

Freeport Programme in Wales Set-Up Phase Guidance

Contents

1. The Set-up Phase.....	3
2. The Three Processes	3
3. Seed Capital Funding	5
4. Complementary Initiatives	7
5. Tax.....	8
6. Planning.....	12
7. Customs	12
8. Net Zero.....	15
9. Trade and Investment.....	17
10. Innovation	18
11. Delivery.....	21
12. The Outline and Full Business Case.....	27
13. The Tax Site Process	33
14. Government Support	36
Annex A: High-level process map	39

1. The Set-up Phase

1.1 The purpose of this document is to inform prospective Freeports Consortia ('the Freeports') of the work needed over the coming months now that the two prospective Freeports in Wales have moved to the next phase of designation (the 'setup phase'). Consortia should note that this guidance is a live document and will be reviewed and revised as the Freeport Programme in Wales moves forward. This document sets out:

- how the business case, tax, and customs site processes will operate (Sections 2 and 14);
- further detail on the policy and delivery models, to help inform the development of Prospective Freeport proposals (Sections 3 to 11);
- the governments' expectations for the content of the Outline Business Case (OBC) and Full Business Case (FBC) (Section 13); and
- the support available to the prospective Freeports as they undertake the setup phase (Section 15).

1.2 Three processes must be completed in the setup phase and Welsh Government and UK Government (the 'governments') approval of the following will be required:

- OBC and FBC – together referred to as the 'Business Case Process';
- proposed tax sites – the 'Tax Site Process'; and
- proposed customs sites – the 'Customs Site Process'.

A high-level process map in **Annex A** provides an overview of the processes.

1.3 The three processes are linked and aligned. Through the Business Case Process, the strategic vision, economic impact, and delivery structures for the tax and customs sites will be scrutinised. The Tax and Customs Site processes will enable the activation of key policy levers. A Freeport's tax site(s) will not be designated until its OBC has been approved and at least one customs site will need to have been designated before the FBC can be approved.

2. The Three Processes

2.1 The Business Case Process

2.1.1 Through their OBCs, prospective Freeports will articulate their overarching strategic vision for their Freeport as a whole. This will involve significant development of the content of their original Freeport bid in line with its core principles and including a summary of:

- how the Freeport can maximise its contribution to Wales' national well-being goals as outlined in the [Well-being of Future Generations Act](#): a prosperous Wales, a resilient Wales, a healthier Wales, a more equal Wales, a Wales of cohesive communities, a Wales of vibrant culture and thriving Welsh language, a globally responsible Wales.
- how the Freeport Governing Body's decision-making will act in accordance with the Well-being of Future Generations Act's sustainable development principle by: taking account of the long term; helping to prevent problems occurring or getting worse; taking an integrated approach; taking a collaborative approach, and involving people that reflect the diversity of the population impacted by the Freeport.

2.1.2 The FBC will be a more detailed iteration of the OBC, rather than a distinct document, and will involve finalising and elaborating on the content of the OBC and addressing all the governments' feedback on it. However, the governments expect the majority of the work to take place at the OBC stage.

2.1.3 The Business Case process will serve to assure both governments that the Freeports will effectively manage public funds, in the form of seed capital funding, and help set the Freeports up to succeed. Full details on the Business Case Process are provided at Section 13.

2.1.4 Indicative timescales for the submission and approval of the OBC and FBC are below and will be dependent on the quality of documentation provided by the consortia:

Submission of OBC	November 2023
Announcement of OBC appraisal decision	March 2024
Submission of FBC	April 2024
Announcement of FBC appraisal decision	July 2024
Memorandum of Understanding signing between governments and consortia	September 2024

2.2 The Tax Site Process

2.2.1 Building on the initial assessment of the Freeport bids, the Tax Site Process will verify that the proposed tax sites adhere to the criteria set out in the [Bidding Prospectus](#), in terms of both physical size and shape and potential to meet the policy objectives. Freeports must provide a map of each tax site at Annex A of the OBC.

2.2.2 This is important to ensure that the selected tax sites maximise the net benefits of the Freeport whilst minimising any deadweight or displacement. The cases provided by the prospective Freeports will help the governments, and Freeport governing bodies, to evidence the value of the policy.

2.2.3 Freeport tax sites will not be approved until their OBC has been approved and the governments reserve the right not to proceed with the designation of a prospective Freeport tax site: that they deem to not meet the criteria set out in the [Bidding Prospectus](#); that does not represent good value for money, or an optimal, effective, affordable or deliverable use of the tax site powers; or where the OBC has been conditionally approved subject to as yet unfulfilled conditions relating to that tax site.

2.2.4 The Tax Site Process will incorporate the necessary criteria and conditions for acceptance. Please see Sections 5 and 14 for further guidance.

2.3 The Customs Site Process

2.3.1 Each Freeport customs site will need to be approved by HMRC prior to designation. This will involve HMRC due diligence checks to ensure the operator is legitimate, the location is

secured, and that the businesses operating within the customs site are complying with relevant security standards.

2.3.2 Businesses wishing to access the customs benefits of a Freeport will need a separate Freeport Business Authorisation from HMRC. Further information can be accessed [here](#).

2.4 Guidance

2.4.1 Business Cases should be developed using this guidance document and in line with [The Green Book¹ – with particular emphasis on](#) presenting place-specific SMART objectives. Business Cases that are better aligned with the governments' expectations are likely to secure approval more quickly.

2.4.2 The prospective Freeports should also refer to the following supplementary guidance:

- Links to technical guidance for the Freeport tax measures and reliefs will be published on gov.uk and linked from gov.wales on or before the date the respective relief/allowance is available to claim.
- Additional guidance on [operating a Freeport customs site](#).

3. Seed Capital Funding

3.1 Each Freeport will have the opportunity to access a maximum of up to £25m of seed capital funding upon approval of an FBC and agreement of a Memorandum of Understanding (see 3.11), although all funding is subject to the outcome of future Spending Reviews.

3.2 Seed capital will be awarded via a non-competitive process, whereby prospective Freeports will set out a range of options as part of the economic case of their OBCs. The value of seed capital awarded will be based on an assessment of the strength of each proposed option, the quality of those business cases and the proposals' strategic fit with the policy, and affordability constraints given the programme budget envelope. The amount awarded to one Freeport will not affect the amount awarded to another.

3.3 Seed capital funding will be used to contribute to the governments' objectives for Freeports and should primarily be spent on:

- land assembly and site remediation – for example, preparing or decontaminating brownfield land within tax or customs sites; and
- small-scale transport infrastructure to connect sites within a Freeport to each other, the immediate surroundings or other economic assets within the Outer Boundary or the wider Travel to Work Area – for example, building road or rail junctions or extensions to increase access to a tax or customs site.

3.4 However, seed capital funding may be spent on other capital works that strongly align with the Freeport's objectives, such as digital or skills (for example, improving internet connectivity or building a training college), in exceptional circumstances. These would be cases where:

- there are especially clear and well-evidenced expected benefits, in line with the policy objectives of the Freeport Programme in Wales;

¹ The Place-Based Analysis section may be particularly pertinent for the development of your Business Case.

- the investment would not otherwise be forthcoming and/or this would unlock a particularly high level of private sector match funding; and
- the investment is well aligned with wider skills/digital initiatives and will not duplicate or fragment this work.

3.5 Business Cases will be approved by the Freeport Programme in Wales Joint Board, which has representation from both governments.

3.6 We expect any funding provided will be matched or part-matched by private sector investment, local authority borrowing and co-funding from other public bodies where relevant.

3.7 Business Cases must show why or how the proposed uses of the seed capital funding:

- requires public investment – i.e. why proposals would not materialise, or the policy objectives would not be delivered or would be delivered to a significantly lesser degree without the public investment;
- will maximise the impact of other Freeport levers (for example, by addressing marginal viability gaps for a tax site);
- can be delivered at pace – we expect seed capital funding to be used for delivering short-term projects and that longer-term public investment projects within the Freeport will be financed using revenue from retained non-domestic rates;
- align with wider investments, initiatives, or strategies in the Freeport geography and national, regional and local transport plans (see Section 4); and
- support clean growth where possible and are compatible with both governments' Net Zero and decarbonisation ambitions (see Section 9).

3.8 Capital funding will be paid to the accountable body in each Freeport consortium in annual tranches. The accountable body will be responsible for ensuring all relevant regulations and best practice standards (including those governing public procurement) will be met in the use of seed capital and value for money (VfM) and the policy objectives will be delivered. To achieve this, the accountable body should take the individual seed capital projects through local assurance/business case processes, and these should be detailed in the business case submitted to the governments.

3.9 The projects should nonetheless be set out in detail in the business case submitted to the governments, including the approaches that will be taken to procurement, contract management, and risk transfer to provide assurance that all relevant regulations and best practice standards will be met and that VfM and the policy objectives will be delivered. Much of this information may be drawn from existing procurement policies and these may be submitted as annexes.

3.10 Prospective Freeports are required to show in their Business Cases that subsidy control has been considered by the accountable body with regards to the use of capital and revenue funding as well as any non-domestic rates relief or rates retention and demonstrate how any associated risks will be managed. This should draw on the [subsidy control guidance for public authorities](#).

3.11 We expect to make the first payment to each Freeport once its FBC has been approved and a Memorandum of Understanding agreed and signed with the governments, formalising the commitments and content in the FBC. Subsequent payments will be subject to annual assurance reviews which will focus on overall Freeport delivery.

4. Complementary Initiatives

4.1 Freeports are one regenerative tool among many, and impact can be maximised by aligning a Freeport with other public interventions in the local area.

4.2 One of the factors critical to Freeports' successful delivery is the development of a strong value proposition, including the availability of appropriate skills, infrastructure, and land to investors. Therefore, the most successful Freeports will be those complemented by initiatives in each of these areas.

4.3 Freeport interventions should build on and complement other local growth funds. If the Freeport geography is in receipt of any of the following funds, they should set out the strategic links between their Freeport and the fund, including how knowledge and partnerships developed through the delivery of the fund will inform Freeport delivery:

- City and Growth Deals Grant Funding;
- Levelling Up Fund; and
- other government provided local growth funding.

