safety and Wellbeing		No direct implications
Other implications		Future planning policy changes may occur, within the designated sites of Langage, Sherford and South Yard.