

Future freeports

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the national organisation
for local economies

About the Centre for Local Economic Strategies (CLES)

CLES is the national organisation for local economies. Established in 1986, we are a Manchester-based think tank with charitable status. Our mission is to work towards a future where local economies benefit people, place and the planet.

About this paper

This research was funded by the Alex Ferry Foundation. It adopts a case study approach across three freeport locations to explore how local, combined and devolved authorities and the government can utilise, design and deliver freeports that mitigate against wealth extraction and contribute toward a more inclusive and sustainable economy - now and in the future.

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Executive summary

Freeports are designated economic zones, spanning multiple locations within a region, which offer special tax and customs incentives for the businesses who operate within them.

Since their announcement in the government's Spring budget of 2021, freeports have been contentious. Trade unions, public bodies, think tanks and commentators have criticised the agenda, citing concerns that they will accelerate the extraction of wealth from hard-pressed communities by diluting workers' rights, displacing businesses and facilitating tax evasion and other economic crimes.

However, perhaps as a reflection of the few funding choices available to them, local and combined authorities are examining how they can make the most of the opportunities that freeports can bring. Those that do so argue that, by facilitating new economic activity and high-quality job creation, freeports may bring much needed economic development to their communities thereby building wealth and addressing the long-standing challenges of deprivation.

This paper examines the claims on both sides of the debate and uses the findings from case studies to explore how freeports could be done differently.

A six-point plan for the here and now

We set out a six-point plan for freeports aimed at helping local and combined authorities to use the freedoms and flexibilities of freeport status – as it is currently conceived – to mitigate against the worst excesses of wealth extraction. We hope this plan will also serve to start a conversation about how inward investment initiatives can be used progressively, to build wealth for places across the UK in the long term.

1. **Be ambitious to get the most for your place and the planet**
2. **Place conditions to drive fair employment**
3. **Use retained rates to build a skills pipeline**
4. **Build unions, the VCSE sector and the community into governance structures**
5. **Go further to support the social economy**
6. **Safeguard public assets for public interest.**

Two ambitions for future freeports

With an eye on the future – the next round of freeport announcements, expected in 2026 – we conclude with a recommendation for the government to rewrite the freeport bidding prospectus so that it focusses on two new ambitions. Doing so would not only mitigate against their negative impacts, but also transform freeports from being problematic drivers of inequality into being key vehicles for local accountability and economic change.

1. Exemplars of local accountability

Future freeports can be a driver of local accountability for employers, landowners and developers. This will be achieved if they are: required to include trade union and VCSE representation within governance structures; required to ensure accountability to the local community; supported by greater powers to place conditions on the business activities eligible for tax and other benefits; using planning powers and public land ownership to selectively accept occupiers and operators; and supported to establish local labour clauses to ensure that new jobs are targeted towards communities of need.

