



## **Plymouth City Council Scrutiny Update December 2022**

### **Introduction:**

The Plymouth and South Devon Freeport is the result of a successful bid submitted by Plymouth City Council, supported by public and private sector partners in February 2021. The Freeport programme is a flagship and highly ambitious programme to create thousands of high quality jobs and play a crucial part in post COVID19 recovery, helping to build back better, driving clean growth and contributing to levelling up agendas. At its core, the Freeport programme has three objectives:

1. National hubs for global trade and investment
2. Creating hotbeds of innovation
3. Promote regeneration through the creation of high skilled jobs.

We last updated scrutiny in February 2022 and this report provides members with an update on our progress including:

- Submission and approval of the Full Business Case
- Setting up the company and mobilising the Governance arrangements
- Staffing and recruitment
- Seed funding capital projects
- Trade and Investment

### **Background – What is a Freeport?**

Freeports provide simplified commercial and regulatory environments within their red line boundary including tax and customs benefits. The benefits assist growing and new businesses and aim to attract foreign direct investment.

For tax sites benefits include:

- Stamp Duty Land Tax Relief (SDLT)
- Enhanced Structures and Buildings Allowance (SBA)
- Enhanced Capital Allowances
- Employer National Insurance Contributions (NICS) Rate Relief.
- Business Rates Relief

For customs sites benefits include:

- Conceptually, the goods in a Freezone are still 'off-shore'

- Tariff exemption - goods from various countries can be imported assembled and re-exported without having the expense of formally importing them into UK
- Tariff suspension – Goods can be stored in suspense indefinitely to maximise inventory flexibility
- Tariff Inversion - Assembling multiple imported components into a finished product for import into the UK at the tariff rate of the finished goods

In addition to this the government is providing £25m of seed capital, which needs to be locally matched, to unlock site infrastructure such as site preparation and groundworks, roads and transport infrastructure.

### **Our Offer and Ambition**

The Plymouth and South Devon Freeport will supercharge the South West economy by building on our region's unique national capabilities in marine, defence and space to form globally impactful clusters and a UK Innovation Superpower. Our outstanding location means the Freeport is prime for growing marine autonomy, renewables and innovative businesses.

The Plymouth and South Devon Freeport will attract new investment and provide supply chain opportunities, embedding our commitment to tackle climate change, deliver clean growth and marine decarbonisation. We will provide innovation, investment and infrastructure to build a more resilient, sustainable, and productive economy and upskill the local workforce for the high quality future proof jobs the Freeport will bring.

Our Freeport represents a unique opportunity to level up, address historical challenges and leverage exciting new opportunities to transform the economy of Plymouth and South Devon through:

**Physical regeneration** – by delivering infrastructure to unlock key employment sites and innovation assets, supporting business clustering and clean growth opportunities.

**Economic regeneration** – by delivering inward investment, supply chain opportunities and productivity gains within our identified growth sectors.

**Social regeneration** – by delivering a pipeline of jobs across the spectrum of employment from entry level to higher skilled/high value with upskilling opportunities.

We will:

**Create a national hub for trade and investment** – delivering an increase in trade throughput and piloting short sea shipping, reducing freight transport emissions, improving regional connectivity, increasing Foreign Direct Investment (FDI) and investment, as well as increasing the number of businesses exporting

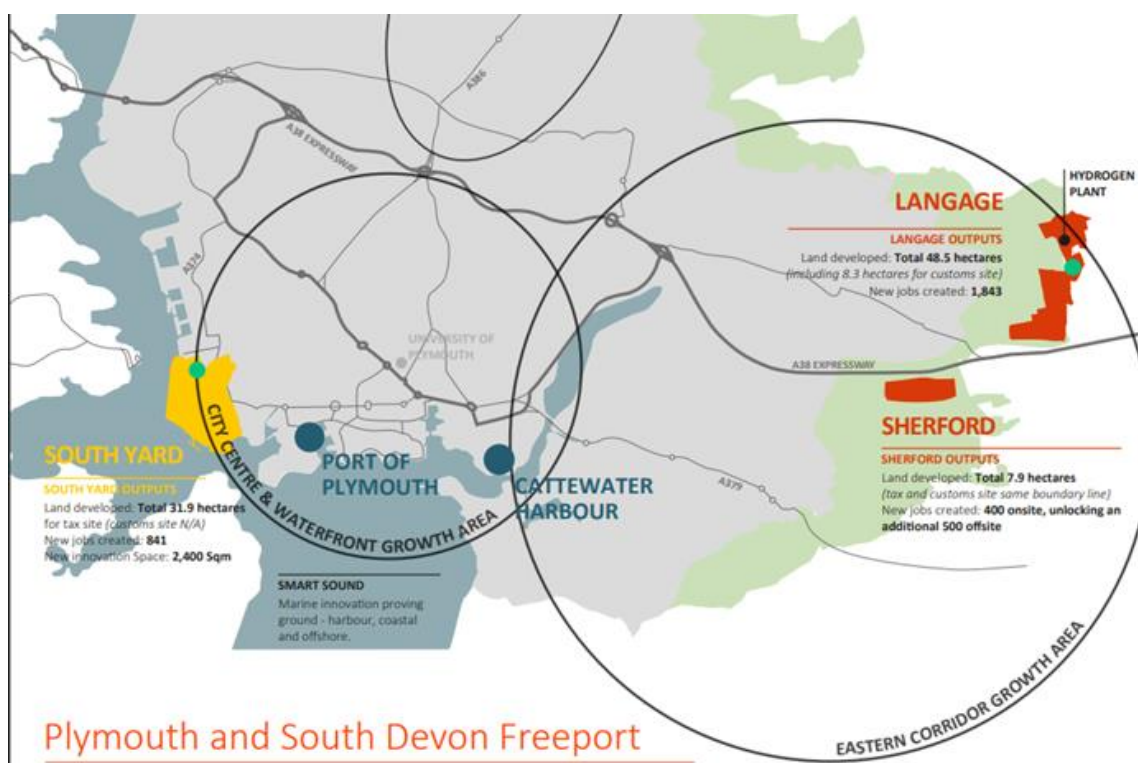
**Promote regeneration and job creation** – increasing economic specialisation, delivering an increase in employment and average earnings, tackling deprivation and enhancing skills capacity, apprenticeships and opportunities