4.4 We expect prospective Freeports to develop and fund (for example through retained non-domestic rates) or seek funding for, proposals that align with the governments' policy objectives. This includes, but is not limited to, initiatives in the following areas:

- **Regeneration** – Freeports should act to drive regeneration across local economies and communities by driving inclusive and sustainable growth locally, regionally and nationally;
- **Fair Work** – Freeports must support the [Welsh Government's Mission](#) to build a prosperous, green and equal economy based on the principles of fair work. This includes acting as exemplar by promoting the principles of fair work and sustainability. The Freeport should engage with Welsh Government to implement current Welsh Government policy on the Economic Contract;
- **Sustainable Development** – Freeports must support Wales to become a more sustainable nation through improving the social, economic and cultural well-being of Wales, including the application of the sustainable development principle designed to maximise the contribution to achieve each of the Well-being goals as set out by [the Well-being of Future Generations \(Wales\) Act 2015](#);
- **Skills** – Freeports should enhance the local skills base and align the skills available in the local labour market - including support for upskilling - to investors and sectors being targeted;
- **Wellbeing** – Freeports should deliver long term benefits to improve the economic, social, environmental and cultural wellbeing of Wales as set out in the [Well-being of Future Generations \(Wales\) Act 2015](#);
- **Net ZERO** – Freeports must support the Welsh and UK Governments' climate change ambitions – thereby supporting Wales to build a stronger, greener economy as it makes maximum progress towards decarbonisation while building in resilience to the impacts of climate change;

- **Trade and investment** – Freeports should be hubs for global trade and investment – further internationalising our economy; generating sustainable trade growth; and enabling trade processes to become easier and more efficient – alongside respecting and protecting human rights;
- **Innovation** – Freeports should focus private and public-sector investment in research and development; be dynamic environments that bring together innovators to collaborate in new ways, while offering controlled spaces to develop new ideas and technologies; and draw on existing innovation support systems. This should align with the [Innovation Strategy for Wales](#) and take note of the UK Government’s [R&D Roadmap](#) and [Innovation Strategy](#);
- **Transportation** – The ability of Freeports to deliver the policy objectives of increased trade throughput and investment will rely on suitable and sustainable transport infrastructure being in place, as a key component of the Freeport’s value proposition to exporters and investors. Activity should support the vision and the priorities set out in [Llwybr Newydd The Wales Transport Strategy 2021](#); and
- **Mitigating displacement** – Initiatives to mitigate against displacement of economic activity from elsewhere will be key to demonstrating the additionality of the Freeport.

5. Tax

5.1 Purpose and Scope

5.1.1 The Freeport tax measures will be a key driver of the programme’s impact and have been designed with the intention of helping sites attract private investment and deliver the policy objectives of the Freeports Programme in Wales. Reliefs will not be available until tax sites are designated. Freeports and their partners, including tax site landowners and investors, should be clear on the policy intent underpinning the tax reliefs and understand that they will be asked to demonstrate the appropriateness of their proposed tax sites (including robustly evidencing underdevelopment and investment viability gaps). They must also outline the concrete and specific steps they will take to ensure the tax sites deliver on the policy objectives to the greatest degree possible.

- Both Governments recognise landowner sovereignty and that in most cases the Freeport itself will not be a landowner and so will not enjoy direct control over tax site land. However, to the extent that tax sites are in receipt of government support in the form of tax relief and that this support is an inseparable part of a wider Freeport package, the governments and the wider Freeport consortium have a legitimate interest in what takes place on those sites. Freeports consortia must therefore set out a suitably robust strategy for managing their tax sites that, whilst recognising landowner sovereignty, gives the governments, wider Freeport partners, and local populations confidence that the Freeport tax reliefs will deliver investment that: aligns with the Freeport’s strategic focus (i.e. it belongs to the target sector(s) so will contribute to clustering);
- creates new economic activity and sustained growth in the tax-base, rather than displacing it from elsewhere, which would not have otherwise been created (i.e. they constitute additionality); and
- has as many of the following characteristics as possible:
 - brings high-quality, high-GVA jobs;
 - carries with it high innovation and research and development potential;
 - is likely to drive increased trade throughput;
 - contributes to the local skills ecosystem (for example, through apprenticeships);
 - has high social value;

- contributes to the decarbonisation of the Freeport; and
- contributes to the operating costs of the Freeport.

5.1.2 The tax site management strategies for Freeports must set out in detail how (against what criteria and by whom) investment will be appraised for its alignment with the above considerations and the specific and concrete steps that will be taken (by the Freeport governing body and by landowners) to encourage well-aligned investment and prevent poorly aligned investment. Freeports will be expected to monitor and report on the efficacy of their tax site management strategies.

5.1.3 The governments consider the use of contractual agreements, formalising the obligations of landowners and the Freeport governing body under the tax site strategy, to be best practice and can support with the development of these agreements. Alternative arrangements must be fully justified, and a compelling case made that they can provide the equivalent level of confidence in the delivery of the policy objectives.

5.1.4 As outlined in the [Bidding Prospectus](#), the Freeports offer will be subject to the governments' domestic and international subsidy control obligations. Businesses located in designated tax sites will need to fulfil any requirements in place to ensure compliance with those obligations in advance of, during, and after claiming any relief.

5.1.5 All technical guidance for the operation of Freeport tax measures and eligibility will be published on gov.uk and linked to from gov.wales on or before the date when the respective relief/allowance is available to claim. Freeport consortia can view the following published guidance for eligibility (in relation to England Freeports which have been designated) on gov.uk:

- claiming National Insurance relief in Freeport tax sites;
- claiming the enhanced capital allowance relief in Freeport tax sites; and
- claiming enhanced structures and buildings allowance relief in Freeport tax sites.

5.1.6 HMRC, other government departments, local authorities, and the Welsh Government are unable to provide individual tax advice regarding a business' eligibility for tax reliefs available in Freeport tax sites and if a business are unsure whether it will qualify for a relief it is essential to obtain independent tax and legal advice.

5.2 Changes to Tax Sites

5.2.1 We may require changes to tax sites where these are needed to meet the requirements set out in this guidance and the [Bidding Prospectus](#). Revised proposals will be developed with Freeport consortia.

5.2.2 Where there is a strong case, Freeports may suggest minor changes, which will need to be agreed with the governments, in line with the policy objectives, for doing so and the revised site(s) must meet the requirements set out in this guidance and the [Bidding Prospectus](#). All proposed changes will be assessed on a case-by-case basis.

5.2.3 More substantial changes will only be considered where there is an exceptionally strong case, which shows the change(s) will significantly increase the ability of the proposal to deliver the policy objectives.

5.3 Non-Domestic Rates Retention

5.3.1 As set out in the Prospectus, local authorities in which the Freeport tax sites are located will be permitted to retain growth in non-domestic rates yield on Freeport tax sites above an agreed, pre-designated baseline. The amount of rates which may be retained will be subject to a displacement factor set by the Welsh Government (see 6.1.8). The displacement factor will take account of the nature of the proposed developments within the tax site to ensure that any Non Domestic Rates (NDR) growth identified is demonstrably additional and not the result of the displacement of other activities. This retention will be guaranteed for up to 25 years from the date of inception, giving local authorities the certainty that they need to borrow to invest in regeneration and infrastructure that will support further growth. Information on the administration of the retention scheme will be set out in separate guidance on non-domestic rates retention for Freeports. There should be no double-counting of retained NDR revenue and NDR relief within the Freeport area.

5.3.2 This non-domestic rates retention will be a consequence of Freeport status and therefore the governments expect all non-domestic rates retained in relation to Freeport tax sites to be used for purposes associated with the Freeport. Exclusions will be by exception only, including any proposed provisions relating to counterfactual non-domestic rates growth that would be retained locally in the absence of the Freeport.

5.3.3 The relevant local authority or authorities will be accountable for the use of any retained non-domestic rates (as public funds), and the strategic direction for the use of retained non-domestic rates should be set by the Freeport governing body.

5.3.4 The pooling of any retained non-domestic rates from Freeport tax sites by local authorities is considered, by the governments, to be the approach most likely to enable the policy objectives to be realised. Pooling of retained non-domestic rates across local authorities can enable expenditure to be made within the Freeport area where it is most impactful: this may or may not be in the local authority or authorities in which the revenue has been raised. Where alternative arrangements are proposed, these should be fully justified by the Freeport governing body in terms of the policy objectives.

5.3.5 Retained non-domestic rates revenue should be used to promote the Freeport's objectives within the Freeport geography or wider Travel to Work Area and for activity that: would not otherwise occur; demonstrably requires *public* funding; and is most appropriately funded from retained non-domestic rates, rather than other public funding pots.

5.3.6 Income from retained non-domestic rates growth should primarily be used to fund:

- Freeport operating costs;
- physical and/or digital infrastructure that will facilitate investment in the Freeport area;
- land assembly and/or site remediation works that will facilitate investment in the Freeport area;
- skills and workforce development – based on the principles of fair work and sustainability
- innovation initiatives;
- regeneration and/or the development of 'live work play' assets within the Freeport Travel to Work Area;
- mitigating any displacement and/or negative externalities associated with the Freeport;
- activity in support of the Freeport's Net Zero and decarbonisation ambitions; and
- the delivery of Freeport-specific planning measures.

5.3.7 Alternative proposed uses of retained non-domestic rates will need to be clearly articulated and justified by the Freeport governing body.

5.3.8 While the location of proposed tax sites should be chosen with the intention of minimising displacement of economic activity from wider local areas, an amount of displacement may nevertheless occur. Freeport governing bodies are required to propose appropriate displacement factors for their tax sites to be considered when calculating the non-domestic rates to be retained. Any proposed displacement factors should match the assumptions for displacement used in the Economic Case and will need to be evidenced. The Welsh Government will make the final determination of any displacement factors used for the purpose of calculating the amounts of rates revenue which may be retained.

5.3.9 The Welsh Government will periodically review the rates retention process to ensure it remains fit for purpose and continues to align with the overriding principles agreed.

5.4 Non-Domestic Rates Relief

5.4.1 NDR relief will be available within the Freeport areas. Businesses will potentially be eligible for up to 100% relief from NDR on certain properties and property improvements within designated tax sites in the Freeport.

5.4.2 The intention of the relief is to support new businesses as well as existing businesses when they expand into new or unused space as a direct result of the Freeport arrangements. As with other rates reliefs, the relief will not be available to Crown properties or properties occupied by principal authorities or precepting authorities.

5.4.3 The relief will be available for up to five years from the point at which the beneficiary first receives it. Eligible firms will be able to apply to the relevant local authority to access this relief.

5.4.4 Freeport relief is entirely at the discretion of the local authority in which the rates are paid. Guidance will be provided to assist local authorities with deciding if they should provide rates relief or not.

5.4.5 The potential rates relief provided will significantly impact the amount of rates which might be retained in the first five years of the Freeport arrangement.