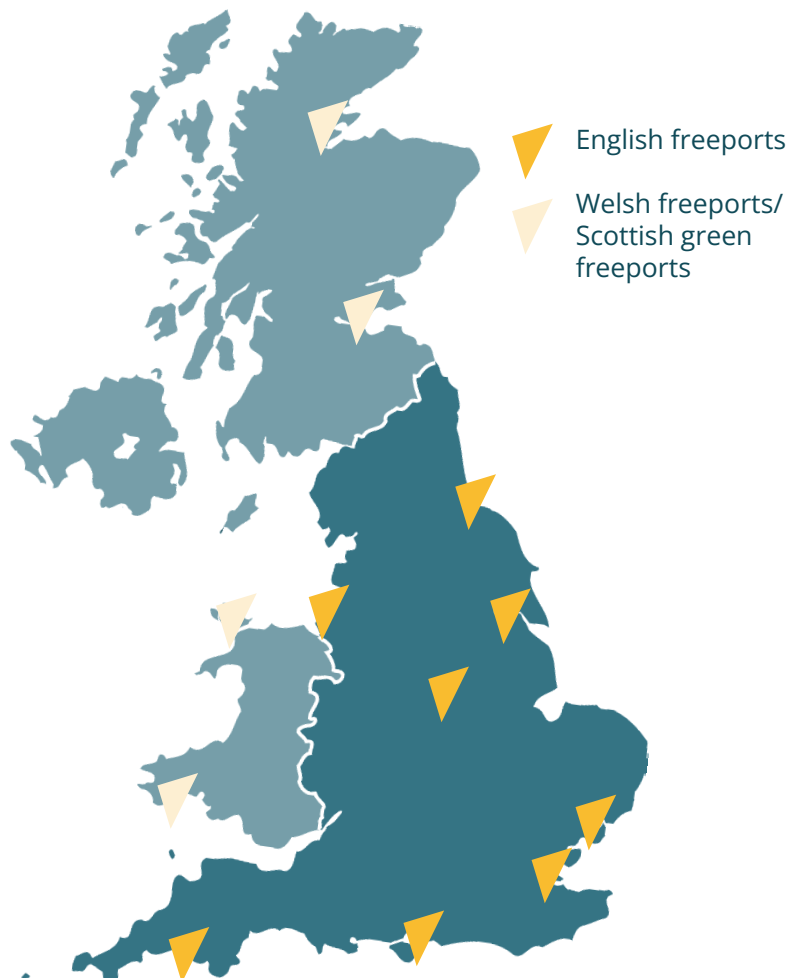
2. Activators of local economic change

The business cases for freeports of the future should be required to demonstrate how they will activate progressive visions for the local economy in the places they serve by: targeting tax incentives toward the goal of democratising the economy; working in collaboration with a broad range of place-based partners; prioritising the creation of good jobs and kickstarting new training and skills regimes for those who need them most; and, using metrics of success that look beyond GVA.

Freeports in 2023

What are they and why should we care?

In the Spring budget of 2021, then Chancellor Rishi Sunak, announced the creation of eight freeports across England.¹ They are located on the Thames, Freeport East (Essex and Suffolk), Liverpool City Region, Humber, Teesside, Solent, East Midlands and Plymouth and South Devon. These freeports are intended to attract investment towards disadvantaged communities and aim to promote regional regeneration, create high-skilled jobs and ensure sustainable economic growth.



What is a freeport?

Freeports are designated economic zones, spanning multiple locations within a region, which have special tax and customs incentives. Within these zones, businesses can receive tax and customs benefits such as relief from business rates, enhanced capital allowances, relief from stamp duty and employer national insurance contributions. Businesses can also benefit from simplified customs documentation and delays in tariff payment.

They aim to:

- be hubs for global trade and investment
- promote regeneration and job creation
- create hotbeds for innovation.²

The government plans to evaluate progress against these objectives through the outcomes laid out in individual freeport bids, with a recognition that these are likely to evolve over time.³

Each freeport will be granted up to £25m of public money to be used for infrastructure investment. The first sites have now started to operate and the government's guidance for freeports lays out how they plan on delivering them in conjunction with the necessary stakeholders at the local level.

The lead policy objective noted in the freeport bidding prospectus (to promote regeneration and job creation) has the objective of creating "thousands of high-quality jobs in some of our most disadvantaged communities".

To fulfil this, freeport tax and customs zones have been carefully selected by local authorities to include, or be adjacent to, areas of deprivation and are therefore targeted to disadvantaged communities by design. In this way, the freeports agenda is intimately linked with the broader levelling up agenda's aims to "end the

geographical inequality which is such a striking feature of the UK".⁴ Taken on face value, freeports are capable of redressing some elements of regional disparity. However, as the critiques raised below illustrate, there is also a danger that they could facilitate wealth extraction and profiteering from communities of disadvantage and, in so doing, deepen inequalities.

The government wants freeports in all four nations of the UK and have negotiated in Scotland and Wales over the development of the freeport agenda within the context of unique devolved powers. These negotiations are complicated by the complex nature of devolved powers such as those over planning, economic development and some tax powers such as business rates, although Westminster is determined to align objectives wherever possible.⁵

Freeports in 2023

What's not to like?

Multiple commentators, government offices, trade unions and others have argued that freeports will not deliver on their promise of revitalising local economies. CLES have previously echoed these concerns, noting that any economic activity created by freeports would be unlikely to create long term benefits for local economies, potentially falling short in a number of ways.

Facilitating wealth extraction

Schemes like freeports can run the risk of attracting profit seeking behaviour which can prioritise short term economic gains over the longer term needs of places and their communities. This raises a concern that they will extract more (in public subsidy and assets) than they invest back into an area (in jobs, business to business trade, improvements in living standards and so on).

Unite claim that the benefits from freeports are likely to only go one way – to the boardroom.⁶ Their analysis argues that tax cuts for employers enables wealth that would previously have been distributed through taxation to be extracted as profits. There is evidence for this in other places, with accounts of large, fortress-like warehouses in New York, Luxembourg and Geneva (where freeports are well established) yielding very little benefit to their local economies, while locking the assets of the wealthy out of the taxable economy.

