

# Natural Infrastructure and Growth Scrutiny Panel



Date of meeting:	11 December 2024
Title of Report:	<b>Freeport Annual Update</b>
Lead Member:	Councillor Tudor Evans OBE (Leader)
Lead Strategic Director:	Karime Hassan (Interim Strategic Director for Growth)
Author:	Ian Cooper
Contact Email:	<a href="mailto:ian.cooper@pasdfreeport.com">ian.cooper@pasdfreeport.com</a>
Your Reference:	Click here to enter text.
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

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

## Recommendations and Reasons

The Panel is recommended to note the Freeport Annual 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If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.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Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.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)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

**Sign off:**

Fin	N/A	Leg	N/A	Mon Off	N/A	HR	N/A	Assets	N/A	Strat Proc	N/A
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Originating Senior Leadership Team member: Karime Hassan

Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 29/11/2024

Cabinet Member approval: 

Date approved: 29/11/2024

**APPENDIX A****Freeport Annual Update**

**Natural Infrastructure and Growth Scrutiny Panel,  
11 December 2024**

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 Natural Infrastructure and Growth Scrutiny Panel.

The strategic areas covered by this annual update are:

- Policy
- Net zero
- Seed capital programme
- Trade and investment

Policy

In September PASD Freeport received notification from the Ministry of Housing, Communities and Local Government of the outcome of its 2023/24 Annual Performance Review. MHCLG noted they are 'pleased to see the maturity of the organisation and governance processes.' We were also notified that PASD Freeport had met the requirements of the Security Audit Review, which formed part of the APR. This is a key milestone that reflects the hard work of the PASD Freeport company and Plymouth City Council in its capacity as Accountable Body in ensuring that all core policies and procedures have been put in place in adherence with the Nolan principles. Furthermore, Advisory Boards for skills, innovation and trade and investment are now established, meeting quarterly to provide programme delivery support to the Freeport Board of Directors. Processes have also been put in place for bi-annual reporting to MHCLG with all returns having been successfully delivered across the year.

The English Freeport tax benefits extension became law in May. the previously agreed five-year window now extends until September 2031. This extension provides businesses with greater certainty and extended time to capitalise on the Freeport's tax benefits and reliefs, available to eligible new businesses or those demonstrating high growth.

The tax reliefs available for eligible businesses are:

- 100% Stamp Duty Land Tax relief.
- 5 years Business Rates relief.
- Enhanced structures and buildings allowances.
- Enhanced capital allowances for plant and machinery.
- Secondary Class 1 National Insurance contributions relief for eligible employers on the earnings of eligible new employees up to £25,000 per annum for up to 3 years.

Alongside the tax window extension, PASD Freeport also obtained Government agreement to broaden its gateway criteria to allow eligible businesses operating in advanced manufacturing, engineering and net zero technology sectors to invest in the Freeport, alongside businesses aligned with the Freeport's original core sectors of marine, defence and space.

Following the General Election in the summer, the new UK Government has confirmed continued funding for the Freeports Programme across the UK in its Autumn 2024 Budget, while also announcing that it will work with partners to align the Programme with its policy priorities. The Chancellor also confirmed that tax sites will be designated in Celtic Freeport, and five new customs sites will shortly be designated across three of the existing Freeports.

*The Freeports Programme will drive the government's growth mission by promoting new investment in sectors that are vital to the national Industrial Strategy, creating good, highly skilled jobs in areas which*

*have underperformed economically in the past. Freeports have already attracted £6.4 billion of investment, much of which has been in green energy sectors. This investment is expected to create more than 7,200 jobs. This continued focus and support will ensure UK Freeports align with the Government's planned broader Industrial Strategy, and their key policy priorities.*

(Ministry of Housing, Communities and Local Government)

The Government intend to publish a 10-year Industrial Strategy in spring 2025. Eight growth-driving sectors have been identified, including: Advanced Manufacturing, Clean Energy Industries and Defence (all PASD Freeport gateway sectors). The Industrial Strategy will bring forward coordinated sector-specific and cross-cutting policies that support businesses to overcome barriers and invest. A consultation period is now underway. By considering and listening to businesses and experts, the Government can identify the most effective levers for our sectors and geographical clusters across the country. PASD Freeport has responded to the Green Paper, outlining how the Freeport policy can deliver against the Industrial Strategy at pace when it is published in the spring.

### Net zero

In September, the strengthening of Associated British Ports' West Wharf at Millbay Docks completed – this part of ABP's ambitious infrastructure project for the Docks received £1.3m of funding from the PASD Freeport's seed capital programme. This is a tangible example of Plymouth City Council delivering on the commitment it made to ABP and Brittany Ferries in August 2023 when the three parties signed a Memorandum of Understanding to work together to ensure Millbay Docks enjoys a sustained era of clean, green and good growth.