5.5 Land Transaction Tax Relief

5.5.1 The Welsh Government proposes to offer a specific Land Transaction Tax (LTT) relief on relevant land transactions associated with qualifying tax sites within the designated Freeport area where that property is to be used for qualifying commercial activity. Legislation to provide for this is required to be laid before the Senedd and subsequently approved before any relief can be made available. As such, the timing for this is subject to confirmation. Further details on the Welsh Government's proposals will be provided in due course, but for planning purposes the UK Government's relief for its equivalent tax is available for a period of up to five years.

5.5.2 Where relief is available, clawback provisions will apply in the event that land, or property, is not used for a qualifying purpose within a control period which will be set out in the legislation.

5.5.3 Applicants should note that as LTT policy is devolved, the details of relief may differ from the Stamp Duty Land Tax relief, based on the specifics of the Welsh approach.

6. Planning

6.1 Purpose and Scope

6.1.1 A key outcome for the Freeports Programme in Wales policy is increased investment within and around Freeport geographies. The governments expect Freeports to be delivered at pace. A planning policy environment which supports this ambition is important and business cases that include innovative and forward leaning development proposals are therefore strongly encouraged. Freeports should play an active role in supporting their planning authorities to explore such options.

6.1.2 Future Wales - The National Plan 2040 provides the national development plan context for Freeports in Wales. Freeports will need to demonstrate compliance with Policy 1 - National and Regional Growth areas and Policy 10 – International Connectivity Demonstration and how their proposals align with the most up-to-date edition of [Planning Policy Wales](#) and associated Technical Advice Notes.

6.1.3 In addition to the national planning context, local authorities should explore whether Local Development Plan policies need to be reviewed and the potential role of local placed based tools such as Simplified Planning Zones or Local Development Orders. Simplified Planning Zones and Local Development Orders can provide greater certainty to business by removing the need to apply for planning permission for developments covered by an order.

7. Customs

7.1 Purpose and Scope

7.1.1 The Freeports customs model has been designed to support businesses within the Freeport area to engage in international trade and has a key role to play in helping Freeports achieve the policy objective of becoming hubs for global trade and investment.

7.1.2 The model builds on existing customs facilitations of tariff and nontariff benefits, making Freeports attractive for businesses and supporting them to boost their international competitiveness. Freeports and businesses within them can take advantage of the flexibility in the customs model, which permits multiple customs sites with economic links to ports.

7.1.3 Businesses importing non-GB goods into a designated Freeport customs site will benefit from the following:

Tariff Benefits:

- duty suspension – i.e. no import duties to be paid on non-GB goods brought into a customs site, until they enter the GB domestic market;
- duty flexibility – where declaring goods to the GB market, the ability to calculate import duties based on the value of inputs or finished product, whichever is most beneficial to the business (unless the goods are subject to an additional amount of import duty where a Trade Remedy or other Policy measure applies, in which case duties are calculated on inputs to avoid circumvention of any such Trade Remedy or measure); and
- duty exemption for re-exports – unless subject to duty drawback clauses under the relevant Free Trade Agreement, no import duty is paid;

Non-tariff Benefits:

- Simplified import declarations – either:
 - a declaration to the Freeport procedure at the port using a simplified declaration under a Freeport business authorisation. This is separate from the existing Simplified Customs Declaration Procedures;
 - movement from the port Temporary Storage Facility to the Freeport customs site via Internal Movements in Temporary Storage (iMiTS) with declaration “by conduct” (for non-controlled goods) into the site (requires an External Temporary Storage Facility (ETSF) adjacent to the customs site);
 - no supplementary declarations needed for goods declared to the Freeport procedure under a Freeport business authorisation;
- movement “by conduct” between Customs sites within a Freeport or between UK Freeport Customs Sites where a business authorisation is held. This also includes movement between Freeports and Freeports in England and Scotland, once operational;
- ability to move from another special procedure to the new Freeport procedure using declaration “by conduct”; and
- a single authorisation, meaning less contact with HMRC.

7.1.4 For each customs site, a single ‘Customs Site Operator’ (CSO) must be authorised by HMRC and the site designated by HMT, before the site can operate. Businesses must then be authorised for the Freeport special procedure in order to import goods to, and to store and/or process them at, the customs site. Multiple businesses can be authorised to operate under a single CSO within a customs site or the CSO can act as both the operator and the business.

7.1.5 A prospective CSO must have the support of the Freeport governing body to apply for authorisation by HMRC before HMRC will consider its application. Freeports should define clear and transparent processes and criteria, rooted in their objectives, for deciding whether to support a prospective CSO application.

7.1.6 Freeports are expected to engage proactively with potential CSOs and end user businesses to deliver customs sites that will contribute to the Freeport achieving its objectives. This should include exploring how customs sites can be used to support supply chain co-location and clustering around the Freeport tax sites and how they can be used to extend Freeport customs benefits to businesses that have not previously been able to access these trade facilitations or engage in international trade at all.

7.2 Site Operator Authorisation

7.2.1 HMRC has published guidance on the responsibilities of Freeport CSO, [the customs site authorisation process](#) and how customs sites will operate.²

7.2.2 As set out in the [Bidding Prospectus](#), Freeports are required to have at least one customs site. Prospective Freeports must therefore ensure that at least one prospective CSO, with a realistic proposition, has completed HMRC’s [registration of interest form](#) and begun conversations with HMRC about getting their site(s) designated; this is a condition of OBC

² <https://www.gov.uk/guidance/get-your-business-ready-to-use-a-freeport-customs-site>;
<https://www.gov.uk/guidance/declaring-goods-and-paying-tax-when-using-a-freeport-customs-site>

approval. At least one customs site within the Freeport will need to be designated by HMRC before the FBC can be approved.

7.2.3 For a customs site to be designated, HMRC must be satisfied that their conditions have been met by the applicant CSO. These conditions include the site having provisions for the necessary infrastructure (e.g. IT systems), meeting security standards (e.g. perimeter security and controlled access) and complying with reporting requirements. [Further guidance](#) on this is available. The time taken for customs sites to be authorised and designated will depend on how quickly the applicant CSO can successfully meet the requirements and put the necessary measures in place. If customs sites are not ready in time, this will delay FBC approval.

7.2.4 Customs sites will not be authorised unless they demonstrate an economic need for the authorisation, for example by providing clear evidence of businesses wanting to operate in the customs site and making use of the customs procedure available within a reasonable timeframe (a reasonable timeframe is defined as within 12 months from the time of designation of the customs site, unless a strong case can be made for slower delivery timescales and is subsequently approved by HMRC).

7.2.5 The Freeport CSO will be jointly and severally liable with the declarant for any import duty arising in instances where a breach of the operator's conditions of designation occurs and which leads to import duty liability arising.

7.3 Changes to Customs Sites

7.3.1 The governments expect Freeports to aim to deliver all of the customs sites outlined in the original Freeport bid as soon as possible and to set out timescales for the delivery of each site in the Business Case. However, it is appreciated that Freeports' strategic and commercial circumstances may evolve and that plans (as articulated in the original Freeport bid or in the Business Case) may need to change accordingly. The Business Case should explain and justify any reduction in the number or size of customs sites or delays to delivery as compared to the original bid. Where a site cannot currently be delivered, the Business Case should set out what conditions would need to be met for this to become possible.

7.3.2 Where circumstances change and these are likely to lead to a reduction in the number or size of customs sites or delays to delivery, Freeports should engage their lead government contacts in the first instance.

7.3.3 Designation Orders for customs sites include a link to a map of the area and boundary of the site, published on gov.uk. If changes are subsequently required to the area covered by the Designation Order, the relevant permissions from HMRC and HMT will need to be sought and an updated map provided, in order to amend the CEMA Designation Order. Under the terms of the Orders, the Operator will also need to seek permission from HMRC for the construction of new buildings on site.

7.3.4 Prospective Freeport consortia are welcome to propose customs sites additional to those included in the original bid during the setup and delivery phases and should contact their lead government contacts, before submitting a registration of interest to HMRC.

8. Net Zero

8.1 Scope and Purpose

8.1.1 Freeports and the businesses within them will play an important role in Wales' and the UK's path to net zero by adopting high environmental standards and through attracting investment in green industries, creating green jobs and reducing greenhouse gas emissions as set out in the [Net Zero Wales Plan](#).

8.1.2 Both governments expect prospective Freeports to contribute towards net zero ambitions and, where appropriate, to be in line with local and/or sectoral carbon emissions targets.

8.1.3 Freeports and the businesses within them, where appropriate, may wish to seek wider funding available through both governments to support their decarbonisation efforts, including through:

- the Net Zero Hydrogen Fund;
- the Zero Emission Vessels and Infrastructure Fund;
- the CCUS Cluster Sequencing Competition; and
- the Industrial Energy Transformation Fund.

8.1.4 Freeport investments, especially those supported by Freeports seed capital, should therefore support clean growth; a fair and inclusive transition (just transition) to net zero; and as a minimum, must not conflict with the legal commitments to cut greenhouse gas emissions to net zero by 2050.

8.1.5 The governments expect prospective Freeports to be ambitious about net zero and envisage three levels that they might aspire to:

- **Minimum standard:** Development of a robust decarbonisation plan and creation of a steering group with local partners which includes the setting of carbon emissions reduction targets towards net zero for business sites associated with the customs and tax sites within the Outer Boundary of the Freeport and additional infrastructure associated with the sites;
- **Medium level:** Able to demonstrate emissions reduction towards net zero across all aspects of the target sectors across the wider region by alignment with relevant local net zero plans, including both business and public sector emissions; and
- **Higher Ambition:** Acting as an exemplar whereby working with local partners delivers a net zero emissions target and contributes to becoming nature positive for the area covered by the Freeport's outer boundary and wider region significantly ahead of 2045.

8.1.6 The completion of a cost-effectiveness analysis (see the [Green Book guidance: valuation of energy use and greenhouse gas emissions for appraisal](#)) should enable prospective Freeports to make a more informed decision around what emissions level they might aspire to.