No new businesses or jobs

The Office for Budget Responsibility (OBR) have been less than optimistic about the potential of freeports to attract new businesses, warning that tax and regulatory incentives may simply relocate that which already exists in a place.⁷ Studies of earlier place-based tax and spending policies in the UK – such as the coalition government's enterprise zones – have found evidence of displacement.⁸ Even the government's own What Works centre for local economic growth has highlighted that displacement of businesses can be very hard to measure, throwing doubt on the government's ability to control it. Similarly, evidence suggests that previous experiments in low tax and tariff zones in the UK, while offering a similar rationale to freeports – direct tax incentives and deregulation making an area more attractive to investment – have drastically underdelivered on job creation.⁹

Low quality employment

For those few jobs that are created by freeports, the TUC and Unite have voiced concern that they will lower standards of employment by displacing existing businesses and forcing workers into more precarious work with lower pay and poorer conditions. Government analysis highlights the warehousing and transportation support sectors – sectors positioned to be supported by

freeport tax incentives and infrastructure investment – as being at high risk of labour non-compliance.¹⁰ There is a risk, then, that jobs within freeports are to be low paid agency jobs, with minimal contractual protections.

Could things be different?

We share the concerns of the unions, the OBR and others about the ability of freeports to deliver on their promises. They highlight important and urgent questions to be asked about both the logic of freeports (and their enterprise zone predecessors) and the reality of how that logic translates into action in local economies. But, while the first freeports are now operational, and, to some extent, the genie has left the bottle, we have identified two important questions that remain unanswered:

1. Can local and combined authorities use the freeport model as it currently stands as a tool for inclusive local economies? This could include key impacts such as:
 - well paid, secure jobs with opportunities for training and progression;
 - opportunities for skills development and apprenticeships;
 - support for local businesses and startups including social enterprise; and,
 - the retention of key assets in the public purse to safeguard long term return on investment.
2. What could be done to realign the priorities of future freeports in a way that mitigates against their negative impacts while supporting local accountability and a more progressive future vision for local economies?

To answer these questions, we spoke to stakeholders from three existing freeports, analysing them across three thematic areas:

- how the freeport **supports existing progressive place visions** which centre around building an inclusive and democratic economy;
- how the freeport **supports the creation of good employment** opportunities for communities of need; and,
- how the freeport is **enabling the establishment of a skills pipeline** to ensure local people can access jobs created there.

Liverpool City Region Freeport

Context

GVA in the Liverpool City Region (LCR) has increased steadily over the last 25 years and, averaged across all industries, workers have received an increasing share of that growth as wages.¹¹ However, the benefits have not been evenly spread, with significant deprivation in neighbourhoods across Liverpool, Knowsley, St Helens, in the north of Halton and the east of Wirral.¹² Liverpool, for example, is the 3rd most deprived local authority in England.¹³ These local inequalities have been exacerbated by the major economic shock from Covid-19, exposing new challenges around employment and skills particularly for young people – typified by a 23% fall in new apprenticeships between 2017 and 2021.¹⁴



The Freeport

The LCR Freeport was developed by a consortium of partners, including the Combined Authority, the constituent local authorities, the LEP, industry bodies, education providers and local business, land and infrastructure owners. Its aim is to establish:

“an inclusive, low carbon, modern multi-modal, multi-gateway trade platform with a network of key sites attracting high value inward investment in significant part from outside the City Region, supporting growth and quality employment in key sectors to regenerate communities across LCR through industry, innovation and collaboration.”

LCR Freeport announcement, March 2021

The business case for the LCR Freeport forecasts that it represents a major stimulus to the local economy, bringing 7,268 additional jobs to the region through the investment of target sectors into its tax and customs sites.¹⁵ These sites are located in and adjacent to areas of high deprivation, with both tax and customs sites in Parkside St Helens, Widness and Wirral. The tax sites of the Freeport will enable businesses operating within them to access measures including business rates relief, enhanced capital allowances, enhanced structures and buildings allowance and stamp duty land tax reliefs.

The Freeport is governed by a management board made up of public, private and academic partners, including elected council representatives from the constituent local authorities.¹⁶ The purpose of the board is to make key decisions and provide the strategic steer required for effective delivery of the Freeport’s objectives.

How’s it going?