**Create a hotbed for innovation** – increasing R&D spend, boosting Gross Value Added (GVA) through increasing high value economic activity, increasing productivity, contributing to net zero research and innovation agendas and extending regional, national and international networks.

In summary our Plymouth and South Devon Freepport will:

- Enable new employment land to be bought forward at the three sites of South Yard, Langage and Sherford
- Support a new £30m Innovation Centre at Oceansgate
- Provide a major expansion plan for Princess Yachts
- Include £29m investment from Local Authorities
- Leverage £250m private sector investment
- Deliver over 3,500 jobs

Freepport Site Map:



**Progress update:**

**Submission and approval of the Full Business case (FBC).**

We last presented to scrutiny in February 2022 which enabled the committee to check, test and input to proposals as we developed and finalised the full business case for the Freeport that was submitted in April 2022. As part of the review process many government departments reviewed our submission and there was a process of critical actions were on a number of matters where we were asked to provide additional information or clarifications. This was closed out throughout the summer months. We are delighted to be one of the first of three Freeports to have their Full Business Case assessed and approved and we are awaiting the final sign offs.

In addition to this all three tax sites have been set out in legislation, through the Statutory Instrument of government. Our temporary customs at Burrington Way site has now been designated [The Free Zone \(Customs Site No. 1 Plymouth\) Designation Order 2022 \(legislation.gov.uk\)](#). The Customs Site Operator, (CSO) would need to complete final documentation to “activate” the site to receive goods. This designation has enabled our FBC to be eligible for approval.

A Memorandum of Understanding (MOU) has been developed by Government, led by the Department of Levelling Up, Homes and Communities (DLUHC) which will require sign off by the Freeport Company, Accountable Body (Plymouth City Council) and Billing Authorities (Plymouth City Council and South Hams District Council). Whilst Devon County Council will not need to sign the MOU they have fully collaborated on scrutinising it and will remain key in Delivery of the Freeport. The MOU sets out the responsibilities of each organisation and uses wording directly from our FBC. It also outlines our monitoring and evaluation framework and reporting responsibilities as well as the processes regarding the seed capital funding release of £25m and associated specific Accountable Body responsibilities.

We have submitted a Levelling up bid to support the Freeport for the Plymouth Sutton and Devonport Constituency for £20m comprising of 3 project elements:

- £10m towards the innovation centre and mobility hub within South Yard
- £5m towards port infrastructure at Millbay; and
- £5m for waterfront regeneration and a maritime digital hub at Tinside