8.1.7 All three levels of ambition will require:

- ongoing monitoring and assessment of progress towards net zero (i.e. 'carbon performance benefits realisation') within the Freeport geography. This should demonstrate an understanding of the main sources of direct and indirect emissions within the area and how these are currently being measured;

- clear milestones, targets, and deadlines for achieving net zero emissions (these should reflect interim targets) and a plan for monitoring progress against them and reporting on them to the governments and local partners in accordance with any extant statutory reporting deadlines;
- a plan for engaging and collaborating with relevant local partners
- a plan for how the carbon emissions of investments funded by Freeports seed capital will be minimised at the start and reduced to net zero by 2050;
- a plan for investing and attracting further investment in Clean Growth/Net Zero technologies and supply chains;
- a plan for providing an increased number of jobs or improvement in the skills base in the green economy; and
- a sustainable procurement policy

8.1.8 At the OBC stage prospective Freeports are required to provide a high-level draft decarbonisation plan at Annex E. This should be fully developed at the FBC stage, when prospective Freeports are expected to provide a detailed robust decarbonisation plan at Annex E. The plan must meet the requirements set out below and set the Freeport’s level of ambition on Net Zero (see Section 9.1.5 and 9.1.6).

8.1.9 In accordance with HM Treasury Green Book requirements, the carbon emissions impact of the Freeport should be estimated and included in the OBC economic case (with a particular focus on how the impact of the Freeport is distinct and additional from other government interventions that may be taking place in the proposed Freeport area).

8.1.10 A review of the Green Book was published by HM Treasury in November 2020 that included updated guidance on the appraisal of projects, programmes and policies based on their alignment with net zero carbon emissions targets³. Sections 3.6 to 3.7 of the updated guidance include the requirement to include the carbon emissions impact from all projects in the economic case:

“3.6 Furthermore, even where progressing the net zero target is not the primary objective of a proposal, appraisers should consider whether it acts as a relevant constraint. Any environmental or carbon emissions impacts should also be captured in the economic case.

3.7 Carbon emissions should be assessed using the approach set out in DESNZ Carbon Values. These values are calculated as the cost of removing an additional tonne of emissions from the atmosphere calibrated to a path of emissions consistent with meeting the UK’s legal targets.”

8.1.11 The Green Book update in March 2022 incorporated recent associated HM Treasury guidance on valuing carbon⁴, including the following clarification:

“Greenhouse gas (GHG) emissions occur as a result of many decisions to create assets or provide public services, particularly where direct energy consumption is required. They may also result from the energy required to produce basic input materials used in

³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/937700/Green_Book_Review_final_report_241120v2.pdf

⁴<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020#valuation-of-costs-and-benefits>

construction. The creation of GHGs has a social cost based on its contribution to climate change.

To estimate the social cost of an intervention it is necessary to include the costs of emitting GHGs. Energy efficiency has a direct social value, in addition to the value of a reduction in GHGs, as the energy saved itself has a direct benefit to society (similarly, activities that create extra demand for energy have a direct energy cost)."

8.1.12 The following key points are drawn from Green Book carbon requirements for the completion of Freeport OBCs:

- the whole life carbon emissions impact for proposed Freeports should be assessed and quantified, e.g. in tonnes of carbon dioxide equivalent. The level of detail will increase from Outline to Full Business Case; however, carbon estimation is expected at both stages (whenever cost can be estimated, so can carbon to a similar degree of accuracy);
- the carbon emissions impact should be converted to an economic value using the approach set out using the DESNZ Carbon Values⁵. This calculated value represents the cost of removing the carbon emissions predicted to result from the project from the atmosphere, also known as the 'abatement' cost;
- the carbon emissions impact economic value for options appraised within the business case should be included in the OBC (and FBC) Benefit Cost Ratio (BCR) calculations within the Economic Case; and
- the level of analysis and complexity of assessment should be proportionate to the level of emissions. Ranges should be reported to take account of uncertainties in assessment, and sensitivities tested where appropriate.

9. Trade and Investment

9.1 Scope and Purpose

9.1.1 Establishing Freeports as hubs for global trade and investment is a key policy objective of the Freeport Programme in Wales and is a foundational activity that underpins the realisation of the other three programme objectives. The economic impact that trade and international investment has on host economies is well established and includes the establishment of new industries, the leveraging and enhancement of existing economic activity, increased quality of opportunity for employment, higher wages, productivity gains, increased exports and regeneration of communities.

9.1.2 Freeport consortia will therefore, as part of their overall economic strategy, need to define and develop at the OBC stage a considered and deliverable trade and investment (T&I) strategy that sets out the place of T&I within the short, medium and long-term economic plan to deliver a sustainable Freeport. This strategy will demonstrate how each Freeport will engage with and attract overseas investors and support businesses within the Freeport area to trade internationally. This strategy should be rooted in a strong vision at both a Freeport and site-level and should complement and align with wider activities, including landowners' own marketing and regional, Welsh Government and UK Government investment promotion and export support functions. The Freeport consortium and its constituent parties will need to exercise ownership in developing and delivering this strategy, but can expect government support alongside this, where additive, as detailed below. The T&I strategy should define sectorial and regional priorities

⁵ <https://www.gov.uk/government/publications/valuing-greenhouse-gas-emissions-in-policy-appraisal>

(markets) and show how and where the Freeport will interface with Welsh and UK government bodies in the promotion of the Freeport. The strategy should also define the resources and governance structures within the Freeport to support T&I activities.

9.1.3 The Freeport consortium should at an early stage, and in advance of OBC submission, review and deepen the relevant content from their original bid, considering which sectors, supply chain components, and markets would form a credible focus for the Freeport's investment attraction activity given the strengths of the local area and Freeport tax and customs sites (including consideration of local infrastructure, existing supply chains, and labour markets). The OBC should provide supporting evidence for the Freeport's sectoral choices, aligned with statistical data on the barriers to success in the delivery of the Freeport's T&I ambitions. This may include local skills, supply chain gaps and technology gaps that might restrict investment into the Freeport and how the Freeport consortium seeks to mitigate, reduce or remove these barriers.

9.2 Implementation

9.2.1 Trade and Investment support in Wales is delivered primarily by Welsh Government, alongside domestic and international support from the UK Government, in particular the Department for Business & Trade (DBT). This is delivered through the Welsh Government's [International Strategy](#) and [Export Action Plan for Wales](#), evidence-based strategies that identify strengths and prioritised opportunities for economic development in Wales, as well as DBT's *Export Strategy: Made in the UK, Sold to the World*, which has been made nation- and locality-specific to ensure local economies and prominent national sectors are amplified. DBT will work with the Welsh Government to provide support on:

- Capacity Building:
 - ensure the Freeport takes full advantage of existing services in Wales, as signposted by the Welsh Government Trade and Invest, DBT Wales and the Freeport teams; and
 - provide strategic advice to the Freeport throughout the development of the OBC and FBC;
- Promotional Strategy:
 - support the Freeport in the formulation of a unique investment proposition, rooted in the Freeport's strengths, objectives, and the characteristics of its sites and their sectoral choices;
 - support the Freeport in the development of associated marketing collateral and how this will be integrated into existing government investment promotion campaigns, including through DBT's international network, the GREAT campaign and the UK's Investment Atlas, in collaboration with Welsh Government's international network and promotional activity; and
 - support the Freeport to develop an investor communications and engagement plan and to maximise communication opportunities, including at high-profile domestic and international events and through the governments' communication channels and visits.

10. Innovation

10.1 Purpose and Scope

10.1.1 Creating an innovative ecosystem within Freeports is key to achieving the objectives of the Freeport Programme in Wales. Freeports should be dynamic environments that bring together the innovation eco-system to collaborate in new ways, while offering spaces to develop and trial new ideas and technologies.

10.1.2 Innovation is also the cornerstone of sustained economic growth in industry. It allows business to develop and adapt. Supporting the capacity of business within Freeports to invest in R&D, including developing the necessary local skills, will be key to the growth of sectoral clusters targeted by Freeports and ultimately this will also lead to local job creation.

10.1.3 Furthermore, to meet Net Zero targets unprecedented innovation will be required. Freeports have a key role to play in driving the transition of port operations and port-adjacent manufacturing towards decarbonisation and Net Zero, supporting the development and adoption of low carbon technologies within the port environment and beyond.

10.1.4 The [Innovation Strategy for Wales](#) sets out the Welsh Government's plan to create and nurture a vibrant innovation culture for a stronger, fairer, greener Wales. It seeks to use innovation to deliver impact and value for citizens in a modern Welsh economy by coordinating people, and organisations such as business and academia and funding bodies to maximise outcomes and investment from Welsh, UK and international sources. The aims are grouped into four specific missions: for Education, the Economy, Health and Wellbeing, and Climate and Nature. An Action Plan will be published in due course which will set out the mission goals to be taken forward against each of these missions.

10.2 Implementation

10.2.1 Freeport innovation strategies should complement, and add value to, the current innovation ecosystem and focus private and public-sector investment in research and development. They should also demonstrate alignment with existing regional and national innovation priorities and strategies, including the Welsh Government's Innovation Strategy for Wales, UK Government's [R&D Roadmap](#), [Innovation Strategy](#) and the Science and Technology Framework.

10.2.2 It is important that Freeports are also connected to, and complement, existing innovation support mechanisms and should consider how their innovation activity can be linked to and draw in support from national (Welsh and UK) innovation support systems. The Welsh Government Business Innovation Team can support brokerage with such mechanisms. These can include:

- innovate UK and the funding and business support it offers;
- existing Wales based City & Growth Deals;
- the Welsh Government and its partners who provide a wide range of innovation funding and support across Wales;
- our university and college sectors who are vital parts of our national innovation system, engaging with, developing and translating new knowledge into the economy;
- innovation Centres, research centres and innovation assets which support companies with product, process and productivity challenges; and
- innovative local businesses.

10.2.3 All Freeport partners should seek opportunities to access wider innovation funding and support, examples of which are set out below and should identify a pipeline of complimentary investment opportunities in and around the Freeport geography that have the potential to support the Freeport to realise its innovation objectives.

10.2.4 The governments also expect Freeports, through their approaches to tax site management (see Section 5.1 above), actively to encourage investment into tax sites that have high innovation and research and development potential.

10.2.5 The governments will support Freeports' innovation ambitions including through:

- strategic advice – the governments will: promote funding and support opportunities to Freeports; provide access to relevant teams across both governments; support the development and delivery of Freeports' innovation strategies and communications plans; and provide sector-specific advice and information; and
- the FREN – Freeports will have access to the Freeports Regulation Engagement Network (FREN). The FREN is a network of Freeports and regulators, facilitated by the Department for Science, Innovation and Technology. The FREN operates where there is a clear regulatory barrier to innovation and will aim to provide a channel for Freeport governing bodies to engage with regulators. It aims to help firms operating in Freeports to overcome the regulatory challenges of developing, testing and applying new ideas and technologies. FREN exists to promote opportunities for innovation. It will look to share best practices and lessons learned on enabling innovation through regulation across Freeports and provide support on regulatory issues, by sharing guidance and existing best practices. Where appropriate, it will seek to work with regulators and establish new regulatory flexibilities to promote the development of new technologies.