Supporting progressive place visions

“I want to make the Liverpool City Region the fairest, most inclusive place possible, with a focus not on growth for growth’s sake but on good growth and investment that directly benefits local communities with well-paid, secure jobs and opportunities.”

Steve Rotheram, Mayor of the Liverpool City Region, About Liverpool City Region Freeport

As one freeport official we interviewed put it, the LCR Freeport has been designed to facilitate “a race to the top rather than a race to the bottom”, with plans to integrate the Freeport with the city region’s Fair Employment Charter. This suggests that the Combined Authority has creatively engrained their vision of economic inclusivity within the design and delivery of the Freeport.

While this reveals good intent, it does little in practice to mitigate against the concerns raised about the inherently extractive nature of freeports. LCR could go further by aiming to place control and ownership of the economy into local hands, using locally administered tax and customs benefits to support employee-owned and social enterprises. However, while the Combined Authority has devolved power over business rate relief, fiscal policy is more generally held by HM Treasury, meaning that the scope of these interventions are limited, pending future devolution negotiations.

Fair employment

The LCR Freeport tax and customs sites are located alongside some of the region’s most deprived neighbourhoods. The Combined Authority have taken a proactive approach to delivering on the Freeport’s stated aim of enabling sustainable job creation: developing a gateway policy which obligates businesses and developers to demonstrate that any occupier who wishes to take advantage of business rate relief and other allowances will deliver “inclusive, quality jobs to communities of need”. This policy is regulated by the tax site authorities, who have the discretion to award 100% business rates relief and will consider the recommendations of the Freeport management board in conferring this.

Establishing a local skills pipeline

To support the vision of inclusive employment at the Freeport, the Combined Authority are putting plans in place to use retained business rates to develop a skills pipeline. This route map will identify local service provision to support people into fair and inclusive quality jobs created within the freeport. To do this, Freeport officials are engaging with local VCSE representatives to understand the skills gap between local communities and potential employers, to ensure that Freeport employment demand is being directed towards those that need it most. The Combined Authority’s skills and employment team plan to use public and private education to support communities of need and local demographics who experience longer term unemployment, such as those residents who are veterans, care leavers, prison leavers and those with disabilities, and establish a pathway for obtaining high-skilled jobs within the Freeport.

Plymouth and South Devon Freeport

Context

Our analysis of the regional economy in Plymouth and South Devon reveals trends comparable with Liverpool: recent growth in GVA, with workers receiving an increasing share of that growth as wages. However, while the percentage increase of growth benefiting workers through wages is pronounced in the region as a whole, these benefits have not reached those within cities. In Plymouth and Torquay greater levels of deprivation and economic inactivity persist and Plymouth has two neighbourhoods in the most deprived 1% in England.^{17 18}

The city of Plymouth has a strong track record in progressive economic approaches, particularly as relates to efforts to grow the social economy.¹⁹ It became the UK's first Social Enterprise City in 2013, has accredited Social Enterprise Place status and has a strategic action plan to grow the co-operative economy by 2025. Plymouth is host to over 200 social enterprises with a collective turnover of £600m, employing 9,000 people, which includes two of the largest employers in the city.²⁰



The Freeport

The Plymouth and South Devon Freeport was developed through a partnership between Plymouth City Council, South Hams District Council and Devon County Council alongside public and private partners. The Freeport was approved by the government in December 2022, with a stated ambition to “enable innovators and investors from across the world to test, trial and take to market cutting edge technology and products” while delivering over 3,500 well paid jobs through inward investment into the region. The three tax sites being introduced to the Freeport are South Yard, located near the port of Plymouth, in one of the most deprived areas of the city, Langage in a greenfield site to the east of Plymouth and Sherford due south of Langage.

These sites aim to build on existing investments and assets to develop previously neglected areas, with current occupants committing to repurpose and redevelop their infrastructure for new manufacturing capacity.

The Freeport has ambitions to address historical challenges and leverage new opportunities to transform the economy of Plymouth and South Devon through physical, economic and social regeneration. To do this, the Freeport aims to create well paid jobs, tackle deprivation and enhance skills capacity in STEM and trades.

The Freeport company is governed by a board of private sector stakeholders alongside elected representatives of the three founding local authority members.

How's it going?

Supporting progressive place visions

Officials from Devon County Council stated in interviews that they recognise the need to measure the progress of the Freeport in a way which goes beyond metrics such as growth of GVA. Instead they are considering measures that encompass a range of socio-economic indicators – such as those related to deprivation, upskilling and economic inactivity – to monitor the success of the Freeport.