*"The strengthening of the West Wharf is a critical component of ABP's ongoing £23m investment in upgrading infrastructure at Millbay, which will help secure the long-term future of the Ferry Terminal, strengthen the port's freight capability, increase the port's green credentials and grow the offering to the cruise market."*

(Associated British Ports)



Figure 1: West Wharf, Millbay, following reinforcement works carried out between December 2023 and September 2024. © ABP

Construction began in December 2023 and involved the installation of 30 steel tubular piles, which means that the West Wharf now has a 60-metre section capable of accommodating 100-tonne cranes, and therefore significantly increasing the load capacity of the berth. The enhancement will enable the

port to handle a greater volume of cargo, thereby increasing the capacity for Plymouth to receive short-sea shipping freight which is a cleaner mode of carriage compared to HGV road freight.

PASD Freeport has also worked closely with Cattewater Harbour Commissioners over the past year in support of a port optimisation project to provide safe navigational channels for slightly larger hulls, supporting commitments set out in the Freeport's Full Business Case to futureproof port facilities for new markets and support further development of more regular short sea shipping routes.



Figure 2: Section of the Cattewater channel to be widened to accommodate larger, greener vessels.

The project forms part of a package of improvements designed to attract more cargo and bigger, greener vessels. Plymouth City Council, as the Accountable Body for the PASD Freeport, awarded Cattewater Harbour Commissioners a grant of £381,713.32 earlier in the year as part of the Freeport's seed capital programme. This money has been used alongside match funding to contract the work, that will see navigational safety improved to allow the next generation of hybrid ships to visit Plymouth.

Elsewhere, at Langage, Carlton Power, one of the UK's leading independent energy infrastructure development companies, discovered in December 2023 it had been successful in Round One of the UK Government's Hydrogen Allocation Round (HAR1). The company's three projects – at Trafford in Greater Manchester, Barrow-in-Furness (Cumbria) and Langage, near Plymouth (on Freeport Tax Site land) – were each awarded financial contracts from the Department of Energy Security & Net Zero (DESNZ). Subject to reaching Financial Investment Decisions, these projects should enter commercial operation within the next 2-3 years.

Carlton Power is working with Schrodgers Greencoat LLP, the specialist investment manager dedicated to the renewable energy infrastructure sector, to finance, build and operate the three projects via their joint venture – Green Hydrogen Energy Company Ltd (“GHECO”). The JV, announced in May 2023, aims to build a hydrogen project portfolio in the UK of 500 MW by 2030.

### Seed capital programme

Following its designation in 2022, PASD Freeport was awarded £25m of seed capital funding from the Department for Levelling Up, Housing and Communities (now, Ministry of Housing, Communities and Local Government). The purpose of the seed capital is to address infrastructure gaps in Freeport locations and create the right physical conditions to encourage private sector investment.

Plymouth City Council as the Accountable Body of the PASD Freeport ensured the £25m became fully allocated this year across a range of projects all designed to create jobs, support innovation and facilitate workforce development across the Freeport's key sectors of marine, defence, advanced manufacturing, engineering and net zero tech.



Area	Investment	Detail	Allocated Funding	Lead
Tax Site 1: South Yard	<b>Innovation Units</b>	The project will deliver two buildings of innovation industrial units and mezzanine office space at South Yard.	3.556	Plymouth City Council
	<b>Princess Yachts Factory Extension</b>	Land remediation to facilitate the extension of an existing factory.	0.315	Princess Yachts
Port of Plymouth	<b>Millbay Port Improvements</b>	Enhancing freight capability at the port by replacement of the Western Wharf and introduction of new fenders.	1.300	Associated British Ports
	<b>Cattewater Channel Widening</b>	Widening the channel in/out of port to accommodate larger vessels and promote greater volume of short sea shipping.	0.382	Cattewater Harbour Commissioners
Tax Site 2: Langage	<b>Spine Road 1a</b>	Delivery of a spine road extension which will unlock phase 1a of the Langage tax site.	4.000	Devon County Council
	<b>Core Infrastructure</b>	Supply of power to Plot 2 and Plot 3 of Carlton Power's development.	0.925	Carlton Power
	<b>Access Road</b>	Access road off Holland Road to Plots 1 and 2, leading to Plot 5.	0.800	Carlton Power
	<b>Beaumont Way</b>	Development of circa. 4,615sq.m (50,000sqft) of flexible, high quality, sustainable workspace split across four different units.	4.000	Plymouth City Council
Tax Site 3: Sherford	<b>Land Assembly</b>	SHDC to acquire the land at Sherford identified as PASD Freeport Tax Site 3, on a temporary basis, from the landowner. Plus master planning.	3.700	South Hams District Council
	<b>Access Road</b>	The road will provide access to the Sherford site.	0.984	Sherford Consortium
	<b>Core Infrastructure</b>	Core infrastructure will enable the site to be developed.	0.216	Sherford Consortium
Enabling Infra: Langage and Sherford	<b>Ped/Cycle Bridge</b>	A bridge across the A38 to enable pedestrian and cycle access to the Langage and Sherford Tax Sites from both communities.	4.519	Devon County Council
N/A	<b>Grant to Freeport Company</b>	For delivery of the capital assets.	0.303	PASD Freeport