10.2.6 Innovate UK's Manager for Wales will be able to provide an ongoing connection between Innovate UK and Welsh Freeports leadership. This may include supporting initiatives and activities that will inspire innovation within Welsh Freeports and upskilling the Welsh Freeports where necessary to connect them to existing innovation networks and support e.g., Freeport Innovation Network, Innovate UK - KTN, Innovate UK EDGE and Catapults.

10.2.7 Freeports and the businesses within them, who will play a critical role in the innovation ecosystem of the Freeport, may also take advantage of the existing innovation support available through both governments. This includes, but is not limited to:

- the [Business Wales](#) Innovation zone which has been designed to enable businesses find out what support and funding is available to help them innovate. The Welsh Government Innovation Specialist function can help and support relevant applications via the WG SMART Flexible Innovation Support (FIS) funding scheme. UKRI's website outlines [current UKRI funding opportunities](#)⁶. Freeports should review [current UK Government guidance](#)⁷ on how to apply for innovation funding. Freeports may also be eligible for other, non-UKRI [government funding innovation programmes](#)⁸;
- the Innovate UK Knowledge Transfer Network (KTN)⁹ is a key delivery partner of Innovate UK and UKRI, providing a unique capability in the UK to support innovation collaboration

⁶ <https://www.ukri.org/opportunity/>

⁷ <https://www.gov.uk/guidance/innovation-apply-for-a-funding-award>

⁸ <https://www.gov.uk/government/funding-programmes>

⁹ <https://ktn-uk.org/>

across business sectors and throughout the UK. The Innovate UK KTN supports collaboration between innovative businesses seeking to connect with partners, customers, suppliers, and the research base in order for them to grow. Some ambitious and innovative SMEs within the Freeport may also qualify for support from [Innovate UKEDGE](https://www.innovateukedge.ukri.org/)¹⁰, which complements [Innovate UK](https://www.ukri.org/councils/innovate-uk/)¹¹ project funding with intensive, specialist-led support for ambitious businesses, providing them with the leadership and management skills they require to scale-up, commercialise, access new markets, and internationalise; and

- the [Innovation Hub](#), established in collaboration between Innovate UK and the British Business Bank, aims to reduce complexity. It can be used to identify available innovation funding and support, including Innovate UK funding for businesses to help them commercialise their ideas.

11. Delivery

11.1 Governance

11.1.1 Effective governance arrangements will be critical to the successful delivery of Freeports. Through the Setup Phase, the governments will seek reassurance that these are in place. This will include an initial governance submission setting out arrangements for the duration of the Setup Phase and which will be a precondition for the release of any capacity funding and then a detailed articulation of the long-term, Delivery Phase governance of the Freeport through the OBC and FBC. Freeports should build on the arrangements originally set out in their bids, but the governments reserve the right to request changes to these, when they are deemed not appropriate.

11.1.2 The governments expect a high level of continuity between Setup and Delivery Phase governance. Where differences between the two are proposed, Freeport consortia should clearly identify, justify, and provide timescales for any changes to governance arrangements for the delivery phase (e.g., new board members, creation of subcommittees, incorporation) or, if no changes are proposed, explain how the existing arrangements meet the demands of that phase summarised at Sections 5a and 5b of the FBC.

11.1.3 The FBC should provide a finalised, detailed statement of the Freeport's long-term governance arrangements and either show that these are already in place or provide a clear plan for implementing them within an appropriate timeframe. It should be cognisant of how the demands on the Freeport governing body will change over time (e.g. given the Freeport will need to be self-financing in the medium term and how it will evolve accordingly as well as the need to facilitate private sector leadership or a meaningful partnership between private and public sector partners).

11.2 Responsibilities

11.2.1 The Freeport governing body is accountable to both governments for the delivery of the Freeport proposal as set out in the Business Case. Some elements of delivery will fall directly under the governing body's control (for example, the governing body and executive team may be directly responsible for marketing and investment promotion activities), whereas others will not (for example, customs sites will be operated by individual CSOs).

¹⁰ <https://www.innovateukedge.ukri.org/>

¹¹ https://www.ukri.org/councils/innovate-uk/?_ga=2.249426304.647698043.1662971693-2122369859.1646753802

11.2.2 The Business Case must make clear where delivery responsibility lies for each aspect of the Freeport proposal. This includes, but may not be limited to, planning, innovation, trade and investment promotion, tax site delivery and operation, customs site delivery and operation, the use of revenue from retained non-domestic rates, skills and regeneration, alignment with wider initiatives, stakeholder engagement, security and compliance, Net Zero, risk management and monitoring & evaluation and reporting. Where responsibility does not sit with the Freeport governing body, it is incumbent upon the governing body to put in place the necessary mechanisms (e.g., subcommittees within the Freeport's governance structure or commercial agreements) to hold partners to account for delivery.

11.2.3 The governments expect Freeport governing bodies to deliver on the content of their FBCs and will agree an MoU with them following FBC approval confirming this expectation and hold Freeport governing bodies to account through annual assurance reviews. However, the governments do understand that Freeports' strategic and commercial realities may change over time and that plans may need to evolve accordingly. Freeports should discuss any proposed significant changes to their delivery plans with their lead government contacts in the first instance; these will then be subject to a formal change request process.

11.3 Memberships

11.3.1 It is crucial that the right partners are involved in the right ways in the Freeport's long-term governance and management arrangements to ensure the above responsibilities can be successfully discharged.

11.3.2 In addition to setting out where accountability and responsibility for all elements of delivery sit, the Business Case must show why the parties involved in the Freeport governance and management structure are the right ones and their roles are appropriate.

11.3.3 Freeport governing bodies should not exceed 12 members except where there is a strong case for a wider board, which should be made in the Business Case if applicable. Boards should comprise a good balance between the public and private sectors and should continue to feature the key members listed in the [Bidding Prospectus](#), namely:

- a chair;
- the port(s);
- the lead local authority (accountable body);
- key landowners (e.g. those owning tax site land) and investors (e.g. anchor tenants); and
- all local authorities responsible for statutory powers required for Freeport delivery;
- Other relevant local stakeholders.

11.3.4 Any changes in membership for the delivery phase should be clearly identified and justified in reference to the evolving purpose of the board.

11.3.5 The Business Case must set out the processes and timescales for appointment of a permanent chair, recruitment of delivery/executive team staff, and any procurement/outsourcing of support for governance or delivery roles.

11.4 Corporate Structure

11.4.1 The Business Case must set out the corporate structure that the Freeport will adopt for the delivery phase (for example, company limited by guarantee, Special Purpose Vehicle, unincorporated joint venture) and explain why this structure is most appropriate. This structure should be established as quickly as is appropriate and feasible.

11.4.2 Key documentation setting out this structure (e.g., articles of association, schedules of delegation, terms of reference, contracts, charters, or partnership agreements) and relevant policies (recruitment and remuneration policies, a conflict-of-interest policy, a diversity and inclusion statement, in-kind/related party charges policy, etc.) should be provided in the Business Case.

11.4.3 If a prospective Freeport believes the favoured corporate structure cannot or should not be established prior to FBC submission, they should justify this in their Business Case and provide a clear and detailed plan of alternative operating arrangements and the agreements that will underpin these. Rationales and plans will be assessed on a case-by-case basis.

11.5 Resourcing

11.5.1 Freeport delivery is locally led and so Freeports will be self-funded beyond the setup phase and the Business Case must set out a credible financial plan for achieving this. The governments will work with Freeports to help them develop their commercial models, but Freeports are expected to consider as a minimum the following options:

- longer-term commitments of financial support from Freeport partners;
- charges to those benefitting from Freeport incentives (e.g., a ground rent on tax sites);
- offering paid-for soft support services or hard infrastructure to businesses within the Freeport area;
- the Freeport operating a customs site/customs sites (or subcontracting their operation) on a commercial basis; and
- administering a share of the revenue from retained non-domestic rates on a commercial basis.

11.5.2 Funding arrangements are expected to reflect Freeports' character as a partnership between the public and private sectors and should not therefore be overly reliant on public funding.

11.5.3 To support Freeports through the Setup Phase and to establish their medium-term commercial and financial models, up to £1 million of short-term capacity funding will be made available to prospective Freeports (up to 2024-25; see Section 14.2 for details).

11.5.4 This funding should be used to establish the long-term capability of the Freeport, including by meeting costs associated with setting up the Freeport's governance, corporate structure, and executive team. Where Freeports are considering using some of this funding for contracted support, they should consider whether it would be more efficient to make use of the Hub (see Section 15.3) and will be required to evidence suitable longer-term capability or demonstrate how this will be developed.

11.5.5 We expect private and public sector Freeport coalition partners to contribute match funding (cash or in-kind) to supplement central capacity funding in the short-term and to fund the operation of the Freeport fully once that funding stops.

11.6 Monitoring and Evaluation

11.6.1 To ensure the impact of the programme can be measured, progress monitored and the accountability of public money, the governments will develop a series of frameworks. These include:

- Performance Management and Assurance Framework;
- Monitoring and Evaluation (M&E) Framework, including Indicators and Guidance; and
- Site Delivery Framework.

11.6.2 There will be evaluation of the Wales Freeports' Programme facilitated by the Welsh and UK Governments which will be published. This will include a combination of process, impact, and VfM evaluation, and will be in line with key principles and practice from the Magenta Book 2020. The M&E of Freeports will likely build upon the plans for the English Freeports M&E, which is described in the [Freeports Programme monitoring and evaluation strategy](#).

11.6.3 Freeports may wish to carry out a local evaluation with a different focus to the programme M&E; however, this is not mandatory.

11.6.4 As part of the programme monitoring, evaluation and assurance requirements, it is expected that the Freeport governing body will be required to:

- engage monthly with their government lead contacts to provide qualitative progress updates;
- report formally on a quarterly basis on the progress of Freeport sites and seed capital projects in a format agreed with their government lead contacts. This will include providing data on the expenditure of public money, the status of sites and projects, risks and delivery milestones;
- report formally twice a year on a list of core M&E indicators. These indicators will primarily cover activities, inputs (the resources committed, and activities undertaken) and outputs (what is delivered or produced) but may also include outcomes. This reporting will feed into the programme-level evaluation, as well as ongoing monitoring. This process will be as light-touch as possible. Freeports will only report on indicators that need to be collected at the Freeport level. Other data required for programme M&E will be collected centrally from administrative datasets. Evaluation providers may also conduct qualitative primary level data collection through interviews, focus groups and surveys. The full list of M&E indicators including frequency, definition, metrics, evidence, and baseline requirements will be provided in subsequent M&E guidance; and
- participate in an annual conversation with the governments to frame the evidence collected through the formal reporting, and present updates on the implementation and delivery of the Freeport.

