

Growth and Infrastructure Overview and Scrutiny Committee



Date of meeting: 12 July 2023
Title of Report: **Freeport Annual Update**
Lead Member: Councillor Tudor Evans OBE (Leader)
Lead Strategic Director: Anthony Payne (Strategic Director for Place)
Author: Ian Cooper
Contact Email: ian.cooper@pasdfreeport.com
Your Reference:
Key Decision: No
Confidentiality: Part I - Official

Purpose of Report

To provide an annual update on the Plymouth and South Devon Freeport, focusing on governance mobilisation, net zero, seed capital programme, and trade and investment.

Recommendations and Reasons

The Committee is recommended to note the Freeport Update Report.

Alternative options considered and rejected

N/A

Relevance to the Corporate Plan and/or the Plymouth Plan

N/A

Implications for the Medium Term Financial Plan and Resource Implications:

N/A

Financial Risks

N/A

Carbon Footprint (Environmental) Implications:

N/A

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

N/A

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Freeport Annual Update							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	N/A	Leg	N/A	Mon Off	N/A	HR	N/A	Asset s	N/A	Strat Proc	N/A
Originating Senior Leadership Team member: Anthony Payne											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 29/06/2023											
Cabinet Member approval: Tudor Evans 'approved verbally'											
Date approved: 29/06/2023											

APPENDIX A**Freeport Annual Update – Growth and Infrastructure Overview and Scrutiny Committee – 12 July 2023**

This annual update is an agreed output of the service level agreement in place between Plymouth and South Devon Freeport and Plymouth City Council. Its purpose is to provide an overview of progress in areas of key strategic importance to the Growth and Infrastructure Overview and Scrutiny Committee.

The strategic areas covered by this annual update are:

- Governance mobilisation
- Net zero
- Seed capital programme
- Trade and investment

Governance mobilisation

Recruitment of the Freeport core team has been taking place since last autumn with the appointment of Jan Ward CBE as Chair of the Board of Directors and Richard May as Freeport CEO. Ian Cooper and Kate Whitta were recruited in May 2023 as Operations Manager and Project Coordinator respectively. Simon Ryan has been fulfilling the role of Business Growth and Investment Director on an interim basis while an executive search for a permanent recruitment to this role is undertaken this summer.

The Freeport's governance arrangements have evolved over time to achieve compliance with Government guidance and UK company law.

The Freeport prospectus required that we set out our arrangements for a 'shadow' board which had to take the form of a public/private partnership with a lead local authority as the accountable body. This arrangement was superseded when the Plymouth and South Devon Freeport Company Ltd was incorporated on 16 May 2022.

The Freeport consists of the following elements:

- Plymouth City Council as the Accountable Body will receive and allocate the seed capital to support the delivery of the capital programme;
- The Freeport Company is a Company Limited by Guarantee established by the founder members who are the Local Authority partners. The Freeport Company will have autonomy to operate and run the Freeport within its delegated powers;
- The Local Authorities will be responsible for delivering the capital works funded by Freeport seed capital and local public sector match generated through retained business rates and, for holding Landowners to account through the Landowner agreements;
- The Landowners will be responsible for delivering their individual sites in accordance with the Landowner Agreements.

In January 2023 a Memorandum of Understanding was signed by Government, the Accountable Body for the Freeport (Plymouth City Council), the Freeport Governing Body and the two billing authorities (Plymouth City Council and South Hams District Council). While the MOU is not legally binding it contains the agreed modus operandi for the Freeport.

Since the start of the year, the following governance activities have been completed:

- Set up of Advisory Boards and Sub-Committees;
- Set up of risk management processes;
- Established monitoring and evaluation processes;
- Set up delivery partner objectives;
- Co-designed key working practices between company and delivery partners ahead of SLA drafting;
- Negotiated Service Level Agreements with Freeport partners for delivery of the supporting programmes;
- Appointed a Net Zero lead.