However, some interviewees pointed out that how the Freeport has been conceived is somewhat at odds with Plymouth's reputation for supporting the social economy. Representatives from the VCSE sector noted that opportunities for the Freeport to support Plymouth's social enterprise strategy – for example by using tax incentives to support social enterprise startups, or by reserving land and assets for occupancy by social businesses – have not been realised. One way that this could be explored would be through conditionality on higher levels of business rate relief for businesses which evidence greater community and social benefit. Reserved positions for local VCSE and social business representatives on the Freeport company board would be one route to enabling this approach.

Fair employment

Devon County Council officials have acknowledged the opportunity to support communities of need to access jobs at the Freeport and are collaborating closely with the VCSE sector to address employment and skills requirements. They are currently exploring how to place conditions on business activity using planning, contractual agreements and specific local authority powers but have recognised the limitations placed on enforcement within current planning regulations, with those conditions possibly being deemed as unreasonable within appeals processes. Despite this, there are efforts to build labour agreements into the local planning and contractual frameworks, including local labour clauses, to ensure inclusive, quality employment and potentially address the concerns around employment and workers' rights discussed earlier in this paper.

Establishing a local skills pipeline

Enabled by the supply of more jobs via investment through the Freeport and retained business rates, a skills strategy is to be implemented by a regeneration and skills group. This working group of the Freeport board will include representatives from the three local authorities, FE colleges, universities, trade unions, business and the VCSE sector.

The skills strategy will use a plethora of funding sources, including the Shared Prosperity Fund, apprenticeship levy and retained business rates to support skills development, address skills gaps and ensure that employment opportunities will be inclusive. Targeted awareness raising will specifically focus on under-represented demographics and those from more deprived communities and success will be measured by the extent to which new jobs are filled by people who were previously unemployed or economically inactive.

Celtic Freeport

Context

South Wales is historically known for heavy industry, with mining and steelworks forming the backbone of the local economy for many years, with the closure of many of these industries resulting in significant job losses and economic challenges. Our analysis shows that business profit in the region of South Wales covered by the Celtic Freeport has steadily declined since 2018. However, between 1998 and 2020, wages increased as a share of GVA in the region rising from 50% to 59%.²¹ Much of this has been driven by large employers, such as Tata Steel in Neath Port Talbot, and their importance cannot be underestimated in maintaining income levels.

South Wales contains areas of significant deprivation. In Port Talbot, 335 hectares of the Freeport is on the doorstep of the top 3% most deprived wards in Wales and within commuting distance of some of the most deprived areas in Western Europe.



The Freeport

Announced in March 2023, the Celtic Freeport was developed through a consortium comprising of Neath Port Talbot Council, Pembrokeshire County Council, the Port of Milford Haven and Associated British Ports. The Freeport's tax and customs zones span almost 250 hectares across three tax sites on the west coast of Pembrokeshire and on the coast at Neath Port Talbot. Two customs zones have been proposed within the tax sites.

A Freeport company will be headed by the South Wales Industrial Cluster and will use convening powers to drive collaboration among stakeholders, including facilitating a worker consultative forum with trade unions. The company will address the Welsh government's strategic ambitions by acting as a key financial tool for a decarbonisation plan for South Wales and creating 16,000 new jobs through a repurposing of existing carbon-intensive infrastructure toward renewable energy production and storage. Welsh officials hope that the freeport will give "an opportunity to local people in Port Talbot and Pembrokeshire to gain from opportunities we haven't seen before" through enabling skills and training opportunities and the development of local supply chains.

How's it going?

Supporting progressive place visions

Wales has a very distinct policy and legal context for freeports, with pre-existing legislation, such as the Well-being of Future Generations (Wales) Act 2015, that requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, and to prevent persistent problems such as poverty, health inequalities and climate change. The differing priorities of the Welsh government and Westminster are reflected in the language used and the priorities highlighted in the Welsh government's freeport bidding prospectus, which refers specifically to the need for bidders to demonstrate how they would implement fair work, decarbonisation and prioritise the wellbeing of workers and communities. In addition, the Welsh Social Partnership Act also enables union engagement within the development and operation of Welsh freeports, with formal worker consultative forums engrained in their governance structure.