11.6.5 The release of seed capital funding each year will be subject to Freeports satisfactorily completing the reporting and assurance process in full. As part of the assurance regime, each year by 30 November, it is expected (though timings may be subject to revision) the Chief Finance Officer of the Accountable Body will be required to supply the following (templates will be provided), covering the period up to 30 September:

- a written statement detailing the checks that the Chief Finance Officer (or deputies) has taken to assure themselves that the Freeport governing body has in place the processes that ensure proper administration of financial affairs relating to Freeports, ensuring propriety, regularity and VfM are being achieved and that the processes in place are functioning

effectively. It should also detail the main concerns or risks identified, and the recommendations made to mitigate those risks;

- a letter of assurance to the Welsh Government Accounting Officer confirming that, having considered all the relevant information, they are of the opinion that the financial affairs of the Freeport are being properly administered; and
- details of the checks and assessments completed against the Freeport governing body to ensure regular and proper financial decision making.

11.6.6 This reporting will ensure the governments are able to monitor the progress of Freeports effectively, manage and mitigate risks, ensure VfM, provide accountability for public money and the delivery of a public policy and share lessons learnt and good practice during the lifetime of the programme.

11.6.7 Reporting is likely to take place on the following cycles:

Frequency	Reporting Period	Due date
Quarterly site and project progress, financial and risk data	Q1 1 April to 30 June (Q1)	To be agreed between the Freeport and the governments.
	Q2 1 July to 30 September (Q2)	
	Q3 1 October to 31 December (Q3)	
	Q4 1 January to 31 March (Q4)	
Bi-annual Indicator reporting	1 April to 30 September (H1)	30 November
	1 October to 31 March (H2)	31 May
Annual Indicator reporting	1 April to 31 March	31 May

11.6.8 Freeports will be required to coordinate and resource the formal data reporting and primary level data collection in the Freeport. The process/system for reporting will be confirmed in due course. Reporting templates will be provided.

11.6.9 Freeports will be required to collect some data from end users (ports, local authorities, landowners, businesses) and so should ensure that reporting and data sharing agreements are set up between them and the Freeport governing body. These agreements should include an understanding that data will also be shared with the governments and evaluation providers for M&E purposes.

11.6.10 It is expected that the Freeport governing body will also be required to collect information on businesses operating in their tax sites.

11.6.11 It is understood some information may be commercially sensitive. The governments and evaluation providers will work closely with all users to determine the most appropriate data needed for the evaluation. Consideration will be given to where this is commercially sensitive and appropriate data sharing arrangements set up.

11.6.12 The collection and reporting of this information will play a key role in the evaluation of the Freeport measures, including the tax reliefs in advance of their expiration dates.

11.7 Security and Illicit Activity

11.7.1 The governments are committed to ensuring Freeports uphold the UK's high standards for security, combating illicit activity and honouring the obligations set out in the OECD Code of

Conduct for Clean Free Trade Zones and the UK's Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Freeports must register with a government-approved supervisory authority to follow anti-money laundering regulations.

11.7.2 Prospective Freeport consortia should be cognisant of the following: (1) Freeport status may generate certain new security and illicit activity risks, for example those associated with Freeport customs sites, tax sites, and infrastructure projects; (2) Freeport status may also accentuate some existing risks (e.g. increased port throughput may affect port security risks); and (3) Extant port security risks, even if unaffected by Freeport status, constitute reputational risks to the individual Freeport and the Freeport Programme in Wales given the high profile of the policy and the reputation of some international Freeport models as hotbeds for illicit activity.

11.7.3 Therefore, the governments require prospective Freeports to conduct a security and illicit activity risk assessment in partnership with the governments, local partners and security stakeholders and demonstrate through their Business Cases that adequate structures and processes are in place for managing all three types of risk. The assessment should encompass risks associated with the Freeport ports, tax sites, customs sites and capital works and identify:

- where responsibility for each lies (e.g. with the port operator, the customs site operator etc.);
- any mitigations that are already in place (e.g. existing procedures within ports for managing security risks); and
- any new, additional mitigations that are required.

11.7.4 This must, as a minimum, make clear where responsibility lies for any new, Freeport-related risks and their mitigations and include a body within the Freeport's governance structure that brings relevant security stakeholders together on a regular basis to review the security and illicit activity risk assessment. Arrangements should build on, rather than duplicate, existing security provisions. Should their Business Cases fail to do so, prospective Freeport consortia and associated stakeholders will need to work with the governments and local enforcement agencies to implement appropriate governance arrangements and risk assessments.

11.7.5 Freeports will be required to undergo an annual audit of security measures in place and any breaches. This will be conducted in partnership with the governments. The practicalities of the annual security review will be confirmed following FBC approval, but a higher quality risk assessment in the FBC is expected to result in a more straightforward process. This review of security arrangements will be separate from ongoing HMRC compliance processes to audit Customs Site Operator compliance.

11.7.6 If further costs associated with mitigating security risks are identified through the risk assessment process (e.g., a need for additional policing is discovered), the Financial Case should set out how these costs could be met from within the Freeport coalition and the prospective Freeport should discuss these with both governments.

11.7.7 Independently, Freeport customs site operators will also need to be authorised by HMRC, in accordance with the process set out at the 'Apply to be a Freeport customs site operator' gov.uk page¹².

12. The Outline and Full Business Case

12.1 Outline Business Case (OBC) content

12.1.1 The governments expect OBCs to adhere to a structure which closely mirrors the standard [Green Book Five Case Model](#)¹³.

12.1.2 A strong OBC gives the reader a good understanding of the Freeport's objectives and the activities that will achieve these (the Strategic Case), the benefits and costs of the possible intervention options (the Economic Case), how the Freeports interventions will be financed (the Financial Case), how contracts and procurement will be handled (the Commercial Case), and how successful delivery of the Freeport will be ensured (the Management Case).

15.1.3 The OBC should be written in plain, jargon-free English or Welsh and should be frank and realistic about the benefits, risks, and challenges associated with delivering the Freeport, avoiding optimism bias. The OBC should be no more than 85 pages, excluding annexes and the FBC no more than 110 pages, excluding annexes. Freeports are encouraged to adhere to the page limits but will not be penalised for slightly exceeding this. All of the information requested in the OBC guidance and form should be provided and the key information should be included in the main body of the OBC, but detail such as tables of figures can be supplied as annexes. The level of information requested at the OBC stage under each case gives a good indication of how to weight the page count across the cases, but the governments will not mandate particular lengths for different sections.

12.2 Full Business Case (FBC) content

12.2.1 Through the FBC, prospective Freeport consortia must:

- address all OBC actions. This includes critical actions, which must be completed prior to OBC approval and will be communicated as OBC assessment progresses, and substantive actions, which can be addressed in the FBC and will be communicated in the OBC approval letter;
- update the content of the OBC, to ensure the most up-to-date and detailed information available is provided throughout. The FBC should not substantially depart from the OBC and changes should be discussed with prospective government lead contacts ahead of submission; and
- Provide some information that was not needed at the OBC stage, detailed below.

12.2.2 The FBC should therefore be an iteration of the OBC, rather than a distinct document. It should be the definitive source of all information requested as part of the Business Case Process and so should contain all the content of the OBC – updated and amended as required by this

¹² <https://www.gov.uk/guidance/apply-to-be-a-freeport-customs-site-operator>

¹³

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749086/Project_Business_Case_2018.pdf

guidance and governments' feedback – as well as the additional content required at the FBC stage

12.3 Submission process

12.3.1 Prospective Freeports should complete the OBC and FBC returns as Word documents, using the forms provided, and submit via email to their lead government contacts and the Freeports mailbox freeports@gov.wales by the deadlines to be notified. The OBC must have been signed off by the Freeport governing body, including by the accountable body, prior to submission. The FBC must have been signed off by the Freeport governing body, SRO and lead authority Chief Financial Officer prior to submission and confirmation of this should be provided at the point of submission.

12.3.2 The governments will only begin assessing business cases that are complete and of a suitably high standard. The governments will return any that fail an initial threshold assessment to prospective Freeports for further work.

12.3.3 The governments are keen to work collaboratively with prospective Freeports as they develop their business cases and so prospective Freeports should agree a sequence of regular review and feedback sessions with their lead contact. These sessions will be an opportunity to ensure the business case is developing as expected and will reduce the likelihood of significant revisions being needed following submission. The governments may also bring the two prospective Freeports together with government policy experts to share advice and best practice and answer questions about the process.

12.4 Assessment process

12.4.1 Business cases will be assessed by a cross-government panel of policy experts and analysts against the requirements set out in this guidance and the OBC and FBC forms provided. This is expected to take around 6-8 weeks.

12.4.2 The governments will write to prospective Freeports following the OBC assessment either:

- formally signing off the Business Case, and at OBC stage issuing feedback to be incorporated into the FBC; or
- setting out the key changes needed for formal OBC/FBC signoff and a deadline for completing them.

12.4.3 The governments reserve the right not to proceed with the designation of a prospective Freeport that they deem: to be making insufficient progress; be unlikely to realise suitably the policy objectives; or does not represent good value for money. However, they will not 'fail' business cases that do not initially receive signoff and will work collaboratively with prospective Freeports to make necessary changes to the business case so long as there remains a realistic possibility of them completing the setup phase in a reasonable timescale.

12.4.4 The governments' Freeport lead contacts will provide feedback on draft OBCs ahead of submission and, where possible, will feed back during OBC assessment so that Freeports can begin to action changes. During this period, Freeports should also begin considering the requirements of the FBC stage and work in preparation for this.

12.4.5 Freeports should share a draft version of their FBCs with their lead contact for comment at least three weeks before submission. The governments may conditionally approve FBCs, identifying key actions that need to be undertaken prior to the release of any seed capital funding. There are likely to be standard conditions Freeports must meet annually ahead of the payment of capital and revenue grants, including confirmation from the lead local authority that:

- all necessary legal powers and local and/or third-party funding contributions are in place to deliver the capital projects;
- the Freeport will meet all M&E requirements and work collaboratively with evaluation providers; and
- the Freeport will engage with the annual audit of security measures.

