

BRIEFING PAPER FOR PASD FREEPORT PROJECT DECISION – PASDF SEED FUNDING GRANT



Overview of project

BACKGROUND

UK Freeports (Green Freeports in Scotland) are special areas that have been created by the Government to increase investments in parts of the Country that have historically missed out. They benefit from a generous package of tax and customs incentives, as well as excellent port infrastructure, and build on the proud industrial heritage of their regions.

All of this enables UK Freeports to create an attractive business environment with the aim of rebalancing local economies by building new clusters (groupings) in industry sectors supporting our journey to Net Zero and creating thousands of high-quality jobs for local people.

The Plymouth and South Devon Freeport is predicted to create over 3,500 quality jobs for the local economy. By helping to address the local skills gap with their local partners the Freeport will seek to maximise the likelihood that these vacancies will be filled by local people living within the Freeport area.

Supercharging the South West economy by building on the region's unique national capabilities in marine, defence and space with low carbon applications to form globally impactful clusters and a UK Innovation Superpower, the Freeport provides access to over 1000 km² of authorised and de-conflicted water space and world leading research and business partners in marine autonomy, clean maritime, digital ocean technologies, defence mission modules and offshore renewable energy support solutions.

The aim of this particular projects is to ensure the financial resilience of the Plymouth and South Devon Freeport Company in light of the current funding gap which has arisen as a result of delays to the programme and associated NDDR.

Whilst the financial projections over the longer term are healthy, the PASD Freeport Company has a short term funding gap over the next three years. They are seeking to transfer £303,000 of currently unallocated seed capital to the Freeport Company to bridge this gap, to be spent on salary costs and consultancy.

The Freeport Company is central to delivering the Freeport programme and therefore the achievement of all the three policy objectives assigned to it.

At the Autumn statement 2023, the Government announced the extension of the window to claim tax reliefs in English Freeports from five to 10 years (until September 2031), conditional on agreement of delivery plans with each Freeport. PASD Freeport submitted their refreshed delivery plan in February 2024 which required them to reprofile in light of delays in the Freeport programme, including a longer than expected lead time for signing the MOU with Government, which together with the geo-political climate and significant cost inflation since the Full Business Case (FBC) was submitted, has pushed out the development of rateable buildings compared to the original profile. The

tax benefits extension delivery plan exercise has illustrated that, whilst surpluses remain positive in the longer term, the immediate shortfall is larger than forecast.

As part of this exercise, discussions took place with the Accountable Body and partners about Core Funding for the Freeport Company. It was agreed that the £303,000 of MHCLG seed funding that had not already been allocated will be used for this purpose. It will enable the Freeport Company to bridge the funding gap and allow them to continue to provide essential capacity and delivery continuity.

The business case is now covered by the Subsidy Scheme recently introduced by MHCLG thus there is no requirement for subsidy control assessment by the Freeport Company or PCC.