Furthermore, the Welsh government's Economic Contract – a commitment to public investment that prioritises social, environmental and the wellbeing economy – is embedded in the Welsh freeports bidding prospectus and this is reflected within the Celtic Freeport bid. The local authorities leading the bid have developed tax site delivery agreements which commit landowners, developers and employers to:

- guarding against business displacement by only using land for economic activity which is additional to what currently exists;
- providing fair work conditions; and,
- complying with Welsh government decarbonisation targets.

These agreements are subject to monitoring by the Freeport company board, which includes trade union representatives and aims to "ensure that the Celtic Freeport has a positive impact on socio-economic disparities".²²

Fair employment

The Celtic Freeport tax sites are located near areas of acute deprivation and its bidding document states that the "goal is that employment within the tax sites is primarily drawn from these communities".²³ This will be delivered through the upcoming skills plan and tax site delivery agreements, which aim to place obligations on businesses to recruit from these communities and to provide fair working conditions to qualify for domestic rates relief. However, while the agreements place obligations on landowners, developers and employers to provide "fair working conditions", it is unclear as to whether these include paying the Living Wage and improvements in terms and conditions. Nevertheless, the agreements provide a useful lever – in tandem with worker consultative forums – that bake in fair employment to the governance of the Celtic Freeport.

Establishing a local skills pipeline

Guided by a skills plan to be developed in 2023, Pembrokeshire County and Neath Port Talbot Councils have agreed to pool retained business rates growth from tax sites – estimated to be around £500m over 25 years – for new education and skills offers, intended to maximise labour market participation for the region.

Can freeports be a force for good?

Freeports are an imperfect tool for local economic development – particularly in the face of persistent inequality – but one that is attractive for many local areas, especially in the context of biting central government cuts to funding, mounting local economic pressures and the lack of other levers to drive local growth.

The case studies reveal that, at the local level, freeport stakeholders are pragmatic. We uncovered examples of local policy makers thinking creatively about how freeports can be implemented in a way that increases the flow of wealth and investment to the people who need it most.

To this end, we set out a **six-point plan for freeports** which we hope will help to start a conversation about how inward investment initiatives can be used progressively, to build wealth for places across the UK in the long term. These recommendations centre on using the economic levers available to local, combined and devolved governments to generate positive outcomes for places and minimise the risks of wealth extraction.

A six-point plan for the here and now

1. Be ambitious to get the most for your place and the planet

Engraining progressive visions for the local economy into freeport plans enables interventions to be aligned to maximise their benefits to local people and use freeports to drive progress on net zero. This means that instead of banking on good jobs, pay, local skills support and decarbonisation as a by-product of economic growth, freeports can be sites of purposeful intervention which deliver better long term outcomes for local people, planet and place.

The value of this approach was particularly evident in the Celtic Freeport, although, admittedly, this could be considered to be a reflection of the more enabling Welsh policy landscape.

Nevertheless, all freeport operators should ensure that they take steps to reflect their progressive ambition for the local economy that minimise wealth extraction, support progressive local enterprise, provide good jobs and opportunities within environmentally sustainable limits and work to remove barriers to participation.

2. Place conditions to drive fair employment

Liverpool City Region Combined Authority and the Welsh government have both placed conditions to ensure

the benefits of economic activity in their freeports go directly to workers by way of wages.

In Wales, the national Economic Contract is a reflection of a long-standing government-level approach to placing conditions on investment and government assistance. For those operating in a less enabling environment, Liverpool City Region provides an illuminating example of creative policy which influences economic activity and ensures that inward investment contributes to an inclusive local economic agenda. This can be done through local tax site delivery agreements that ensure that businesses are delivering on local priorities, in order for them to qualify for locally administered tax benefits such as business rate relief.

That said, private ownership of land within freeports means that the success of conditions on business activity relies on the continued co-operation of landowners. Care should be taken to design policies that minimise the risk of non-compliance or to take land into public ownership where possible.

3. Use retained rates to build a skills pipeline

In order to help local residents to access high quality jobs in freeports, local and regional authorities should:

- work with industry to assess the skills needs of the jobs that will be created in a freeport area;
- support partnership working between employers and skills providers, so that provision is tailored to the needs of the local economy;
- incentivise employer investment in skills and co-invest through use of public funding including the Adult Education Budget and Shared Prosperity Fund; and,
- engage with disadvantaged communities to help highlight the opportunities available and to remove barriers to learning.