There is no standalone net zero board/committee. Instead, net zero is embedded across the governance structure with the Net Zero Lead attending all forums to ensure due consideration is given to this strategic priority area. This approach has been commended by DLUHC.

The decision has also been made to streamline the governance structure by adding the functions of the Programme Manager to the remit of the Operations Manager.

Net zero

The Plymouth and South Devon Freeport has a high-level ambition to:

Act as an exemplar whereby working with local partners delivers a net zero emissions target for the area covered by the Freeport's outer boundary and wider region significantly ahead of 2050.

This ambition aligns with our wider strategic ambition set out in the Devon Climate Plan as well as partner authorities' individual targets. More broadly, through our innovation agenda, we have an ambition to contribute to the development of clean maritime technologies as well as zero carbon shipping.

Milestones and Targets for Achieving Net Zero – all three Local Authorities covered by the Freeport outer boundary have committed to achieving net zero by 2050 or earlier. In the case of Plymouth and Devon, the authorities have committed to achieving net zero by 2030. South Hams has committed to achieving net zero by 2050 and it is expected that milestones will be achieved in line with Government targets for 2030 and 2035. We will monitor and report progress in terms of our scope 1 and 2 emissions (direct and indirect), but in addition, we will strongly work towards reducing our scope 3 emissions (supply chains). Achieving net zero by 2030 will require us to act three times faster than envisaged by Government policies. Our Freeport will act as a catalyst, helping us to accelerate the implementation of existing technologies (such as electric vehicles and hydrogen) as well as pioneering new solutions through our Innovation Hotbed acting as a test bed for pioneering and lower carbon construction methodologies for industrial designs that promote circular economy measures. The table below shows our Freeport proposals which directly contribute to our net zero ambition.

Project	Source of Funding	Contribution to Net Zero and Wider Benefits
A 10MW Green Hydrogen Electrolyser at Langage	Private sector	<ul style="list-style-type: none"> Underpins Government's Hydrogen Strategy A live wire connection to the onsite solar farm and sleeved power Purchase Agreements will ensure 100% green energy usage, providing a low carbon fuel for shipping and HGVs and buses Creates 10 new green jobs
Pedestrian and Cycle Bridge connecting Sherford and Langage	Seed and public sector	<ul style="list-style-type: none"> Enables safe walking and cycle routes between Sherford and Langage and the communities that live on either side of the A38 Reduces transport emissions
Mobility Hub at Langage (as part of core infrastructure)	Seed and public sector	<ul style="list-style-type: none"> Will provide electric charging points for cars and cycles and lockers etc
Mobility Hub at South Yard	Seed and public sector	<ul style="list-style-type: none"> Will provide electric charging points for cars and cycles and lockers etc
Port Infrastructure Improvements	Seed and private sector	<ul style="list-style-type: none"> Will enable development of short sea shipping routes which offer a low carbon alternative to road transport
Innovation Centre at South Yard	Seed and public sector	<ul style="list-style-type: none"> Will support development of net zero technologies aligned with the marine sector with wider applications beyond

In addition, the Freeport will aim to exceed basic building regulations in terms of the embodied and operational carbon associated with construction, where possible, acting as a test bed for sustainable, low carbon industrial building construction. The following table sets out the high-level construction techniques as well as the levers that the Freeport will use to ensure delivery.

	Techniques	Levers for Delivery
Reducing embodied carbon	<ul style="list-style-type: none"> Construction design which follows a lean, efficient and circular approach to avoid unnecessary waste material Selection of responsibly sourced materials and components Consideration of whole life maintenance impacts and embodied carbon emissions 	<ul style="list-style-type: none"> Procurement – standards and expectations embedded into tender documents and scope Planning - developers will be required to follow supplementary planning guidance (DEV32.1) Landowner Agreements – requiring landowners to support net zero objectives
Reducing operational carbon	<ul style="list-style-type: none"> Passive design measures and building fabric performance standards in line with best in class i.e. RIBA, LETI etc Integration of renewables such as solar, heat pumps and where possible integration of heat networks 	<ul style="list-style-type: none"> Procurement – standards and expectations embedded into tender documents and scope Planning - developers will be required to follow supplementary planning guidance (DEV32.6) Landowner Agreements – requiring landowners to support net zero objectives