12.4.6 Following the approval of a Freeport's FBC, the governments will agree and sign an MoU with local Freeport partners covering: (1) the role and responsibilities of the accountable body; (2) the role and responsibilities of the Freeport governing body; and (3) the planned use of revenue from retained non-domestic rates by the Freeport.

12.4.7 The MoU(s) will formalise the expectation that the Freeport governing body delivers the Freeport proposition as articulated in the FBC. However, we appreciate that Freeports' commercial and strategic contexts may change, and plans may need to evolve accordingly. There will therefore be provision for the MoU(s) to be amended as needed and agreed.

12.5 Summary of requirements for OBC and FBC

12.5.1 The following table provides a summary of what should be demonstrated and included in the OBC and FBC.

Section	Summary of what should be demonstrated and included in OBC	Summary of what should be demonstrated and included in FBC
1. Strategic Case		
1a. Strategic rationale	Strategic context incl. economic rationale: why a Freeport is correct intervention; interdependencies	Update OBC content if the position has changed materially.
1b. Strategic focus	Analysis of key strengths and weaknesses; focus sectors and markets	Deepen OBC analysis
1c. Interventions and levers		
1ci1. Seed capital	Activities to be funded by seed capital and justifications for them	Provide more detail on activities to be funded by seed capital
1ci2. Tax sites	Economic case, strategic vision and timescales for each tax site; Map of each tax site at Annex A	Update OBC content if the position has changed materially.
1ci3. Retained non-domestic rates (NDR)	High-level summary of proposed approach to the use of retained NDR revenue; initial assessment of expected value with rationale; initial proposed displacement factors with rationale; objectives for the use of retained NDR funding	Detailed strategy for the proposed use of retained NDR revenue.
1ci4. Customs sites	Strategy for using customs sites to deliver policy objectives; timescales for bringing customs sites forward for approval	Update OBC content and include details on all customs sites and activation timescales
1ci5. Planning	Current status, planning needs and risks for each major development site; plan for engaging planning authorities	Detailed plan for obtaining necessary consents for each major development site
1ci6. Innovation	Outline innovation strategy	Full innovation strategy at Annex J
1ci7. Trade and investment promotion	Outline trade and investment strategy	Full trade and investment strategy at Annex K

1ci8. Skills and Fair Work	Outline skills plan; plan for embedding fair work practices at Annex C	Update OBC content if the position has changed materially and provide detailed skills plan at Annex L
1cii. Wider interventions	Wider activity in and around Freeport that helps realise policy objectives	Update OBC content if the position has changed materially.
1ciii. Project pipeline	Planned and potential projects in and around Freeport that help realise policy objectives	Update OBC content if the position has changed materially.
1d. Outputs and outcomes	Outputs that activities detailed at 1c will generate and how	Update OBC content if the position has changed materially.
1e. Net Zero	High-level draft decarbonisation plan	Detailed decarbonisation plan at Annex E
1f. Equalities	Impact of Freeport on protected groups and response to this	Full equalities impact assessment at Annex M
1g. Environmental impact	How negative environmental impacts will be mitigated through compliance with relevant regulations	Update OBC content if the position has changed materially.
2. Economic Case		
2a. Critical success factors	Key attributes upon which successful delivery of the Freeport depends	Update in light of seed capital allocation confirmed following OBC approval.
2b. Options appraisal		
2bi. Shortlist of options	Shortlist of options for deploying the seed capital	Update in light of seed capital allocation confirmed following OBC approval.
2bii. VfM appraisal	VfM appraisal for all shortlisted options	Update OBC content if the position has changed materially.
2biii. Qualitative benefits appraisal	Benefits that cannot easily be quantified/monetised, and each option's ability to deliver them	Update OBC content if the position has changed materially.
2biv. Wider impacts	Wider impact of each option	Update OBC content if the position has changed materially.
2bv. Risk appraisal	Key risks associated with each option	Update OBC content if the position has changed materially.
2c. Preferred option	Recommends a preferred option on the basis of the VfM, qualitative, wider impact, and risk appraisals	Update OBC content if the position has changed materially.
3. Financial Case		
3a. Financial resources and budgets	Demonstrates affordability of the Freeport proposal; includes full year-by-year financial profile with	Estimated costs of non-domestic rates relief; modelling of forecast income from retained NDR revenue;

	accompanying narrative and underlying assumptions	assumptions and methodology underpinning this modelling at Annex N; financial details for all seed capital projects.
3b. Further capacity funding	Case for further capacity funding (up to a total of £1M) in 2023-24 and 2024-25	Update OBC content if the position has changed materially.
3c. Financial risk	Main financial risks and summarise the best- and worst-case cost scenarios	Update OBC content if the position has changed materially.
4. Commercial Case		
4a. Tax site delivery and management	Tax site management strategy, land ownership and planning status, project plan and evidence for commercial demand for each tax site	Update OBC content if the position has changed materially.
4b. Procurement strategy	Not required for OBC	Robust strategy for procurement using seed capital and capacity funding
4c. Risk transfer	Not required for OBC	Assessment of potential transfer of risk to delivery bodies
4d. Contract management	Not required for OBC	How delivery bodies will be managed to deliver the desired outcomes in the most VfM manner
4e. Public sector borrowing (if applicable)	Not required for OBC	Summary of any proposed public sector borrowing
4f. Subsidy control	Not required for OBC	Lead authority's assessment of subsidy control considerations
5. Management Case		
5a. Governance	Governance arrangements for setup phase and planned arrangements for delivery phase, including Terms of Reference for governing body at Annex H	Final governance arrangements for delivery phase, including final governance documents at Annex H
5b. Team structure	Structure of the central Freeport executive team	Confirms where responsibility for delivering each part of the Freeport proposal sits within the executive team and procurements for contracted support
5c. Stakeholder management and communications	Communications and engagement strategy	Update OBC content if the position has changed materially.

5d. Building local expertise	How long-term, sustainable capacity and capability will be built within the Freeport executive team	Update OBC content if the position has changed materially.
5e. Milestones	Key delivery milestones covering the activity detailed at Sections 1c-e; project plan at Annex G	Update OBC content if the position has changed materially and provide detailed delivery plans for seed capital projects.
5f. Risk management	Risk management strategy; programme risk register at Annex B	Update OBC if the position has changed materially.
5g. Security and illicit activity	Commitment to uphold security obligations (related letters at Annex I); approach to security risks; security related mechanisms within governance structure; security and illicit activity risk management strategy; security and illicit activity risk register at Annex O	Update OBC if the position has changed materially. Inclusion of a higher quality risk assessment in the FBC is expected to result in a more straightforward process moving forward
5h. M&E	Plan for managing and resourcing M&E requirements; commitment to meeting these requirements; local M&E plans	Update OBC if the position has changed materially and provide commitment to adhere to relevant frameworks

13. The Tax Site Process

13.1 Assessment

13.1.1 In order to confirm their proposed tax sites, prospective Freeports will be asked to expand on their initial bids to provide further evidence that these sites meet the criteria set out in the [Bidding Prospectus](#). These criteria, along with data standards and examples, are set out below.

13.1.2 This process will enable the governments to: verify that all proposed tax sites are in need of regeneration and would benefit from tax site status, and demonstrate the value of the tax offer.

13.1.3 As part of this process, prospective Freeports will deliver a presentation to government assessment teams on their tax sites. The presentations will be an opportunity for prospective Freeports to share with the governments the detail of their tax sites and to receive feedback from the assessment team, with the aim of streamlining the approval process. Officials will contact prospective Freeports in advance to arrange these presentations and outline what information needs to be covered.

13.1.4 Tax sites will be considered as part of the OBC assessment of the overall Freeport vision. However, they will be approved separately, by Welsh Government, HMT and HMRC. Proposed tax sites will not be designated in legislation until the OBC has been approved.

13.1.5 The governments intend to designate all proposed tax sites within Freeports as soon as the process allows; however, they recognise that in certain circumstances it may be beneficial for prospective Freeports to bring forward requests for the approval of different tax sites at different times, once the OBC has been approved. Prospective Freeports should discuss this intention with their lead contact and make it clear as part of the OBC submission. A preferred timeline should be stated, and we will work with the prospective Freeport to agree it. The governments will not approve subsections of proposed individual tax sites.

13.1.6 The governments reserve the right to not proceed with the designation of a prospective tax site where:

- it does not meet the criteria set out in the [Bidding Prospectus](#);
- it does not represent good VfM, or an optimal, effective or deliverable use of the tax site powers; or
- the OBC has been approved subject to conditions regarding the prospective tax site and these are yet to be resolved.

13.1.7 However, as with the OBCs, the governments will work collaboratively with prospective Freeports on tax sites that do not initially receive sign-off to demonstrate performance against the necessary criteria, if this is achievable.

13.1.8 Tax sites will need to be legislated for and therefore will be subject to Parliamentary approval through the legislative process including allowing sufficient time in Parliament for any due diligence on the enacting legislation and the convention of allowing legislation to lie for 21 days before coming into effect.

13.2 Compliance with the physical requirements of a Freeport tax site

13.2.1 Under criteria laid out at 3.1 of the [Bidding Prospectus](#), the precise boundaries of the proposed tax sites must be provided to enable HMRC to carry out its usual compliance activity. A map of each proposed site should be provided at Annex A of the OBC. Maps should clearly highlight the boundaries for each Freeport tax site (up to three) and must be detailed enough and accessible enough to enable both taxpayers and HMRC to determine clearly whether parts of land, structures and buildings lie inside or outside a Freeport tax site. Feedback on the maps provided will be given at presentations. Separate guidance on maps is available from HMRC.

13.3 Compliance with the requirement to demonstrate need for regeneration within and around tax site(s)

13.3.1 Under criteria laid out at 3.1.19 of the [Bidding Prospectus](#), the need for regeneration within and around the proposed tax sites should be demonstrated by the area having:

- below UK average GDP per head currently or over the last 5 years; and
- above average UK unemployment rates currently or over the last 5 years.

13.3.2 It is important that tax sites demonstrate their regeneration needs clearly in their returns. Wherever possible, this should be done with clear reference to data as evidence. The governments will be considering how the tax sites meet the above criteria with reference to a number of data sources. This includes: regional gross domestic product: local authorities¹⁴, regional gross domestic product: all ITL regions¹⁵, the Annual Population Survey via NOMIS¹⁶, and the NOMIS 'model-based estimates of unemployment'¹⁷. The governments recommend that prospective Freeports use these data sources in their returns or other robust data sources which demonstrate the case clearly.