4. Build unions, the VCSE sector and community into governance structures

Our interviews revealed a strong belief that local and combined authorities would benefit greatly from deeper and more continuous engagement with their communities, the VCSE sector and trade unions when planning and beginning to operate freeports. Those places that are already doing so are garnering greater

consent and understanding about the aims and objectives of the freeport and have also managed to gather intelligence about local employment support and skills needs. This was particularly true for the Liverpool City Region Freeport.

Close collaboration with the VCSE sector on employment and skills requirements has enabled policy development in both the Plymouth and South Devon and Liverpool City Region freeports. However, while these approaches have been instrumental in designing interventions, interviewees from the VCSE sector in Plymouth and South Devon suggested that this could go further by ensuring that governance boards are populated with representatives from unions and VCSE organisations.

5. Go further to support the social economy

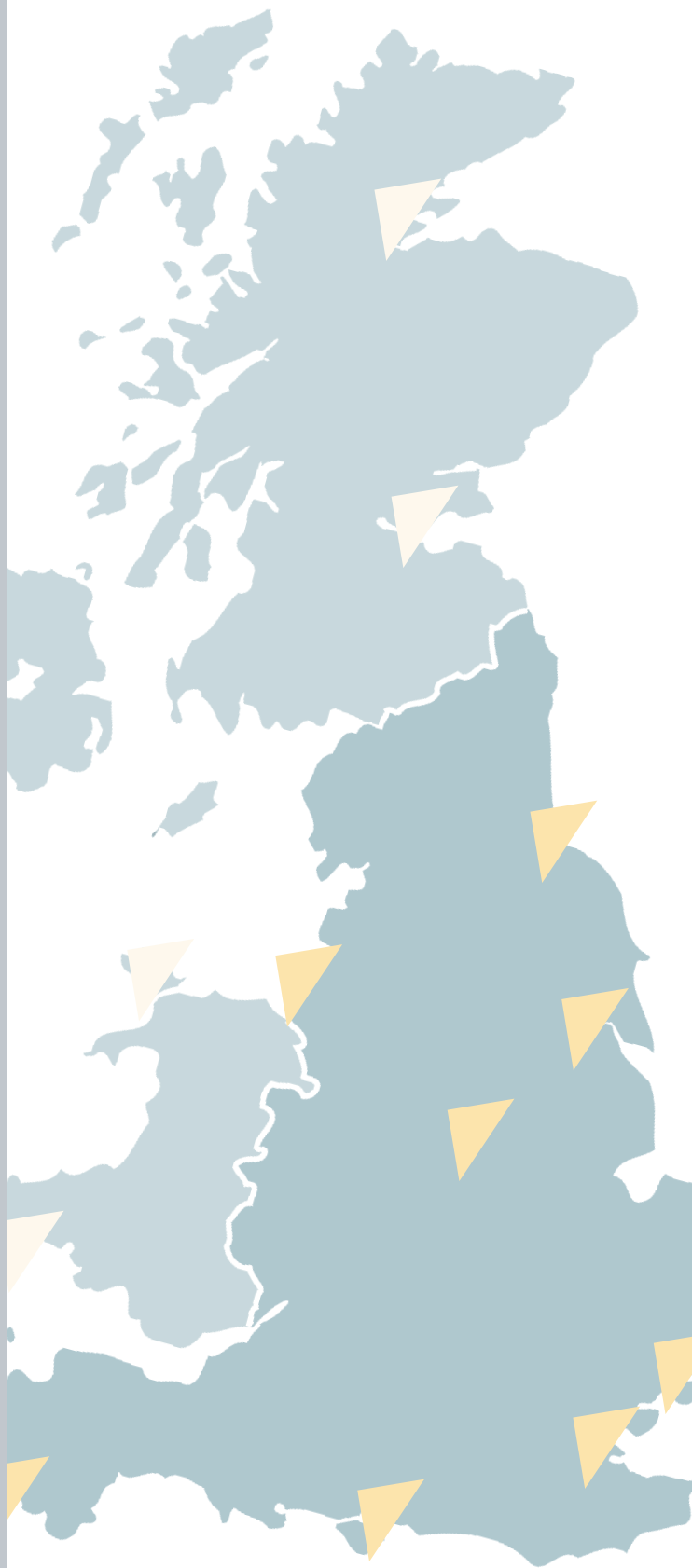
While these interventions may mitigate against the worst excesses of wealth extraction, more can be done, particularly in supporting businesses which recirculate rather than extract the wealth they generate. Even in Wales, where the government's progressive vision for the economy was more visible in the prospectus for freeports, no mention is made of their ambition to double the number of employee owned businesses in the country. Similarly, VCSE sector representatives we interviewed in Plymouth and South Devon were keen to see the Freeport's tax incentives align with Plymouth's Social Enterprise City status and to support the social economy.