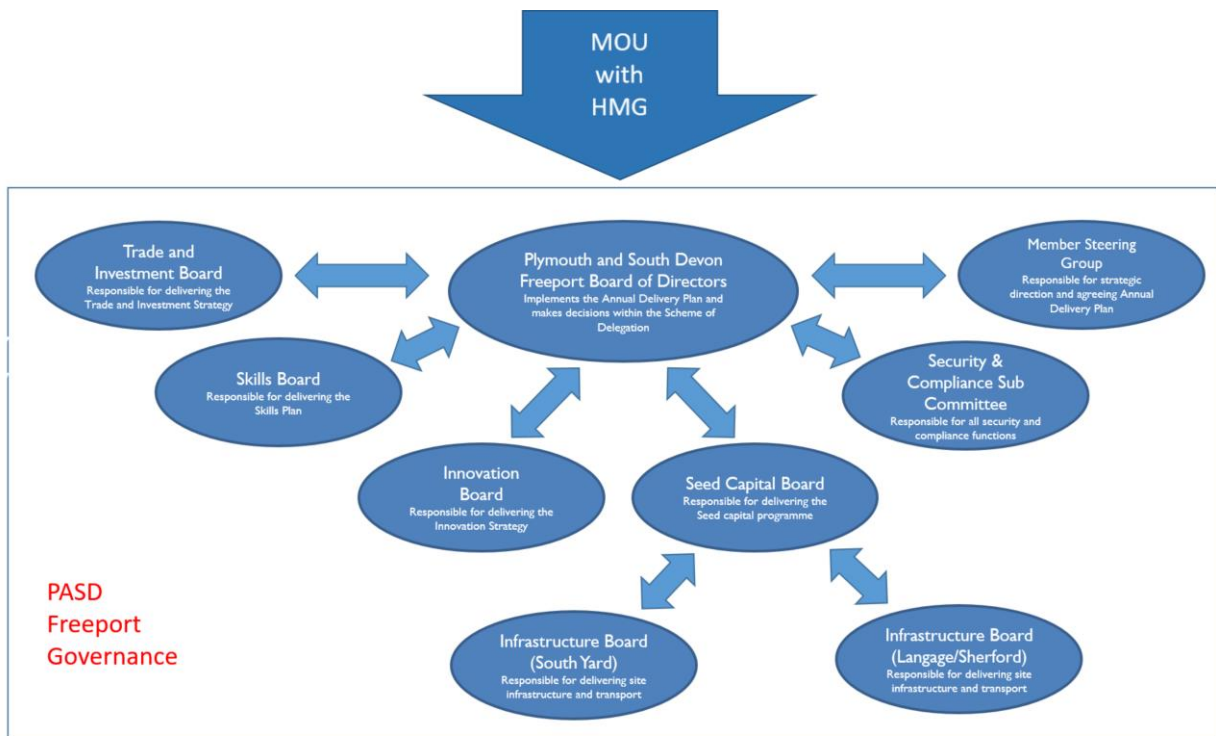
Currently there is no date for when we might hear if we have been successful.

**Setting up the company and mobilising the Governance arrangements.**

In the summer we have set up and registered the Plymouth and South Devon Freeport Company. At Companies House. Alongside this the company needs a range of other provision set up which has included:

- Banking, Accountancy Services and Audit
- Legal services and support
- Insurances
- IT services and Support
- HR Services including establishing company policies including health and Safety, Employee Handbook, staff contracts prepared and employee insurance cover in place.

The governance arrangements are enacted through a series of boards who meet on regular agreed frequencies and are overseen by the Freeport board of directors. A summary of the boards and responsibilities are shared below. Most of the boards have had mobilisation meetings and are finalising terms of reference and responsibilities as the MOU is finalised and in due course signed off.



## Staffing and Recruitment

An Interim Chair of the Board (Adrian Bratt- Princess Yachts) and an interim CEO (Richard May) have been put in place from the summer. We are now in the midst of recruitment to the permanent roles. In addition to this we have commenced the recruitment process for the Operations Manager, Business Growth and Investment Director and Project Coordinator. The vacancies are posted on our new website

– the team vacancies benefitting from the national adverts for Chair and CEO and syndication through partner communications and social media.

The Freeport Company is also supported by all three local authorities who have allocated staff resource to the Freeport. Some roles are supported by revenue funding contributions back to the local authorities from the Freeport whilst other senior roles are a match contribution to the Freeport.

### **Seed funding capital projects**

In our Full Business Case we identified a series of interventions that unlock the sites and provide core infrastructure. As accountable body we (Plymouth City Council) will now be responsible for progressing the delivery of these schemes with our public and private sector partners. The schemes are in different levels of design details and maturity and a business case process will be required to release funds from the accountable body to each scheme. Construction projects are experiencing significant cost inflation related to ongoing market pressures. It is therefore important for us to understand what is the extent of these pressures on our capital funding and any actions required to mitigate any further risk. The Capital Board are currently meeting monthly and we are expecting the first funds from government available in the next few months to continue with feasibility and design development.

### **Trade and Investment**

The Trade and Investment sub board have held three workshops with the DIT Freeport Team and wider cross Whitehall team. They have publish a website on the UK Freeport offer featuring PASD Freeport. They also developing a PASD Freeport Pitchbook to be used by Trade missions overseas.

The team have design new branding with trademark pending. The brand represents cluster formation for our key sectors and our global platform; it is vibrant, energetic and innovative. A new PASD Freeport website was released alongside the national recruitment campaign. It incorporates a Twitter feed and is augmented by a LinkedIn channel to engage and growth our ecosystem presence. We have an increasing active events stakeholder engagement calendar with presence and guest speaking slots with local, national and international events. As an example, the interim CEO was guest speaker on panel with Siemens Gamesa CEO, ABP Chief Commercial Office and a Minister at Green Tech and Investment Expo in Gateshead on 1st November with invite only audience of global CXO, investment banks and senior government officials.

## OFFICIAL

The Trade and Investment team made up from all three Local Authority inward investment teams, LEP and DIT, and the Marine Business Technology Centre Director have been gaining a good flow of new enquiries and progressing them according to gateway. The pipeline has is prioritised with a handful of lead that are close to making deals.

- South Yard - two businesses looking for sizeable buildings in South Yard to start production in New Year. PY investments - active discussions.
- Langage – LEPL Hydrogen plant bid made to HMG; first phase of speculative units progressing - interests for FDI – like: drone manufacturers, H2 engine manufacturing.
- Sherford - still confirming Logistic Facility.