13.3.3 If the area does not clearly meet criteria in 3.1.19 of the [Bidding Prospectus](#) based on data analysis, prospective Freeports should provide other evidence and justification (see 3.1.20 of the [Bidding Prospectus](#)) as to why the area requires regeneration and how it would benefit from being a tax site, ideally with reference to these two criteria.

13.4 Compliance with the 'underdeveloped' requirement of a Freeport tax site

13.4.1 Prospective Freeports should build on the analysis provided in their initial bids against criteria at 3.1.25 of the [Bidding Prospectus](#). This criterion requested analysis to explain how their proposed tax site(s) are "underdeveloped", why the site(s) need regenerating, how the site(s) will generate additional economic activity and why the site(s) are the optimal choice for the local area, representing good value for money.

13.4.2 Under criteria laid out at 3.1.25 of the [Bidding Prospectus](#), prospective Freeports were asked to demonstrate, with as much evidence as possible, how the tax site(s):

- use 'underutilised' land, including a description of how tax site(s) have sufficient viable but unoccupied physical space that is yet to be developed or used; to allow new or expanding businesses to construct, renovate, purchase or rent new premises in the Freeports ([Bidding Prospectus](#), 3.1.25.a);
- will lead to additional investment by new and/or existing businesses in the Freeports tax site(s), significantly above current levels ([Bidding Prospectus](#) 3.1.25.b); and

¹⁴<https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/regionalgrossdomesticproductlocalauthorities>

¹⁵<https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/regionalgrossdomesticproductallnutslevelregions>

¹⁶ <https://www.nomisweb.co.uk/query/select/getdatasetbytheme.asp?opt=3&theme=&subgrp=>

¹⁷ <https://www.nomisweb.co.uk/datasets/umb>

- will lead to additional employment in the Freeports tax site(s) by new and/or existing businesses above current levels. (Bidding Prospectus, 3.1.25.c)

13.4.3 This analysis should ideally feature an estimation of the benefits of each tax site, including:

- the anticipated investment in the tax site and the rationale for that estimate;
- an estimate of the number of future businesses operating in each tax site; and
- an estimate of additional employment.

13.4.4 As part of the analysis of the “underdeveloped” case, the governments ask that prospective Freeports provide:

- an estimate of current number of employees within each Freeports tax site;
- an estimate of the wages of those employees; and
- the types of building contained with each tax site

13.4.5 Further to this, the governments would find it useful if Freeports could provide:

- a description of the types of business currently in the tax site areas;
- where in the tax site current employees work and/or who they work for; and
- where the employees commute from currently

13.4.6 In all cases, Freeports should provide modelling and assumptions underpinning their estimated figures.

13.4.7 Where analysis is uncertain and reliable data difficult to obtain, the governments will work with prospective Freeports to gain the best possible understanding of current tax sites. This can, in part, be done through the presentations where prospective Freeports will have the chance to present and explain their current tax site proposals and receive feedback from officials before returning their final submission as part of the OBC.

13.4.8 In line with 3.1.27 of the Bidding Prospectus, prospective Freeports will need to explain fully how the tax site(s) minimise displacement of economic activity from wider local areas, especially economically disadvantaged areas.

13.4.9 Proposed tax sites will be assessed based on the information supplied at section 1ci2 and Annex A of the OBC and through prospective Freeports presentation.

14. Government Support

14.1 The Welsh and UK Governments Freeports Programme in Wales Team

14.1.1 Each prospective Freeport will have a lead contact in each government. The lead contact will be the first port of call for general queries during the setup phase. They will provide feedback on draft Business Cases and facilitate conversations

between prospective Freeports and policy experts from across both governments' directorates and departments as necessary.

14.1.2 Both governments will engage closely with prospective Freeports as they develop their Business Cases, with workshops on topics including tax site management, fraud and security risks, innovation, decarbonisation, trade and investment, fair work, and planning.

14.1.3 The governments may convene place-based sessions for individual prospective Freeports where useful, bringing together a range of relevant government departments to facilitate a joined-up conversation about aligning interventions within and around the Freeport geography. Prospective Freeports should contact their lead contact if they would like to arrange a session of this nature.

14.1.4 Additional support will be offered from policy experts across both governments including HMRC, DBT, DESNZ, DSIT and relevant Welsh Government directorates.

14.2 Capacity Funding

14.2.1 Subject to the approval of governance arrangements for the setup period, together with an indicative spend profile, we will provide each prospective Freeport with up to a total of £1m capacity funding over FYs 2023/2024 and 2024/2025.

14.2.2 As noted above, the purpose of the capacity funding is to establish the long-term capability of the Freeport, including by meeting costs associated with setting up the Freeport's governance, corporate structure, and executive team. Where Freeports are considering using some of this funding for contracted support, they should consider whether it would be more efficient to make use of the Hub (see Section 15.3) and will be required to evidence suitable longer-term capability or demonstrate how this will be developed.

14.2.3 Payment will be made via the designated Lead Local Authority for the prospective Freeport, with an upfront payment of up to £300,000 made available following approval of the initial governance submission. Further payments will be possible following OBC submission.

14.2.4 We expect to make further capacity funding available in the years 2023-24 and 2024-25. However, this is subject to affordability, and approval of prospective Freeports' Business Cases.

14.3 The Hub – Technical Support

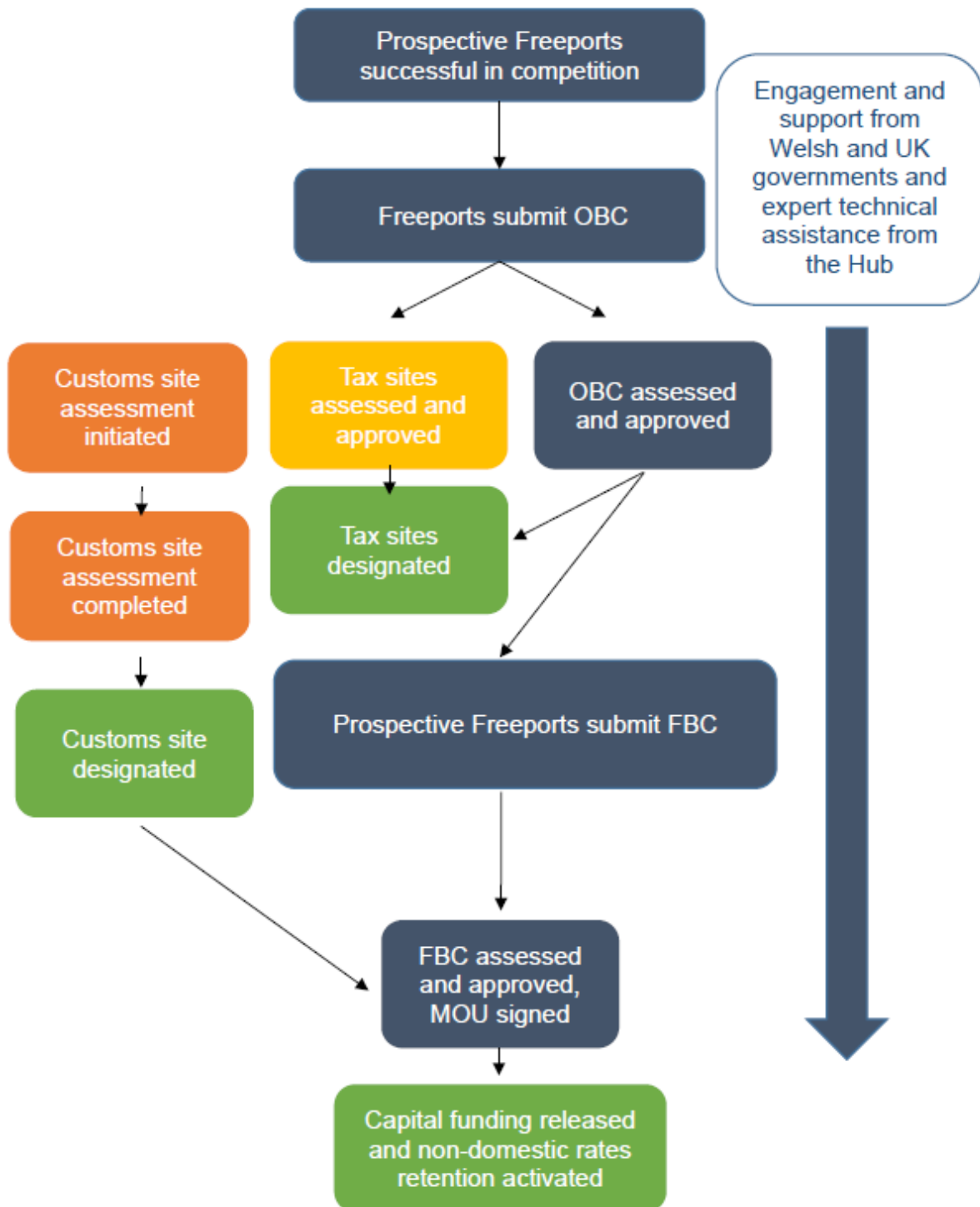
14.3.1 Expert technical support will be provided for prospective Freeports during the set-up phase via The Hub. The governments will review the support provided by The Hub at regular intervals. This support will comprise of:

- strategic advice: The Hub will act as a 'critical friend' to prospective Freeports, offering independent, expert, and constructive assessment of work to support the

development of business cases and other key products. The Hub will work with prospective Freeports, offering advice and feedback on work rather than doing the work themselves. All prospective Freeports will receive this support, with additional support provided to those with greater needs. An element of troubleshooting support may also be available to address critical delivery issues should they arise, such as timeline slippage;

- shared products and learning: sharing best practice, advice and products across all prospective Freeports and facilitating peer learning, including opportunities to share learning with Freeports in other parts of the UK; and
- programme support and advice: support overall programme delivery.

Annex A: High-level process map



High-level process map description:

- prospective Freeports successful in competition are invited to submit an OBC;
- the OBC is then assessed and in parallel proposed tax sites are assessed;
- upon approval of both and the commencement of the customs site approval process, tax sites can be designated;
- following OBC approval, prospective Freeports are invited to submit an FBC;
- once a customs site has been designated and if the FBC meets the requirements set out in the guidance, the FBC can be approved, and capital funding can be released. Arrangements for the retention of non-domestic rates will be activated once agreed baselines and procedures are in place; and
- throughout this process Freeports will receive engagement and support from the Welsh and UK governments and the Freeports Hub.