Freeports can also generate wider benefits to the social economy by driving demand in the local supply chain. Councils and combined authorities can work with freeport operators to develop social value policies to ensure progressive procurement practice, filtering demand toward local small businesses, social and employee-owned enterprises.

6. Safeguard public assets for public interest

Rather than selling to the private sector, the managers of freeports should commit to keeping public land in public hands. To strengthen this commitment, freeports should examine ways in which they can be accountable to their local community. Enabling communities to participate in the planning and implementation of freeports would prioritise transparency as well as creating the opportunity to explore how the wealth they create can be owned and shared by the community.

This should not be a tokenistic exercise, but should establish direct community participation through mechanisms like participatory budgeting, citizens' juries and building governance models for freeports that reflect democratic institutional frameworks like public-commons partnerships.



Two ambitions for future freeports

The second tranche of freeport announcements is expected to be made in 2026. A future government will need to determine how it will engage with this agenda and rewrite the freeport bidding prospectus accordingly. The new prospectus will be an opportunity to focus on new ambitions for freeports.

We have identified two ambitions for future freeports which would not only mitigate against their negative impacts, but also transform them from being problematic drivers of inequality into being key vehicles for local accountability and economic change.

1. Exemplars of local accountability

Future freeports can be a driver of local accountability for employers, landowners and developers, if they are:

- required to include trade union and VCSE representation within governance structures, in order to hold employers, landowners and developers accountable, ensure fair employment practice and protect public assets from transfer into private ownership;
- required to ensure accountability to the local community, including their participation in the planning and implementation of freeports;
- supported by greater powers for local and combined authorities to place conditions on the specific business activities eligible for tax benefits and support offered through tax increment financing;
- using their planning powers and the land they own to require and enforce the highest possible standards for their communities, which can be enabled by greater planning flexibilities for local and combined authorities; and,
- supported to establish local labour clauses to ensure that new jobs are targeted towards communities of need.

2. Activators of local economic change

Future freeports should be required to demonstrate how they will be used to build an inclusive economy, where the wealth generated is more fairly shared and has a direct impact on the key challenges facing local communities and the climate. They can do this by:

- targeting tax incentives towards the goal of democratising the economy, prioritising SMEs and the social economy;
- working closely with a broad range of place-based partners (including the VCSE sector, unions and the local public sector) to maximise the opportunities for collaboration;
- prioritising the creation of good jobs and wages and actively removing barriers to the labour market;
- demonstrating how they will kickstart new training and skills regimes for high quality and well-paid jobs targeted at the people of greatest need, including:
 - how this will be funded using the financial instruments available through freeport status and other local and national funding streams; and,
 - how the local VCSE and education sectors will be given a key role in ensuring that skills are matched to the communities of greatest need;
- using metrics of success that look beyond traditional measures such as GVA and considering wellbeing and carbon targets.



Conclusion

With £200m earmarked for English freeports over the coming years, there can be no doubt that they represent a meaningful investment in places, at a time when funding for local economic development is otherwise thin on the ground.

It is on that basis that this paper has sought to examine the agenda – accepting them as a wholly imperfect instrument for making local economies better for people and the planet and asking how they can be done better – now and in the future.

Overall, there is evidence that local and combined authorities are thinking progressively about making the best of freeports already. As seen in Wales, this is facilitated by a clear sense of progressive purpose from national government and a willingness to back this up with policy levers.

This is important when we consider that there will be a new government in Westminster at the time that the next tranche of freeports is due to be announced. Whatever their politics, that government will need to be clear on how it wants to approach the agenda.

As this paper has shown, there is a great deal of debate on both the benefits and the dangers of a freeport approach and there is both good and bad practice on the ground too.

There are also gaps in the debate, particularly around questions of ownership and the use of land and planning powers to enable a more socially just approach to freeports.

CLES will continue to examine those questions and to test our ideas with the practitioners who can enact them on the ground now and the policy makers who could create the freeports of the future. **But we cannot achieve this alone. We would love to hear from you and work with you to develop future freeports that enable local economies that work for people, places and the planet. Please, [get in touch](#).**

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