25.000

Table 1: PASD Freeport seed capital funded investments as of December 2024.

These investments include the net zero enabling projects at Millbay and Cattewater outlined above, and Plymouth City Council's direct developments at Oceansgate (South Yard Freeport Tax Site) and Beaumont Way (Langage Freeport Tax Site).

Plymouth City Council's next phase of Oceansgate development will deliver a place for marine businesses to innovate and collaborate. A planning application was submitted in September proposing the construction of two buildings providing over 1,700m<sup>2</sup> of high-quality workspace within eight units expanding the existing Oceansgate complex, which is already home to 14 industrial units and 12 offices.



Figure 3: Proposed innovation units to be built at Oceansgate, Devonport, by Plymouth City Council. © Plymouth City Council

*The next phase promises to be even greener and built to the latest low carbon building specifications. Features include renewable energy systems, the use of lower carbon materials – such as sustainably*

sourced timber, stone, and recycled building materials, orientation of the buildings for heat/shade, efficient heating, ventilation and air conditioning systems. There will also be cycle parking and EV charge facilities.

(Plymouth City Council)

The PASD Freeport partnership has allocated seed capital grant of £3.256m, and Plymouth City Council is matching this with service borrowing of £3.274m to fund this direct development which will accommodate circa 49 FTE jobs when completed at the end of next year, subject to planning approval.

A seed capital grant of £4m has also been allocated to Plymouth City Council for a second construction project. This direct development of a Plymouth City Council owned plot of approximately 1.6 hectares (4 acres) is located on part of the PASD Freeport's Langage Tax Site. The scheme has full planning consent (South Hams District Council ref no. 4441/21/ARM) for the development of approximately 4,615m<sup>2</sup> (50,000ft<sup>2</sup>) of sustainable, high quality employment accommodation for medium and large sized businesses to occupy.



Figure 4: Architectural rendering of Unit 3, Beaumont Way, Langage. © Plymouth City Council

In terms of supporting employment opportunities, the development is expected to create / support circa 138 FTE jobs (in addition to promoting construction related jobs and supply chain links during the build period). All four units are targeting EPC A ratings and will also be targeting BREEAM Excellent and Net Zero Carbon.

Project milestones include the following:

- Devon Contractors Ltd recently appointed as main contractor to construct the scheme.
- Detailed pre-construction design work progressing.
- Start on site due early December 2024.
- Marketing brochure prepared and uploaded to PCC, Freeport and Rightmove websites.
- New year will see main construction works progressing.
- Completion Autumn 2025.

The Freeport's seed capital programme is also supporting several transport infrastructure projects, including:

- Spine Road 1a – the Kingsway Road stops just south of the Power Station on the eastern side of the Langage Business Park. Devon County Council's Spine Road 1a project will utilise £4m of seed capital funding to extend the road so that it unlocks Carlton Power's plots 7 and 8 within the Freeport Tax Site. Full planning permission has been granted, with construction beginning in the spring for completion by the end of 2025. The road will be delivered in such a way that it will allow developers to deliver access points to the site in the future as individual plots receive full planning permission.

- Ped/Cycle Bridge – Devon Council Council is also leading on the Pedestrian/Cycle Bridge project, which is receiving £4.519m of Freeport seed capital funding. This project supports the decarbonisation of transport by improving active travel options for short to medium distance journeys in the local area. The bridge will connect the new community of Sherford and the Freeport's Langage Tax Site, providing safer access for active travel across the busy A38 Deep Lane junction. Construction is planned for 2025.
- Sherford Road and Core Infrastructure – the Sherford Consortium is receiving £1.2m of Freeport seed capital to support the installation of a new highway junction and the construction of a new road with associated infrastructure (drainage and utilities) from the new junction to the Freeport's Sherford Tax Site. Construction is planned to start in 2025, with full planning permission already secured.