Seed Capital Programme

Twelve capital projects were identified within the Full Business Case (FBC) and approved by government. The FBC was developed in the early part of 2022. The suite of individual investments were at varying levels of maturity, and it was expected that they would be further developed. Since the FBC was submitted the economic landscape has changed significantly, exerting pressure on both construction (through rising inflation costs) and borrowing (through higher interest rates). Expected timetables for delivery have also shifted as the MoU with Government was signed considerably later than expected.

Considering the above, the priority has been to:

- Review and redevelop the capital programme – to reflect changes since the FBC and new strategies based on funding gaps and assembly of land status.
- Re-profile project timelines – ensuring design and planning consideration is factored in and accelerated.

- c. Refresh costs – updating outstanding cost profiles and better understanding of project designs.
- d. Change requests – making formal change requests to DLUHC adjusting the seed funding profile.
- e. Releasing the £25m of seed capital – bringing forward business cases as quickly as possible for Technical Appraisal and Business Case Approval – to release grant and raise other funds efficiently to deliver projects at pace and on time.

Business cases submitted to Accountable Body and are under consideration are listed below:

- Sherford Land Assembly. £3.5m for SHDC towards the purchase of the Sherford tax site.
- ABP Port Improvements. £1.3m to improve Millbay port infrastructure to facilitate higher volume of freight and short sea shipping.

Trade and investment

The Freeport's anchor tenants, Princess Yachts and Babcock, are committed partners. Both intend to take advantage of the tax site benefits to grow their businesses within the city.

This commitment has already manifested with Babcock securing a £40m contract in partnership with Devon defence vehicle designer and manufacturer Supacat. This contract will deliver 90 new jobs and enables Babcock to expand its operations in the Freeport's South Yard tax site, with an initial order to manufacture 70 High Mobility Transporters (HMT 400 series) 'Jackal' military vehicles.

A trade and investment pipeline to land further businesses within the Freeport is maturing. Importantly, this process is providing a legacy to the successful Marine Business Technology Centre initiative with several of the 156 businesses who engaged with the project enquiring about the opportunities the Freeport has to offer.

Building awareness among businesses in relation to the Freeport customs benefits is also gaining traction. The Freeport has aligned itself with Plymouth and Devon Chamber of Commerce and Plymouth Manufacturers Group to target businesses with high import/re-export activity. This has generated a pipeline of potential customs site operators situated within the Freeport's Outer Boundary, and we already have two businesses who have submitted their initial application to HMRC.

The Freeport's Langage tax site will be home to a green hydrogen generation plant, which is being developed by landowner Carlton Power. The scheme is a major part of the Freeport's net zero strategy. An industry leading project, that will use renewable energy to produce green hydrogen fuel which will decarbonise industry, and in the future, transport and heating. The development will have an initial capacity of 10 MW, which will produce enough hydrogen to heat the equivalent of 14,000 homes.

Following March's announcement that the project had been shortlisted by the UK Government for financial support, Carlton Power has signed partnership agreements for Langage to supply hydrogen fuel to two international mining and materials companies: Sibelco and Imerys. The Freeport's 10MW hydrogen hub project at Langage, the first of its kind in the South West of England, and earmarked to enter operation in 2025, will help these two companies achieve their sustainability goals.

Overarching our entire trade and investment agenda is a significant Levelling Up Stimulus, including: 3,584 jobs from inclusive starter roles through to high value technical roles; 2,745 jobs that pay above the average wage; 10% of jobs created filled by inactive claimants and people registered unemployed; upskilling of 300 to 500 people per annum.