### Trade and investment

In March, Babcock and Supacat officially launched production of 70 High Mobility Transporter (HMT) 'Jackal 3' vehicles for the British Army. A purpose-built manufacturing facility was established within a disused building in the Freeport's South Yard Tax Site to deliver this initial contract.

*The facility is future-proofed and is ready for subsequent build programmes. Transformational innovation and technology have been optimised throughout the production line and includes the use of bespoke 'Pulse' software which maximises efficiency during vehicle assembly. It is anticipated that the advantages of being located in the Plymouth and South Devon Freeport will benefit the future throughput of this production facility for years to come.*

(Babcock)

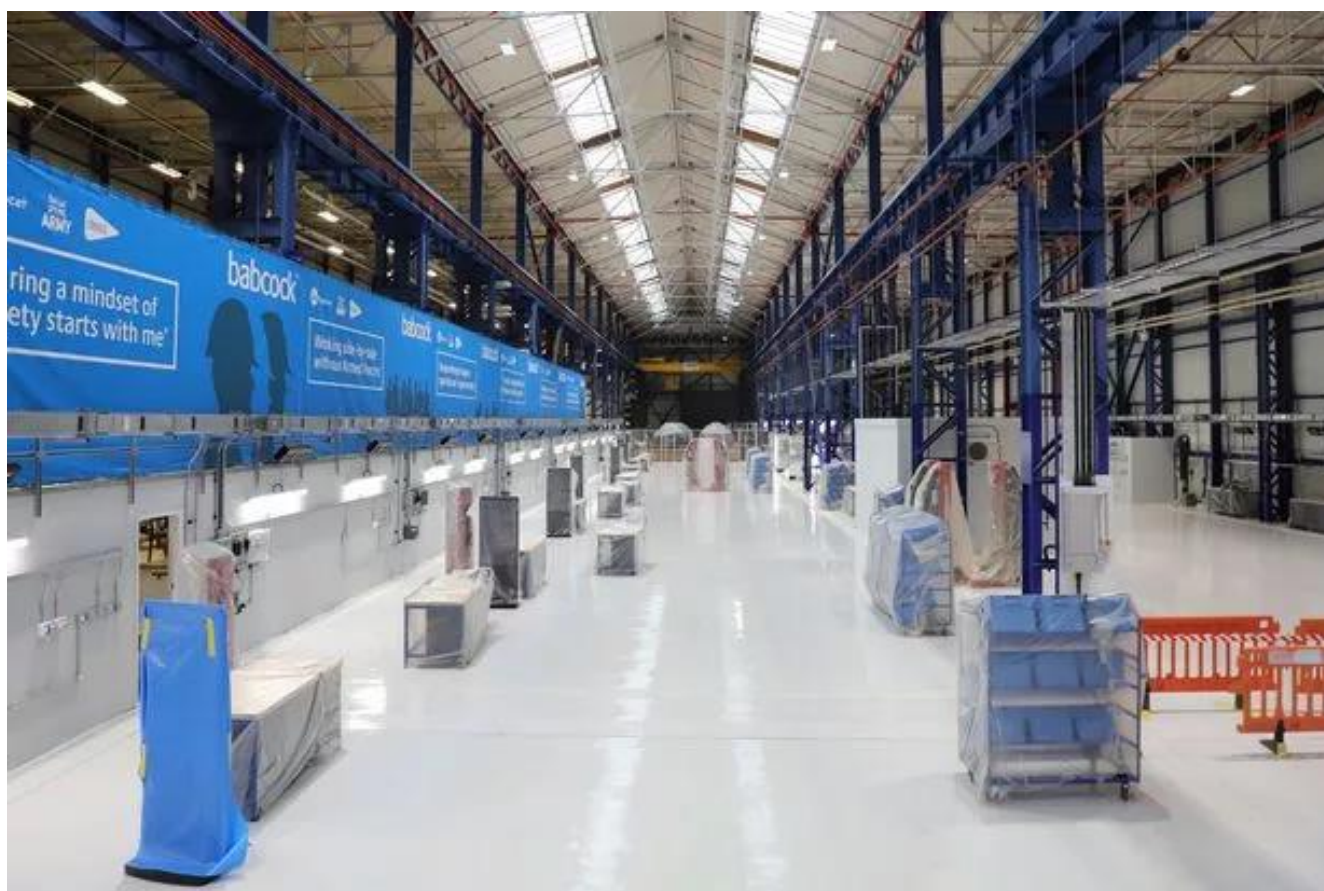


Figure 5: Inside the Jackal 3 purpose-built manufacturing facility, South Yard, Devonport. © Babcock

Alongside the development of an underutilised facility in the Freeport was the recognition of the need for additional staff to support the production of the work. This has been underscored by the skills-based work academy programme (SWAP) led by Babcock in conjunction with the Department for Work and Pensions and Plymouth City Council. The objective of the five-day programme is to support



local people back into employment, through health and safety qualifications, mindset coaching, wellbeing in the workplace and support in finding employment.

The contract partnership between Babcock and Supacat has created 90 new jobs at Babcock's Devonport facility at South Yard, as well as 40 roles at Supacat's design, engineering and manufacturing site at Dunkeswell in Devon. The SWAP has proven to be a success. 11 people have been offered roles within the project, whilst those who were unsuccessful received valuable careers advice supported by Plymouth City Council, readying them for future career opportunities.

The Babcock/Supacat partnership is a real illustration of how the Freeport offer can help support high quality jobs for the people of Plymouth, provide a canvas for innovative and technologically advanced facilities located in our tax sites, and with our defence speciality, help create sovereign capability for the UK.

The Jackal 3 programme is also directly contributing to the economic potential of the wider South West with nearly all the programme's supply chain sourced in the UK and 50% specifically from the region.

In September it was announced that Babcock, in partnership with Supacat, has been awarded a contract to build an additional 53 HMT Jackal 3s for the British Army.

This success story, and the great progress that is being made on the seed capital programme, is building awareness of the Freeport opportunity amongst businesses. Since joining the Freeport in November 2023, the Business Growth and Investment Director has led on marketing the investment opportunities via a range of initiatives, including:

- Two Unlocking Growth events in April (at Plymouth Albion RFC) and November (Holne House, Ashburton), highlighting the tax/ customs offer and the skills, net zero and innovation support. Combined events attended by >120.
- Briefings of Department for Business & Trade teams in Australia, Singapore, Europe and the US. Very positive feedback from participants and several calls with Australian businesses held off the back of this and one prospective lead in Germany.
- Hosting the SW Regional Defence & Security Cluster event in Devonport's Market Hall in November, attended by >90 businesses, academia, Armed Forces and other staff.
- Regular speaking slots at local Chambers events.
- Attendance at high profile trade and investment conventions, including UK Real Estate, Investment and Infrastructure Forum in Leeds, Global Offshore Wind in Manchester and Farnborough Airshow.
- Refreshed business-facing website for launch Jan 25 along with sustained LinkedIn output.

There is more to come in 2025, but throughout the last year we have received a consistent flow of new leads joining the Freeport pipeline each quarter with a proportion of these enquiries firming into more serious interest in South Yard (including the new Oceansgate units) and Langage (including the new Beaumont Way units). South Hams District Council is also in the process of buying the Sherford Tax Site which will secure it for Freeport purposes. On completion of this land deal SHDC will enter an Option to Buy Agreement with a defence sector end user to create an Integrated Logistics Hub as outlined in the Freeport's Full Business Case.

The Freeport's innovation workstream is also developing to help crystallise investment. Following a workshop facilitated by the Connected Places Catapult, the Freeport's Innovation Advisory Board has established a working group to develop a prospectus for an innovation fund to strengthen our trade and investment offer. Directionally this would be targeted at private sector funders with a focus on commercialisation of advanced technologies within our target sectors. In addition, the Freeport is working with Tech SW to pilot a MarineTech Accelerator in 25/26 which will see 15 businesses in the area go through Tech SW's Growth Forge programme, accelerating their growth through working

with companies such as Microsoft, sector mentors and accessing investment from a range of private sector funders.

### 2025 look ahead highlights

- Continued collaboration with Plymouth City Council, Ministry of Defence, University of Plymouth and other key stakeholders to develop the city's Defence and Floating Offshore Wind propositions, particularly in relation to innovation.
- Continued collaboration with MHCLG, Department for Business and Trade, and other Government departments to embed the PASD Freeport programme into the new 10-year Industrial Strategy, focussing on Advanced Manufacturing, Clean Energy Industries and Defence sectors, plus sub-sectors to be identified as part of the Green Paper.
- Construction and completion of Plymouth City Council's direct developments at Oceansgate and Langage South (Beaumont Way).
- Firming up the Freeport trade and investment pipeline to secure pre-lets for Plymouth City Council's direct developments, along with Carlton Power's plots at Langage.
- Construction and completion of key transport infrastructure investments to unlock areas of the Freeport's Tax Sites at Langage and Sherford, including Devon County Council's Spine Road 1a and Ped/Cycle Bridge projects, plus the Sherford Consortium's road and core infrastructure scheme.